

**DARLINGTON BOROUGH
COUNCIL**

**Statement
of
Accounts**

2015/2016

Statement of Accounts 2015/16 of Darlington Borough Council

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Narrative Report of Darlington Borough Council

1 An Introduction to Darlington

Darlington Borough Council is a unitary local authority located in the western end of the Tees Valley, a sub-regional grouping that also includes the unitary authorities of Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees. Since becoming a unitary authority in 1997, Darlington Borough Council has consistently worked in partnership with the other Tees Valley authorities, through the agency of Tees Valley Unlimited (TVU), on strategic investment and regeneration planning

Darlington is regarded as the 'gateway' to the Tees Valley and to the wider north-east region. Darlington station on the east coast mainline railway connects the borough and Tees Valley with the rest of the UK, whilst Durham Tees Valley Airport, located within the borough, provides links to Europe and the world through Amsterdam. Darlington sits at the crossing of the north-south A1 motorway and the east-west A66 trunk road. Location and excellent communications with a high quality of life in a sub-regional context are key assets in Darlington's attractiveness as a place to live and work.

Looking beyond the Tees Valley, Darlington is a place that has helped shape the modern world. The railway age started in Darlington and transformed global horizons. 'Made in Darlington' is stamped on bridges and installations across 6 continents and the borough is now at the cutting edge of world-leading developments in sub-sea engineering, bio-medicine and digital business technologies. These are all essential connections for Darlington as a sustainable community - acting locally to build social, economic and environmental well-being with global mindfulness.

2 Director of Neighbourhood Services and Resources Report

2015/16 has been another challenging year for Darlington with the continued austerity measures meaning that we have had even more reduction in Government Funding, although as a Council we have responded well and once again met the savings targets and outturned under budget, adding £1.510M back to general fund reserves.

Darlington Borough Council has to date been proactive in adapting to an environment of significant service pressure and resource reductions. During the period 2010/11 to 2015/16 there has been a £23.3m cash reduction in government grant which in real terms (after taking inflation into account) equates to £33.7m, a 42% real reduction with more cuts to come. This is in the context of rising demand for services, in particular social care where the increasing older population and high profile child cases are putting strain on the already financially challenged services.

The majority of spending reductions to date have been achieved without direct impact on the public, although it is regrettable that a significant number of jobs have been lost in the process. The 2014/15 – 2019/20 MTFP set out a forward strategy and phased approach to achieving the significant savings required over the period, focusing its planning and resources in three key areas that offer the best prospects of being in a position to continue to serve the public well into the long term. These areas, also described as conditions required are; Building strong communities, Spending wisely by maximising every public service pound spent, and Growing the economy.

The Council developed a staged approach to meeting the challenges and a two year budget within a six year planning horizon. The rationale being funding to 2015/16 is known but beyond this point is subject to change; this strategy allows new approaches to be tested to see what could be possible for future years and also given the sheer size of change required over the period to 2020 a staged approach was needed given the Council's capacity and the public's capacity to engage and understand the change required in the Borough.

As the financial statements demonstrate, the financial standing of the Council continues to be robust. We have well established financial management processes and procedures that stand up well in the ever changing and challenging environment of continuous change. Indeed the 2016/17 MTFP Phase 2 Report that went to Cabinet in February 16 and was ratified in June 16 shows that the Council has plans in place to reduce expenditure by a further £10.0M leaving a net budget by 2019/20 of £90M. This net budget includes £2.5M of discretionary services and utilises available reserves to balance the budget.

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3 Council's Performance

Since 2008 Darlington has had a 'Sustainable Community Strategy' (SCS) which is known locally as 'One Darlington: Perfectly Placed'. It sets the direction for the various organisations working together within Darlington Partnership to make the borough an even better place to live and work.

Darlington Partnership brings together all those who are committed to achieving the best for Darlington and its people. Membership includes the Council, NHS, Police, Fire and Rescue Service, business leaders, community and voluntary sector representatives and people from the wider community. The Partnership has two purposes:

- to agree what are the major issues and opportunities for Darlington
- to ensure action is being taken to address them

One Darlington: Perfectly Placed' is the overall vision for Darlington's future agreed by the Partnership members and it has 8 outcomes which are set out below:

We will improve quality of life for all and reduce inequality by ensuring we have:

- Children with the best start in life
- More businesses and more jobs
- A safe and caring community
- More people caring for our environment
- More people active and involved
- Enough support for people when needed
- More people healthy and independent
- A place designed to thrive

The three conditions that underpin the SCS describe what Darlington needs to do as a place, in order to have the resilience and capacity to thrive in an environment of reduced public spending:

Building Strong Communities

- Enabling people to live fulfilling lives with less involvement from public services:
 - People take personal responsibility
 - People live in communities with strong social capital, where people look out for each other;
 - Communities come together and take ownership and responsibility for their neighbourhoods.

Spending Every Pound Wisely

- Maximising value for all public services:
 - Public services are planned together and, where sensible, commissioned together;
 - Every Pound is spent well on the things that make the most impact.

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Growing the Economy

- Generating income streams, employment and opportunities:
 - We have a strong and vibrant economy
 - We achieve growth in the economy

There are a number of Strategic and Delivery Indicators that sit below the SCS and are used to measure the actual performance of the Strategy. Of the 86 indicators with data available at the end of March 2016 as compared to March 2015, 37 had improved, 9 had stayed the same and 40 had declined in terms of performance.

The information is collected on a regular basis and analysed at the performance clinics held with the Chief Executive Officer.

Between 23 June 2015 and 16 July 2015 Ofsted undertook an inspection of services for children in need of help and protection; children looked after and care leavers and Review of the effectiveness of the Local Safeguarding Children Board. The inspection report was published on 1 September 2015 and there was a judgement of 'inadequate' for children's services overall due to a number of areas where the inspection team found that key aspects of arrangements for safeguarding children were not well managed.

The Council took immediate steps to make improvements in respect of the inspection findings and has been working with Red Quadrant (the DfE improvement partners) on the improvement plan.

The practice improvement priorities highlighted in the Improvement Plan are as follows:

- (a) Strengthen management capacity and oversight of practice
- (b) Put in place a robust data reporting system
- (c) Improve timeliness and quality of assessments
- (d) Implement monthly thematic audits of practice
- (e) Provide training in target areas to equip staff with the necessary practice and supervisory skills to drive up the quality of practice.
- (f) Develop a recruitment and retention strategy

To date significant progress has taken place on all aspects of the Improvement Plan - **Red Quadrant letter ??**

4 Financial Performance

Economic climate

Since 2010 Darlington Borough Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures within services. This process is ongoing and will last until at least 2019/20 whilst government policy is being developed. The 2015 Autumn Statement set out the strategic direction for public expenditure and outlined a number of significant changes to the local government funding regime. These include:

- Providing local authorities with the power to levy a 2% increase on council tax to fund adult social care. This equates to an additional £0.802M for Darlington;
- The ability for local government to retain 100% of business rate income projected to be by 2020. In addition the Uniform Business Rate will be abolished and any local area will be able to cut business rates as at their discretion;
- Greater flexibility for local authorities to use capital receipts to fund the revenue costs of business transformation projects;
- The government announced real-terms public health savings of 3.9% over the next 5 years and the Autumn Statement indicated that social care funds of £1.5bn would be made available by 2019/20 to be included in an improved Better Care Fund; and
- A National Funding Formula for Schools will be introduced in 2017/18.

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Outturn (revenue + capital)

The financial standing of the Council is very robust, with sound financial management practices.

Comparison of Actual with Budget - Revenue

Net Expenditure 2015/16	Budget £000	Actual £000	Variance £000
Departmental Resources			
People Group	31,672	31,460	(212)
Children's Services Group	17,669	17,864	195
Economic Growth Group	11,507	10,677	(830)
Neighbourhood Services & Resources Group	19,636	17,862	(1,774)
Council Wide	107	(24)	(131)
Total Departmental Resources	80,591	77,839	(2,752)
Corporate Resources			
Financing Costs	5,527	2,143	(3,384)
Contingencies Budget	757	209	(548)
Mid-year Savings	1,505	0	(1,505)
Holiday Pay Provision release	(15)	0	15
Dolphin Centre Refurbishment - Cabinet Approval	(210)	0	210
Business Rates Collection Fund Contribution	0	1,400	1,400
Unallocated Grant Income	0	(80)	(80)
Total Corporate Resources	7,564	3,672	(3,892)
Net Expenditure	88,155	81,511	(6,644)
Reserves			
Planned Use of General Reserve	(5,551)	(5,551)	0
Departmental Balances brought forward	(1,485)	(1,485)	0
Departmental Balances carried forward	0	1,436	1,436
Balance to Reserves	0	5,208	5,208
Total Reserves	(7,036)	(392)	6,644
Total Resources	81,119	81,119	0

Of the £2.752M departmental underspend, £1.336M is being carried forward and £1.416M is being returned to general reserves. Of the £3.892M corporate underspend, £0.100M is being carried forward and £3.792M is being returned to general reserves. There is a planned use of reserves of £6.132M as set out in the 2016-20 Phase 1 Medium Term Financial Plan.

In light of the above and the need of a lead in time it was decided to utilise £5.551M of reserves to supplement the MTFP in 2015/16.

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Where The Money Comes From and How It Was Spent

The following table explains in more detail the Council's sources of income and what it was actually spent on:

2014/15 £000	Gross Income	2015/16 £000	%
(19,672)	Gross Council Rents	(20,288)	7.9
(24,730)	Revenue Support Grant	(17,938)	7.0
(5,308)	General Government Grants	(1,967)	0.8
(17,427)	Business Rates Income	(21,077)	8.2
(26,223)	Dedicated Schools Grant	(22,904)	8.9
(38,237)	Demand on Collection Fund	(39,764)	15.5
(56,172)	Specific Government Grants	(65,108)	25.4
(17,524)	Capital Grants	(8,424)	3.3
(59,362)	Income from Fees & Charges	(58,692)	22.9
(264,655)		(256,162)	100.0

How it was spent:

2014/15 £000	Gross Expenditure	2015/16 £000	%
45,908	Central Services to the Public	47,181	18.5
15,254	Cultural and Related Services	19,000	7.5
12,275	Environmental and Regulatory Services	22,916	9.1
4,392	Planning Services	6,764	2.6
58,027	Education and Children's Services	60,150	23.8
18,289	Highways and Transport Services	19,962	7.9
34,976	Housing Services	35,936	9.8
39,620	Adult Social Care	42,332	16.8
5,329	Public Health	6,123	2.4
3,603	Other Services	3,809	1.5
237,673		264,173	100.0
219	Precepts & Levies	224	
6,021	Interest payable	6,217	
(310)	Interest receivable	(334)	
4,420	IAS 19 Pension cost adjustment	4,030	
(979)	(Gains)/Losses on disposal of fixed assets	3,546	
4,116	Investment property income and expenditure and change in their fair value	632	
3,746	Other	459	
17,233		14,774	
254,906	Total Expenditure	278,947	
(9,749)	(Surplus)/ Deficit for year	22,785	

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Sources of Funds to meet Capital Expenditure Plans

The total resources available for capital schemes during 2015/16 totalled £81.357M; however not all of the resources were planned to be expended during 2015/16. Some schemes have a build life of longer than one year so the actual planned spend for 2014/15 was £53.959M with an actual spend of £38.677M. The main areas of slippage relates to major projects including the building of the new Multi Storey Car Park. The slippage into 2016/17 will be financed by supported and unsupported borrowing, grants carried forward, Usable Capital Receipts and Revenue and Capital Contributions.

Capital expenditure 2015/16	Capital Spend Available	Planned Spending 2015/16	Actual	Approved Capital Spend Carried Forward
	£'000	£'000	£'000	£'000
People	6,163	2,295	1,443	4,720
Economic Growth	49,476	32,376	18,688	30,788
Neighbourhood Services & Resources	25,255	18,825	14,295	10,960
Leased Assets	463	463	463	0
Total	81,357	53,959	34,889	46,468
Financed by				
*Supported Borrowing			0	
**Corporate Unsupported Borrowing			11,262	
Departmental Unsupported Borrowing			463	
Capital Grants			9,536	
Housing Revenue Contributions			10,578	
Capital Contributions			13	
Housing Revenue Account Capital Receipts			344	
General Fund Capital Receipts			2,522	
General Fund Revenue Contributions			171	
Total			34,889	

* Supported Borrowing is supported through the Revenue Support Grant

** Unsupported Borrowing has no support through the Revenue Support Grant

The following is a list of the major items of capital expenditure incurred during the year:

	£000's
Community Assets Improvements	10
Highways & Transport Infrastructure	7,924
Housing Stock - Improvements	11,273
Investment Properties	253
Operational Buildings - Improvements	4,797
Refcus	782
Development Services	8,652
Children's Services Improvements to Schools	735
Vehicles, Plant & Equipment	463
Total	34,889

The Council is also committed to make payments estimated at £60.694M over the remaining term of the 25 year contract in respect of its PFI scheme (the Education Village and Harrowgate Hill Primary School). These became operational in March 2006 and August 2005 respectively. Both are part of the approved funding of £34.900M by the Department for Education. A recognition of the long-term contract entered into with partners Kajima Darlington Schools Limited can be found in **Note 31 (page 40)** in the Notes to the Financial Statements and the liability relating to this contract can be found on the Balance Sheet.

Four Year Capital Programme

The Council continues to deliver a significant capital investment programme in the main funded from the Housing Revenue Account and external funding which is targeted at specific schemes and programmes such as Transport and Schools. In addition there are a number of schemes financed from the Council's own resources.

The Council's 4 year capital programme and its funding can be summarised as follows:

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Capital Expenditure and Funding

	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	Total £000's
Capital Expenditure and funding					
Children, Families and Learning	1,790	197	197	197	2,381
Housing (HRA)	15,191	14,076	11,522	7,108	47,897
Transport	7,427	6,897	6,284	5,984	26,592
Other Capital Programmes	716	716	716	716	2,864
Council Funded Schemes	650	0	0	0	650
Total Spending Plans	25,774	21,886	18,719	14,005	80,384
Resources					
Capital Grants	9,933	7,810	7,197	6,897	31,837
HRA Revenue Contributions	6,383	6,467	6,572	6,908	26,330
HRA Investment Fund	7,996	6,413	3,134	0	17,543
HCA Grant	618	1,000	1,618	0	3,236
Capital Resources	650	0	0	0	650
HRA Capital Receipts	194	196	198	200	788
Total Resources	25,774	21,886	18,719	14,005	80,384

Balance Sheet

The Council's summarised Balance Sheet is shown below:

	As as 31 March 2015 £M	As as 31 March 2016 £M
Non-current assets	291	292
Net current assets - debtors, stock, cash and short term investments less short term creditors and liabilities	11	17
Long Term Liabilities and Provisions	(259)	(270)
Total Net Assets	43	39
Represented by:		
Usable reserves	65	66
Unusable reserves	(22)	(27)
Total Reserves	43	39

5 Environmental

Waste Collection and Disposal

As part of the the 2014/15 MTFP there was a proposal to save £400,000 by introducing a revised weekly refuse/recycling collection service, known as Alternate Weekly Collection service and this started in October 2014.

A review of the service after the first year of operation has shown to have produced a saving of £380,000 with further improvement expected as the service beds in. The bulk of the saving is due to the population embracing the new system and recycling more with lower than budgeted costs in waste disposal being the consequence.

Social Housing

Hundreds of tenants across Darlington are benefiting from warmer, greener homes as part of an ongoing investment to improve the energy efficiency of council houses.

Since 2014 more than 730 homes have had new, more energy efficient boilers installed, while double glazed windows and doors have been fitted to more than 500 properties with another 290 provided with external wall insulation.

In addition, another 340 council houses have benefited from the installation of solar PV panels to help reduce energy bills. The solar panels were installed at no cost to the council or tenants, following a partnership with two specialist installation companies taking advantage of the Government's 'feed-in tariff'

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6 People - HR

The Council employs 2,217 people in full time and part time contracts (excluding schools). Below is the make up of the workforce of the Council:

Headcount

	Female	Male	Total
Full time	570	547	1,117
Part Time	846	254	1,100
Total	1,416	801	2,217

This equates to 1,483.98 FTE's

7 Principal Risks and Uncertainties

Risk Management is an essential part of effective and efficient management and planning and it strengthens the ability of the Council to achieve its objectives and enhance the value of services provided. It is also an important element in demonstrating continuous improvement as well as being part of the Council's Local Code of Corporate Governance that reflects the requirements of the CIPFA / SOLACE Framework of Corporate Governance.

A key element of the Council's planning process is that the areas of potential risk, which could adversely impact on the ability to meet objectives, are identified. These risks are plotted on to a standard likelihood and impact matrix with reference to management controls in place and working. The shaded part of the matrix signifies the area above the 'risk appetite line'. Risks in this region require further specific management i.e. are priorities for improvement that have an appropriate improvement action plan. A risk matrix is shown below with the current Council Corporate risks.

RISK MATRIX

CORPORATE

LIKELIHOOD	A Very High				
	B High				
	C Significant			5, 14, 16	
	D Low				
	E Very Low				
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

There are 3 corporate risks that are above the 'risk appetite line' and are further explained below.

Corporate risk 5 - Council unable to meet its obligations under information governance agenda

- The Council has an Information Governance Work Programme shaped by a number of external assurance requirements that all represent good practice and have common objectives, namely compliance with information related legislation, approval to use essential external party systems and services, and improvement in service delivery. As reported to the March 2016 Audit Committee, the Council continues to make gradual progress on the implementation of the information governance programme. Recent work included roll-out of the revised information risk assessment tool; publication of mandatory on-line awareness courses for information security and social media; delivery of information governance briefing sessions to senior management teams; publication of information classification and handling guidelines; and implementation of a corporate email encryption system. The area of highest priority in the programme is the completion of the information risk assessments and the timely delivery of the associated improvement action plans

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Corporate risk 14 - Insufficient funding to deliver statutory services

- A robust budgeting exercise has been undertaken to identify the core offer which includes statutory obligations and this can be funded. In the event that some of the budget saving proposals are not achieved there is a limited amount of revenue balances which could be used in the short term whilst alternative budget saving proposals were developed. This could include reducing the core offer further, increasing income sources or further reducing statutory spending by increasing operational risks.

Corporate risk 16 - Children's Services unable to exit DfE intervention arrangements following Ofsted's "Inadequate" judgement owing to failure to achieve the necessary service improvements

- An Improvement Plan in place with targeted actions in priority areas to address the 18 OFSTED recommendations and demonstrate improvements in the service.

The Risk Management Report was presented to Audit Committee in July 2016 and it was noted that positive progress continues to be made within the Council regarding the management of key strategic risks.

8 Significant Areas with Financial Implications

Pension Liabilities

Following the implementation of IAS 19, the accounts show the benefit entitlement earned by employees of the Local Government Pension Scheme in the relevant year rather than the charges to revenue based on employers' contributions payable and payments to pensioners in the year. The effect on the Balance Sheet is to reduce the net worth of the Council by the IAS 19 pension liability of £125.740M (in 2014/15 the IAS 19 pension liability was £130.140M). The Council's Pension fund has to be revalued every 3 years to set future contribution rates and subsequent to the last full actuarial valuation date of 31 March 2013 the deficit is to be recovered over a period of 18 years, as agreed by the Pension Fund Administering Authority with the Actuary. Further information is available in **Note 36 (page 43)** in the Notes to the Financial Statements.

There will be a full actuarial valuation completed at the end of the 2015/16 financial year as planned.

Business Rates Retention Scheme

From 1 April 2013 the funding regime for local authorities changed, whereby the Council no longer collected NNDR on behalf of Central Government as from now on the income is shared between Central Government (50%), the Council (49%) and the major precepting authority (Durham & Darlington Fire and Rescue) (1%). This change affects the retention of that income collected and also carries a risk to the Council for failure to collect rates in comparison with a pre-determined 'start-up' funding assessment.

The main aim of the scheme is to give Council's greater incentive to grow businesses in their area, although it does, however, also increase the financial risk due to non-collection and the volatility of the the NNDR tax base.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency (VOA) and hence business rates outstanding as at 31 March 2016. As such the Council is required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2015/16 has been reviewed and increased to £0.743M.

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Treasury Management

The financial year 2015/16 presented similar circumstances to 2014/15 with regard to treasury management. Investments continued to be made only where there was low risk, for Darlington Borough Council this manifested itself in the continuing reliance on internal borrowing (reduced external investments and using the money to pay for capital expenditure rather than borrowing) This in turn had a positive effect on the MTFP's financing costs as investment rates are lower than borrowing rates and there would have been a cost of carrying those investments in addition to any counterparty risk there might have been.

During 2015/16 the Council complied with its legislative and regulatory requirements. The need for borrowing was only increased for capital purposes.

At 31st March 2016, the Council's external debt was £130.161M which is £6.00M more than the previous year. The average interest rate for borrowing was up to 4.18% from 4.16% in 2014/15. Investments totalled £32.000M at 31st March 2016 (£33.000M at 31st March 2015) earning interest of 0.57% on short term investments and 1.24% on longer term investments.

Minimum Revenue Provision (MRP)

In agreeing the 2015/16 MTFP the Council reviewed its Minimum Revenue Provision (MRP) policy with the outcome being that it was agreed to adjust the speed at which outstanding debt was repaid. This meant moving from a repayment of 4% of outstanding debt each year to 2%. It was felt that this was a more prudent approach and had the net effect of halving the amount of principal each year.

Financing Costs have been reduced during the year and a saving of £3.384M has been achieved on the original MTFP budget, which includes financing costs for borrowing for spend to save projects in departments. This is mainly as a result of not providing for the minimum revenue provision for this year as overprovisions have been made in the past. This is in line with the Council report of 25th February 2016. Savings have also been made due to increased interest received on investments throughout 2015/16 and reduced interest paid.

Financial Outlook

It is projected that Darlington Borough Council will have lost £44.0M of Government Funding in real terms over the period 2010-20. The Council has had to reduce its expenditure significantly since 2010 and the MTFP is based on having to save an additional £10.2M per annum by 2020. This is based on funding £87.5M 'statutory' services and £2.5M discretionary services. It is estimated that the Council will have to save in the region of £30.4M over the next 4 years.

9 Explanation of the Accounting Statements

This Statement of Accounts has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' (the code) which defines proper accounting practices for local authorities in England and also complies with the Accounts and Audit Regulations 2015. The code is based on International Financial Reporting Standards (IFRS).

The Council has prepared its Statement of Accounts on the basis of a full adoption of IFRS. There are no significant changes to the content of the accounts in 2015/16 so this year's accounts will appear in essentially the same format as 2014/15.

Darlington Borough Council's (the Council) accounts for the year ended 31 March 2016 are set out in the following pages and a glossary of terms is provided on pages 76 to 87.

Movement in Reserves Statement (page 13)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net (Increase) / Decrease before Transfers (from)/to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

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Comprehensive Income and Expenditure Statement (page 14)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet (page 15)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement (page 16)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

The Supplementary Financial Statements are: (page 17 - 64)

Housing Revenue Account (page 65)

The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989 (England and Wales).

Collection Fund (page 70)

The Collection Fund Statement is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund in accordance with section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992). The Collection Fund shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Group Accounts

There are a number of criteria by which the Council must determine whether its interests in associates, joint ventures and joint arrangements are significant enough to be included in the Council's consolidated accounts. After consideration of these criteria the Council has determined that it does not have any material interests and consequently no group accounts have been prepared.

The Notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.

Statement of Responsibilities for the Statement of Accounts of Darlington Borough Council

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Director of Neighbourhood Services & Resources;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- approve the Statement of Accounts.

The Director of Neighbourhood Services & Resources Responsibilities

The Director of Neighbourhood Services & Resources is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Director of Neighbourhood Services & Resources has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Local Authority Code.

The Director of Neighbourhood Services & Resources has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Director's Statement

I certify that this Statement of Accounts has been prepared in accordance with the statutory requirements and proper accounting practices. It presents a true and fair view of the Council's financial position as at 31 March 2016 and the income and expenditure for the year ended 31 March 2016.



Dated: 16/06/2016

Paul Wildsmith
Director of Neighbourhood Services & Resources

**Movement In Reserves Statement for Darlington Borough Council for the year ended 31 March
2016**

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2014	(18,865)	(12,186)	(13,345)	(2,633)	(8,594)	(55,623)	5,401	(50,222)
<u>Movement in reserves during 2014/15</u>								
Surplus on the Provision of Services	(12,172)	0	2,424	0	0	(9,748)	0	(9,748)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	16,602	16,602
Total Comprehensive Income and Expenditure	(12,172)	0	2,424	0	0	(9,748)	16,602	6,854
Adjustments between accounting basis and funding basis under regulations (Note 4)	7,370		(5,433)	131	(2,098)	(30)	30	0
Net (Increase)/decrease before Transfers (from)/to Earmarked Reserves	(4,802)	0	(3,009)	131	(2,098)	(9,778)	16,632	6,854
Transfers (from)/to Earmarked Reserves (Note 5)	(173)	126	(5)	1	50	(1)	1	0
(Increase)/Decrease in 2014/15	(4,975)	126	(3,014)	132	(2,048)	(9,779)	16,633	6,854
Balance at 31 March 2015 carried forward	(23,840)	(12,060)	(16,359)	(2,501)	(10,642)	(65,402)	22,034	(43,368)
<u>Movement in reserves during 2015/16</u>								
Surplus on the Provision of Services	21,670	0	1,115	0	0	22,785	0	22,785
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(18,449)	(18,449)
Total Comprehensive Income and Expenditure	21,670	0	1,115	0	0	22,785	(18,449)	4,336
Adjustments between accounting basis and funding basis under regulations (Note 4)	(22,157)		(1,249)	115	142	(23,149)	23,149	0
Net (Increase)/Decrease before Transfers (from)/to Earmarked Reserves	(487)	0	(134)	115	142	(364)	4,700	4,336
Transfers to/(from) Earmarked Reserves (Note 5)	3,100	(3,103)				(3)	2	(1)
(Increase)/Decrease in 2015/16	2,613	(3,103)	(134)	115	142	(367)	4,702	4,335
Balance at 31 March 2016 carried forward	(21,227)	(15,163)	(16,493)	(2,386)	(10,500)	(65,769)	26,736	(39,033)

Comprehensive Income and Expenditure Statement for Darlington Borough Council for the year ended 31 March 2016

Gross Expenditure £000	2014/15			Note	2015/16		
	Gross Income £000	Net Expenditure / (Income) £000			Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000
45,908	(48,367)	(2,459)	Central services to the public		47,181	(49,012)	(1,831)
15,254	(8,448)	6,806	Cultural and Related Services		19,000	(8,406)	10,594
12,275	(6,481)	5,794	Environmental and Regulatory Services		22,916	(6,265)	16,651
4,392	(1,935)	2,457	Planning Services		6,764	(2,441)	4,323
58,027	(40,613)	17,414	Education and children's services		60,150	(38,713)	21,437
18,289	(11,656)	6,633	Highways and transport services		19,962	(11,240)	8,722
22,204	(22,941)	(737)	Local authority housing (HRA)		21,708	(23,664)	(1,956)
12,772	(10,016)	2,756	Other housing services		14,228	(11,972)	2,256
39,620	(10,817)	28,803	Adult social care		42,332	(13,963)	28,369
5,329	(67)	5,262	Public Health		6,122	(1,215)	4,907
3,451	(87)	3,364	Corporate and democratic core		3,457	(102)	3,355
151	0	151	Non distributed costs		353		353
237,672	(161,428)	76,244	Cost of Services		264,173	(166,993)	97,180
3,976	0	3,976	Other operating expenditure	6	683	0	683
0	(979)	(979)	Losses/(Gains) on the disposal of non-current assets	6	6,754	(3,208)	3,546
14,557	(321)	14,236	Financing and investment income and expenditure	9	11,285	(739)	10,546
0	(103,226)	(103,226)	Taxation and non-specific grant income	10		(89,170)	(89,170)
256,205	(265,954)	(9,749)	(Surplus)/Deficit on Provision of Services		282,895	(260,110)	22,785
		(3,353)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets	16, 28			(9,739)
		68	Deficit on revaluation of available-for-sale financial assets	37			0
		19,880	Actuarial (gains)/losses on pensions assets/liabilities	36			(8,720)
		8	Impairment losses on non-current assets charged to the revaluation reserve	28			10
		16,603	Other Comprehensive Income and Expenditure				(18,449)
256,205	(265,954)	6,854	Total Comprehensive Income and Expenditure		282,895	(260,110)	4,336

Balance Sheet of Darlington Borough Council for the year ended 31 March 2016

As at 31 March 2015 £000		As at 31 March 2016 £000	Notes
236,687	Property, Plant and Equipment	277,621	16
51,172	Investment Properties	10,507	17
3,475	Heritage Assets	3,483	18
0	Long Term Investments	0	37
198	Long Term Debtors	204	37
<hr/>		<hr/>	
291,532	Total Long Term Assets	291,815	
18,039	Short Term Investments	18,032	37
841	Inventories	593	20
21,664	Short Term Debtors	18,752	21
14,329	Cash and Cash Equivalents	10,733	22
81	Assets Held For Sale	1,307	
<hr/>		<hr/>	
54,954	Total Current Assets	49,417	
(15,393)	Short Term Borrowing	(6,425)	37
(28,503)	Short Term Creditors	(25,646)	23
(377)	Short Term Provisions	(422)	15
<hr/>		<hr/>	
(44,273)	Total Current Liabilities	(32,493)	
(16,230)	Long Term Creditors	(15,017)	37
(1,158)	Long Term Provisions	(1,567)	24
(110,117)	Long Term Borrowing	(126,219)	37
(130,140)	Other Long Term Liabilities	(125,740)	36
(1,200)	Capital Grants Receipts In Advance	(1,163)	30
<hr/>		<hr/>	
(258,845)	Total Long Term Liabilities	(269,706)	
<hr/>		<hr/>	
43,368	Net Assets	39,033	
65,402	Usable Reserves	65,768	27
(22,034)	Unusable Reserves	(26,735)	28
<hr/>		<hr/>	
43,368	Total Reserves	39,033	

Cash Flow Statement for Darlington Borough Council for the year ended 31 March 2016

2014/15		2015/16
£000		£000
9,749	Surplus / (Deficit) on the provision of services	(22,785)
25,704	Adjustments to net deficit on the provision of services for non-cash movements	46,917
(16,449)	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	(12,614)
19,004	Net cash flows from Operating Activities	11,518
	Investing Activities	
(37,118)	Purchase of property, plant and equipment and investment property	(33,800)
(7,000)	Purchase of short term and long term investments	0
2,306	Proceeds from the sale of property, plant and equipment and investment	3,209
12,896	Capital grants received	10,419
(28,916)	Net cash flow from Investing activities	(20,172)
	Financing Activities	
4,002	Cash receipts of short and long term borrowing	24,841
0	Other receipts from financing activities	
(1,495)	Billing Authorities - Council Tax and NNDR adjustments	(708)
(1,312)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(1,237)
0	Repayments of short and long term borrowing	(17,739)
(45)	Other payments for financing activities	(99)
1,150	Net cash flow from financing activities	5,058
(8,762)	Net increase in cash and cash equivalents	(3,596)
23,091	Cash and cash equivalents at the beginning of the reporting period	14,329
14,329	Cash and cash equivalents at the end of the reporting period (Note 22)	10,733

1 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 code:

The CIPFA Code of Practice on Transport Infrastructure Assets takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts and they will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost.

The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost. Thus the new valuation will reflect the current costs of replacement rather than the original cost of the works, which would have been built up over a significant time period. If the changes had been implemented in 2015/16, based on current estimates the value of infrastructure assets would have increased from £59M to circa £1.2bn.

IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions) - has been amended whereby if the amount of the contributions is independent of the number of years of service, contributions may be recognised as a reduction in the service cost in the period in which the related service is rendered and if the amount of the contributions depends on the number of years of service, those contributions must be attributed to periods of service using the same attribution method as used for the gross benefit as per IAS 19. This standard will not have a material impact on the Statement of Accounts.

IAS 1 Presentation of Financial Statements (Disclosure Initiative) - clarifying that materiality applies to the whole financial statements and that information that is not material need not be presented in the primary financial statements or disclosed in the notes and also that too much detail can obscure useful information. The interpretation of this standard will have an aesthetic effect on the Statement of Accounts.

Changes to the format of the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MIRS) and the introduction of the new Expenditure and Funding Analysis. The CIES changes effect the way that it is shown and everybody will have a different layout that is not in the Service Reporting Code Of Practice (SeRCOP) format. Service analysis will be on the basis of accrued cost not total cost and it is also recommended that it is placed before the MIRS. There are also changes to the format of the MIRS as well as key changes in the expenditure and funding analysis which will be in the Statement of Accounts and not the Narrative Report. This will have an aesthetic effect on the Statement of Accounts.

Annual improvements to IFRS's (2011 - 2013 cycle), are minor changes, principally improving clarification and will not have a material impact on the Statement of Accounts.

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in **Note 40**, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events:

In line with accounting standards and the code, all maintained schools in the Borough are now considered to be entities controlled by the Council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts.

Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body then it is not included on the Council's Balance Sheet.

The council has 2 Voluntary Aided (VA) schools and 1 Voluntary Controlled (VC) school whereby the legal ownership of the school land and buildings rests with the Diocese. The relevant Diocese have granted a licence to the schools to use the land and buildings and under this licence arrangement the rights of use of the land and buildings have not been transferred to the school and thus are not included on the Council's Balance Sheet.

- In the current economic climate that there is a high degree of uncertainty about the future levels of funding for local government. However the Council has determined that this uncertainty is not yet sufficient to provide an indication that assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

- The Council continues to assess the degree of componentisation within its non-current asset portfolio, as part of the five year rolling programme of non-current asset valuations. On an annual basis the Council will review capital expenditure to assess if any new material components have been added to the Council's non-current asset portfolio.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

- Judgement is required to determine whether the Council can be reasonably assured that the conditions of grant and contribution income received have been met before recognising them as income in the Comprehensive Income and Expenditure Statement. Where conditions require specified expenditure to have taken place, the grant monies will not be recognised until this has happened. Equally where conditions specify that a grant or contribution must be re-paid in the event of non-expenditure, the income is not recognised until the conditions of the grant have been met.
- The Council is deemed to control the education services provided under the agreement in the schools and also to control the residual value of the schools at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the Education Village and Harrowgate Hill Primary School which became operational in March 2006 and August 2005 respectively. The Education Village transferred to academy status on 1 April 2012 so has therefore been removed from the Council's Balance Sheet. Harrowgate Hill Primary School is recognised as Property, Plant and Equipment on the Council's Balance Sheet.

3 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.034M for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability of £126M to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption as advised by the Actuary would result in a decrease in the pension liability of £7.27M for funded LGPS benefits. However, the assumptions interact in complex ways.
Fair Value Measurements	When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs) their fair value is measured using the following valuation techniques: For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; and for Level 3 inputs, valuations based on; most recent valuations adjusted to current valuation by the use of indexation and impairment review. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in assumptions could affect the fair value of the council's assets and liabilities.	The Council uses a combination of indexation techniques, beacon valuations and discounted cash flow (DCF) models to measure the fair value of its Investment Properties, surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area repairs backlogs, beacon classifications and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement of these areas.
Arrears	At 31 March 2016, the Council had a balance of sundry debtors of £6.093M. A review of significant balances suggested that an impairment of doubtful debts of 13.33% (£0.812M) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts wouldn't require a substantial additional amount to be set aside as an allowance due to the current policy in place.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

4 Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2015/16	General Fund Balance £000's	Housing Revenue Account £000's	Capital Receipts Reserve £000's	Major Repairs Reserve £000's	Capital Grants Unapplied £000's
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
Pension costs (transferred to (or from) the Pensions Reserve)	(4,127)	(193)			
Financial instruments (transferred to the Financial Instruments Adjustment Account)	17	(2)			
Council tax and NDR (transfers to or from Collection Fund)	(753)				
Holiday pay (transferred to the Accumulated Absences Reserve)	(26)				
Equal pay settlements (transferred to the Unequal Pay/Back Pay Account)	11				
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(21,437)	(16,645)			(8,424)
Total Adjustments to Revenue Resources	(26,315)	(16,840)	0	0	(8,424)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3,209		(3,209)		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(458)		458		
Posting of HRA resources from revenue to the Major Repairs Reserve		4,384		(4,384)	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,236	629			
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	171	10,578			
Total Adjustments between Revenue and Capital Resources	4,158	15,591	(2,751)	(4,384)	0
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure			2,867		
Use of the Major Repairs Reserve to finance capital expenditure				4,384	
Application of capital grants to finance capital expenditure					8,566
Cash payments in relation to deferred capital receipts			(1)		
Total Adjustments to Capital Resources	0	0	2,866	4,384	8,566
Total Adjustments	(22,157)	(1,249)	115	0	142

2014/15 Comparative Figures	General Fund Balance £000's	Housing Revenue Account £000's	Capital Receipts Reserve £000's	Major Repairs Reserve £000's	Capital Grants Unapplied £000's
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
Pension costs (transferred to (or from) the Pensions Reserve)	(3,333)	(157)			
Financial instruments (transferred to the Financial Instruments Adjustment Account)	17	(2)			
Council tax and NDR (transfers to or from Collection Fund)	758				
Holiday pay (transferred to the Accumulated Absences Reserve)	(13)				
Equal pay settlements (transferred to the Unequal Pay/Back Pay Account)	940				
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	2,047	(17,615)			(17,440)
Total Adjustments to Revenue Resources	416	(17,774)	0	0	(17,440)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,302		(2,302)		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(593)		593		
Posting of HRA resources from revenue to the Major Repairs Reserve		4,445		(4,445)	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	4,309	629			
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	936	7,267			
Total Adjustments between Revenue and Capital Resources	6,954	12,341	(1,709)	(4,445)	0
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure			1,843		
Use of the Major Repairs Reserve to finance capital expenditure				4,445	
Application of capital grants to finance capital expenditure					15,342
Cash payments in relation to deferred capital receipts			(3)		
Total Adjustments to Capital Resources	0	0	1,840	4,445	15,342
Total Adjustments	7,370	(5,433)	131	0	(2,098)

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

5 Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back to earmarked reserves to meet General Fund and HRA expenditure in 2015/16.

	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000
General Fund	18,865	(1,485)	6,460	23,840	(2,613)	0	21,227
	18,865	(1,485)	6,460	23,840	(2,613)	0	21,227
Earmarked Reserves:							
Balances held by schools under scheme of delegation	1,270	(1,268)	1,847	1,849	(1,847)	1,395	1,397
Blackwell Pensions Reserve	8	0	11	19	0	8	27
Building Control	(287)	0	10	(277)	0	17	(260)
Civic Theatre Restoration Levy	89	(1)	88	176	(244)	97	29
Collection Fund Reserve	497	0	0	497	(497)	1,400	1,400
Crematorium Refurbishment Fund	23	0	25	48	(9)	26	65
Dolphin Centre Planned Maintenance	30	0	30	60	0	31	91
Earmarked Departmental Reserves	2,269	(2,269)	1,485	1,485	(1,485)	1,436	1,436
Former Blackwell Golf Club Grounds	0	0	13	13	0	3	16
ICT Infrastructure	0	0	321	321	0	161	482
Insurance Fund	1,158	0	248	1,406	(420)	456	1,442
Land Charges Reserve	105	0	0	105	(105)	44	44
LDF Public Enquiry	80	0	0	80	0	0	80
LPSA Reserve	181	(151)	0	30	(55)	0	(25)
Mercury Abatement Fund	297	(40)	82	339	(45)	87	381
Public Health Reserve	284	(284)	187	187	(187)	514	514
Redundancy & Decommissioning Reserve	166	(206)	0	(40)	(1,112)	2,000	848
Revenue Contribution to Capital Outlay	673	(940)	1,406	1,139	(171)	1,177	2,145
Revenue Grants Unapplied	5,343	(5,343)	4,623	4,623	(4,623)	4,051	4,051
Achieving Real Change for Communities	0	0	0	0	0	1,000	1,000
	12,186	(10,502)	10,376	12,060	(10,800)	13,903	15,163
Housing Revenue Account	13,345	0	3,014	16,359	0	134	16,493
	13,345	0	3,014	16,359	0	134	16,493

6 Other Operating Expenditure

	2014/15 £000	2015/16 £000
Parish Council precepts	123	125
Levies	96	99
Payments to the Government Housing Capital Receipts Pool	551	430
Losses / (Gains) on the disposal of non-current assets	(979)	3,545
Trading activities accounting adjustments	3,206	29
Total	2,997	4,228

7 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice 2015-16 (SeRCOP). However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisation are charged to services in the Comprehensive Income and Expenditure Statement); and
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows:

	People Group £000	Children's Services Group £000	Economic Growth Group £000	Neighbourhood Services & Resources Group £000	Council Wide £000	Total £000
Directorate Income and Expenditure 2015/16						
Fees, charges and other service income	(11,256)	(9,979)	(20,173)	(70,289)	(102)	(111,799)
Government Grants	(9,510)	(32,571)	(1,169)	(39,641)	0	(82,891)
Total Income	(20,766)	(42,550)	(21,342)	(109,930)	(102)	(194,690)
Employee Expenses	7,723	25,519	8,677	25,373	(46)	67,246
Other service expenses	44,248	32,988	23,700	88,811	332	190,079
Support service recharges	2,556	1,675	(180)	(4,826)	0	(775)
Total Expenditure	54,527	60,182	32,197	109,358	286	256,550
Net expenditure	33,761	17,632	10,855	(572)	184	61,860

	People Group £000	Children's Services Group £000	Economic Growth Group £000	Neighbourhood Services & Resources Group £000	Council Wide £000	Total £000
Directorate Income and Expenditure 2014/15 Comparative Figures						
Fees, charges and other service income	(11,297)	(5,536)	(18,786)	(69,260)	(87)	(104,966)
Government Grants	(7,445)	(33,962)	(1,656)	(40,093)	0	(83,156)
Total Income	(18,742)	(39,498)	(20,442)	(109,353)	(87)	(188,122)
Employee Expenses	6,759	22,986	8,626	25,447	(1)	63,817
Other service expenses	42,279	30,259	22,150	93,944	279	188,911
Support service recharges	2,577	2,872	349	(5,854)	56	0
Total Expenditure	51,615	56,117	31,125	113,537	334	252,728
Net expenditure	32,873	16,619	10,683	4,184	247	64,606

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014/15 £000	2015/16 £000
Net expenditure in the Directorate Analysis	64,606	61,860
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	21,069	34,943
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(9,432)	377
Cost of Services in the Comprehensive Income and Expenditure Statement	76,243	97,180

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(111,799)			57	(111,742)	(21,077)	(132,819)
Interest and investment income					0	(334)	(334)
Income from Council Tax					0	(39,764)	(39,764)
Government grants and contributions	(82,891)		(983)	249	(83,625)	(28,328)	(111,953)
Total Income	(194,690)	0	(983)	306	(195,367)	(89,503)	(284,870)
Employee Expenses	67,246		293	1,112	68,651		68,651
Other service expenses	190,079			(942)	189,137	661	189,798
Support service recharges	(775)				(775)		(775)
Depreciation and impairment			35,633		35,633		35,633
Interest Payments					0	10,247	10,247
Precepts and Levies				(99)	(99)	224	125
Payments to Housing Capital Receipts Pool					0	430	430
Loss on disposal of Non-Current Assets					0	3,546	3,546
Total Expenditure	256,550	0	35,926	71	292,547	15,108	307,655
Deficit/(surplus) on the Provision of Services	61,860	0	34,943	377	97,180	(74,395)	22,785

2014/15 Comparative Figures	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(104,966)	0	0	376	(104,590)	(17,427)	(122,017)
Interest and investment income	0	0	0	0	0	(321)	(321)
Income from Council Tax	0	0	0	0	0	(38,237)	(38,237)
Government grants and contributions	(83,156)	0	(769)	871	(83,054)	(47,562)	(130,616)
Total Income	(188,122)	0	(769)	1,247	(187,644)	(103,547)	(291,191)
Employee Expenses	63,817	0	(1,857)	195	62,155	0	62,155
Other service expenses	188,911	0	0	(10,873)	178,038	7,322	185,360
Depreciation and impairment	0	0	23,695	0	23,695	0	23,695
Interest Payments	0	0	0	0	0	10,441	10,441
Precepts and Levies	0	0	0	0	0	219	219
Payments to Housing Capital Receipts Pool	0	0	0	0	0	551	551
Loss on disposal of Non-Current Assets	0	0	0	0	0	(979)	(979)
Total Expenditure	252,728	0	21,838	(10,678)	263,888	17,554	281,442
Deficit/(surplus) on the Provision of Services	64,606	0	21,069	(9,431)	76,244	(85,993)	(9,749)

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

8 Officers' Remuneration

8 a) Officer Remuneration in Bands

The number of employees in each salary band whose remuneration was £50,000 or more are set out below. Calculations are based on all sums paid to or receivable by an employee and sums due by way of taxable expenses, allowances and the monetary value of any other benefits received other than in cash. Pension contributions payable by either employee or employer are excluded.

Remuneration band	2014/15			Number of redundancies included in total	2015/16			Number of redundancies included in total
	Number of employees				Number of employees			
	Schools	Non - schools	Total		Schools	Non- schools	Total	
£50,000 - £54,999	4	5	9	1	4	7	11	0
£55,000 - £59,999	4	7	11	0	2	9	11	1
£60,000 - £64,999	4	0	4	0	3	6	9	2
£65,000 - £69,999	1	3	4	0	0	2	2	0
£70,000 - £74,999	1	4	5	0	0	0	0	0
£75,000 - £79,999	2	0	2	0	3	3	6	1
£80,000 - £84,999	0	3	3	0	0	1	1	0
£85,000 - £89,999	0	1	1	0	0	3	3	0
£90,000 - £94,999	0	1	1	0	0	0	0	0
£95,000 - £99,999	0	1	1	0	0	1	1	0
£100,000 - £104,999	0	1	1	0	0	0	0	0
£105,000 - £109,999	0	0	0	0	0	0	0	0
£110,000 - £114,999	0	0	0	0	0	1	1	0
£115,000 - £119,999	0	2	2	0	0	3	3	1
£120,000 - £124,999	0	0	0	0	0	0	0	0
£125,000 - £129,999	0	0	0	0	0	0	0	0
£130,000 - £134,999	0	0	0	0	0	0	0	0
£135,000 - £139,999	0	0	0	0	0	0	0	0
£140,000 - £144,999	0	0	0	0	0	0	0	0
£145,000 - £149,999	0	0	0	0	0	0	0	0
£150,000 +	0	1	1	0	0	1	1	0
	16	29	45	1	12	37	49	5

N.B. Senior employees are included above and have been shown in detail below.

8 b) Disclosure of Remuneration for Senior Employees 2015/16

	Post Holder (required if salary exceeds £150,000)	Salary	Expenses Allowances	Redundancy Pay	Total Remuneration (excl pension contributions)	Employer pension contributions	Total Remuneration (incl pension contributions)
		£	£	£	£	£	£
Chief Executive	Ada Burns	150,720			150,720	27,883	178,603
Assistant Chief Executive		43,511		75,217	118,728	7,281	126,009
Director of Neighbourhood Services and Resources		118,642			118,642	21,949	140,591
Director of Commissioning		115,725			115,725	21,409	137,134
Director of Economic Growth		111,273			111,273	20,586	131,859
Director of Public Health		97,000			97,000	13,871	110,871
Service Director - Children's Services		47,231			47,231	8,738	55,969
Director of Children and Adult Services		33,202			33,202	6,142	39,344

Following changes to the senior management structure in September 2015, the Assistant Chief Executive post has been deleted with effect from 1st September 2015. The Service Director - Children's Services left post on 30th September 2015 and the post has been deleted from the establishment. The post of Director of Children and Adult Services was created and filled from 14th December 2015 on an annual salary of £111,273. The Director of Commissioning left post on 31st March 2016 and the post has been deleted from the establishment.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

Disclosure of Remuneration for Senior Employees 2014/15

	Post Holder (required if salary exceeds £150,000)	Salary	Expenses Allowances	Redundancy Pay	Total Remuneration (excl pension contributions)	Employer pension contributions	Total Remuneration (incl pension contributions)
		£	£		£	£	£
Chief Executive	Ada Burns	151,220	0	0	151,220	27,976	179,196
Director of Commissioning		115,725			115,725	21,409	137,134
Director of Neighbourhood Services and Resources		115,725			115,725	21,409	137,134
Director of Economic Growth		102,966	0	0	102,966	19,049	122,015
Director of Public Health		97,000	0	0	97,000	13,580	110,580
Assistant Chief Executive		90,520	0	0	90,520	16,057	106,577
Service Director - Children's Services		89,484	0	0	89,484	16,555	106,039

8 c) Exit Packages

The costs included within the exit packages table below include termination benefits, all relevant redundancy costs including compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
							£	£
£0 - £20,000	7	5	27	26	34	31	292,419	253,760
£20,001 - £40,000	0	0	7	15	7	15	213,312	398,342
£40,001 - £60,000	0	0	0	3	0	3	0	128,881
£60,001 - £80,000	0	0	0	2	0	2	0	138,627
Total	7	5	34	46	41	51	505,731	919,610

There were no exit packages with a total cost in excess of £80,000.

9 Financing and Investment Income and Expenditure

	2014/15 £000	2015/16 £000
Interest payable and similar charges	6,021	6,217
Pensions interest cost and expected return on pensions assets (Note 36)	4,420	4,030
Interest receivable and similar income	(321)	(333)
Income and expenditure in relation to investment properties and changes in their fair value (Note 17)	4,116	632
Total	14,236	10,546

10 Taxation and Non Specific Grant Income

	2014/15 £000	2015/16 £000
Council tax income	(38,237)	(39,764)
Business rates income	(17,427)	(21,077)
Non-ringfenced government grants	(30,038)	(19,905)
Capital grants and contributions	(17,524)	(8,424)
Total	(103,226)	(89,170)

11 Material Items of Income and Expense

There are no material items of Income and Expenditure that are not disclosed elsewhere within the Statement of Accounts.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

12 Trading Operations

The Council operates a number of trading operations, details of which are:

	2014/15 Restated		2015/16	
	Turnover £000	Surplus / (Deficit) £000	Turnover £000	Surplus / (Deficit) £000
Building Cleaning	874	(10)	797	5
Construction	3,914	197	6,099	510
Catering	943	206	1,282	246
Grounds Maintenance	344	46	239	15
Highways and Sewerage	6,843	372	7,088	469
Maintenance	4,027	396	3,592	364
School Meals-Best Value	983	(15)	959	(35)
	17,928	1,192	20,056	1,574
Adjustments:				
IAS 19		39		13
Other		(77)		0
Prudential Borrowing		430		0
Surplus on Trading Accounts		1,584		1,587

Building Cleaning - The service covers the internal cleaning of both the Council's property portfolio as well as a number of schools and academies.

Construction - Construction deals with all major building works carried out by the direct labour organisation (DLO). Works carried out is for both internal and external clients.

Catering - The catering service operates from the Dolphin Centre and provides catering and bar provision for the general public at this venue.

Grounds Maintenance - Surplus bedding plant stock grown at the Council's Nursery is sold to various external clients including local authorities and other public bodies.

Highways and Sewerage - Routine road and street lighting maintenance and other scheme works to the road network are carried out by the direct labour organisation in liaison with engineering services.

Maintenance - Day to day repairs and cyclical maintenance carried out to the Council's housing stock.

School Meals-Best Value - This service provides school meals for a number of schools and academies throughout the borough as well as providing meals for extra care homes operated by Housing Services.

13 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2014/15 £000	2015/16 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	123	93
Fees payable for the certification of grant claims and returns for the year	13	12
Fees payable in respect of other services provided during the year.	3	0
Total	139	105

The Council's 2014/15 accounts were audited by PricewaterhouseCoopers LLP (PwC). The Audit Commission has appointed Ernst & Young LLP as the Council's external auditors for the 2015/16 accounts and onwards.

N.B. The other services amount of £3,000 in 2014/15 is in respect of additional work with respect to a grant claim that was audited by PwC.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

14 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2014. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school/nursery provider.

Details of the deployment of DSG receivable for 2015/16 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2015/16 before Academy recoupment			77,347
Academy figure recouped 2015/16			52,343
Total DSG after academy recoupment for 2015/16			25,004
Plus; Final Early Years Adjustment 2014/15 (DSG received 2015/16)			15
Sub-total			25,019
Plus Brought Forward from 2014/15			2,238
Carry Forward to 2016/17 agreed in advance			0
Final DSG for distribution in 2015/16			27,257
Agreed initial budget distribution in 2015/16 (note a)	9,562	69,274	78,836
In Year Adjustments (note b)	726	(52,305)	(51,579)
Final budget distribution for 2015/16	10,288	16,969	27,257
Less actual central expenditure	9,753		9,753
Less Actual ISB deployed to Schools		16,753	16,753
Carry Forward to 2016/17 (note c)	535	216	751

Notes:

- Initial budget allocation as per Section 251 statement, based on indicative DSG allocation received December 2014 & estimated 14/15 underspend
- Includes carry forward from 14/15 and EFA DSG adjustments within the final allocation, for recoupment and Early Years
- Includes planned underspend, allocated within the 2016/17 Early Years funding formula

15 Short Term Provisions

	NNDR Appeals £000	Other Provisions £000	Total £000
Balance at 1 April 2015	(319)	(58)	(377)
Additional provisions made in 2015/16	(45)	0	(45)
Unused amounts reversed in 2015/16	0	0	0
Balance at 31 March 2015	(364)	(58)	(422)

NNDR appeals - A provision was created for potential outstanding appeals against NNDR ratings that should be settled in the next year. The provision is a requirement due to the change in legislation in the distribution of income of the new Business Rates Retention scheme as it used to be the responsibility of Central Government.

Trading Operations - For all work carried out where interim valuations have been made and which are incomplete at the end of each financial year, forecasts are made of the final values and costs. These forecasts are then used to determine the likely profit or loss for each job with the resultant losses being provided for in the accounts. The provision of £58,000 will be reversed at the beginning of the next financial year and the accounting position resumes to reflect the actual results.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

16 Property, Plant and Equipment

Movements in 2015/16:	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2015	119,636	67,082	29,229	75,360	8,971	1,872	0	302,150	4,200
Additions	11,259	5,869	463	7,919	10	8,004	23	33,548	0
Revaluation (decrease)/increase recognised in the Revaluation Reserve	(709)	4,955	0	0	0	0	141	4,387	0
Revaluation decreases recognised in the Deficit on the Provision of Services	(6,268)	(13,685)	0	0	(150)	(16)	(160)	(20,279)	0
Derecognition - disposals	(802)	(2,646)	(3,392)	0	0	0	0	(6,840)	0
Assets reclassified to Investment Properties	0	0	0	0	0	0	(1,204)	(1,204)	0
Assets reclassified to Community Assets	0	33,898	0	45	200	3,500	1,235	38,878	0
Other movements in cost or valuation	0	(963)	0	0	128	835	(0)	(0)	0
At 31 March 2016	123,117	94,510	26,300	83,324	9,159	14,195	35	350,639	4,200
Accumulated Depreciation and Impairment									
At 1 April 2015	32,174	2,686	14,512	15,885	206	0	0	65,463	549
Depreciation charge	4,394	1,365	1,677	2,198	0	0	0	9,635	(86)
Depreciation written out to the Deficit on the Provision of Services	(6)	(1,045)	0	0	0	0	0	(1,051)	0
Impairment losses recognised in the Revaluation Reserve	0	10	0	0	0	0	11	21	0
Impairment reversals recognised in the Deficit on the Provision of Services	0	30	0	296	10	0	1	337	0
Derecognition - disposals	0	(73)	(1,287)	0	0	0	0	(1,360)	0
Derecognition - other	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	(27)	0	0	0	0	0	(27)	0
At 31 March 2016	36,562	2,946	14,902	18,379	216	0	12	73,018	463
Net book value									
at 31 March 2016	86,555	91,564	11,398	64,944	8,943	14,195	23	277,621	3,737
at 31 March 2015	87,462	64,396	14,717	59,475	8,765	1,872	0	236,687	3,651

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

Comparative Movements in 2014/15	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2014	120,735	64,062	26,551	65,505	8,971	7,011		292,835	4,195
Additions	7,802	2,663	2,678	9,855	0	871		23,869	0
Revaluation increase/(decreases) recognised in the Revaluation Reserve	104	1,333	0	0	80	(115)		1,402	(39)
Revaluation decreases recognised in the Deficit on the Provision of Services	(7,878)	(4,149)	0	0	0	0		(12,027)	44
Derecognition - disposals	(1,127)	(136)	0	0	0	(11)		(1,274)	0
Assets reclassified to Investment Properties	0	(143)	0	0	0	(2,432)		(2,575)	0
Assets reclassified to Community Assets	0	0	0	0	(80)	0		(80)	0
Other movements in cost or valuation	0	3,452	0	0	0	(3,452)		0	0
At 31 March 2015	119,636	67,082	29,229	75,360	8,971	1,872	0	302,150	4,200
Accumulated Depreciation and Impairment									
At 1 April 2014	27,716	2,522	12,920	14,015	206	0		57,379	501
Depreciation charge	4,465	1,396	1,592	1,870	0	0		9,323	87
Depreciation written out to the Deficit on the Provision of Services	(7)	(1,050)	0	0	0	(157)		(1,214)	(39)
Impairment losses recognised in the Revaluation Reserve	0	8	0	0	0	0		8	0
Impairment reversals recognised in the Deficit on the Provision of Services	0	(6)	0	0	0	0		(6)	0
Derecognition - disposals	0	(1)	0	0	0	0		(1)	0
Other movements in depreciation and impairment	0	(183)	0	0	0	157		(26)	0
At 31 March 2015	32,174	2,686	14,512	15,885	206	0	0	65,463	549
Net book value									
at 31 March 2015	87,462	64,396	14,717	59,475	8,765	1,872	0	236,687	3,651
at 31 March 2014	93,019	61,540	13,631	51,490	8,765	7,011	0	235,456	3,694

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings - the Major Repairs Allowance is used as a proxy for depreciation
- Other Land and Buildings - over the life of the property as estimated by the valuer. As an indication the majority of buildings are depreciated over 60 years, car parks for 20 years and Community Assets 999 years;
- Vehicles, Plant, Furniture & Equipment - between 3 and 12 years
- Infrastructure Assets - 30 years

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally with input from external valuers as and when required. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- The estimated amount for which a property should exchange on the date of valuation;
- Completion is not unduly delayed with vacant possession;
- The transaction is between a willing buyer and a willing seller;
- The transaction is at arms length with the parties acting knowledgeably, prudently and without compulsion;
- Prior to exchange the property was the subject of proper marketing; and
- The potential for an increase in value as a result of an alternative use is recognised (not applicable for assets valued by Existing Use).

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	1,753	11,398	64,944	8,943	0	23	87,060	1,447
valued at fair value as at:									
31 March 2015	86,555	70,993	0	0	0	14,195	0	171,743	2100
31 March 2014	0	8,928	0	0	0	0	0	8,928	0
31 March 2013	0	9,427	0	0	0	0	0	9,427	0
31 March 2012	0	463	0	0	0	0	0	463	0
31 March 2011	0	0	0	0	0	0	0	0	0
Total Cost or Valuation	86,555	91,564	11,398	64,944	8,943	14,195	23	277,621	3,546

17 Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2014/15 £000	2015/16 £000
Rental income from investment property	376	371
Direct operating expenses arising from investment property	(49)	(274)
Net gain	327	97

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

The following table summarises the movement in the fair value of investment properties over the year:

	2014/15 £000	2015/16 £000
Balance at start of the year	39,887	51,172
Additions:		
Purchases	0	0
Subsequent Expenditure	13,249	253
Disposals	(13)	(1,274)
Net gains from fair value adjustments	(4,500)	(740)
Transfers from Property, Plant and Equipment	2,549	(38,904)
Balance at end of the year	51,172	10,507

18 Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Art Collection £000	Civic Regalia £000	Railway Museum £000	Total Assets £000
Cost or Valuation				
1 April 2012	743	565	2,010	3,318
Revaluations			150	150
31 March 2013	743	565	2,160	3,468
Cost or Valuation				
1 April 2013	743	565	2,160	3,468
Additions	7	0	0	7
31 March 2014	750	565	2,160	3,475
Cost or Valuation				
1 April 2014	750	565	2,160	3,475
Additions	0	0	0	0
31 March 2015	750	565	2,160	3,475
Cost or Valuation				
1 April 2015	750	565	2,160	3,475
Additions	8	0	0	8
31 March 2016	758	565	2,160	3,483

The Council holds a range of heritage assets comprising the Borough Art Collection, the Railway Museum Collection and various pieces of Civic Regalia. The Art Collection has been valued by an external valuer (the majority being valued in 2008) at £0.758M. The Civic Regalia was valued by an external valuer in 2011 at £0.565M. External valuations are reviewed periodically. The Railway Museum Collection is reported in the balance sheet at insurance valuation (based on market values) at £2.160M and is updated annually. In addition, the Council loans certain items from the National Railway Museum with an insurance valuation of £1.500M. Because of the nature of the loan agreement these assets are not included within the Council's Balance Sheet. The Council's heritage asset holdings are substantially static with low numbers of acquisitions or donations and no recent disposals.

Heritage Assets: Five Year Summary of Transactions

Paragraph 4.10.4.5 of the Accounting Code of Practice requires a five year summary of transactions in respect of heritage assets but states that information need not be given for any period before 1 April 2010 where it is not practicable to do so. As there have been no changes in the period before 1 April 2010, the Council do not believe it practicable to repeat the information shown above for the preceding years.

Further information

Darlington Borough Art Collection is a collection of artworks with a large variety of subject matter, medium and style. The collection spans over 150 years and features work by local, national and international artists and it has been acquired over many years through donation, bequest and purchase. More details can be found on the Council's website.

The Council owns over 140 items of Civic Regalia ranging from dinner and silverware to the Chains of Office.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

The Railway Museum's existing collections are mostly limited to material illustrating the development and operation of railways in North East England. Although regional in scope, in some areas they are of national importance because of their association with the Stockton & Darlington Railway. Exhibits include a locomotive, wagons, archives, maps, photographs and models/toys. Further information about the collection can be obtained from the Council's website.

19 Impairment Losses

During 2015/16, the Council has recognised impairment losses of £4.633M in relation to its land and buildings.

Where impairment losses are identified, they are initially set against any accumulated gains for each assets held in the Revaluation Reserve. Losses arising from impairments that cannot be absorbed by accumulated revaluation gains are charged to service lines in the Comprehensive Income and Expenditure Statement.

Impairments have been charged as follows:

	Restated 31 March 2015 £000	31 March 2016 £000
Comprehensive Income and Expenditure Statement		
- Cultural and related services	16	2,684
- Planning services	22	49
- Education and children's services	0	32
- Highways and transport services	0	297
- Local authority housing	714	1,571
	752	4,633

20 Inventories

	Consumable Stores		Maintenance Materials		Client Services Work In Progress		Total	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Balance outstanding at start of year	122	130	364	772	(8)	(62)	478	840
Purchases	980	850	1,560	1,339	0	0	2,540	2,189
Recognised as an expense in the year	(974)	(862)	(1,151)	(1,560)	(54)	(14)	(2,179)	(2,436)
Written off balances	2	0	0	0	0	0	2	0
Balance outstanding at year-end	130	118	773	551	(62)	(76)	841	593

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

21 Short term debtors

	As at 31 March 2015 £000	As at 31 March 2016 £000
Central government bodies	2,611	4,082
Other local authorities	3,528	157
NHS bodies	94	(437)
General Debtors	18,992	17,838
Payments in Advance	958	1,679
Provision for Bad and Doubtful Debts	(4,519)	(4,567)
	21,664	18,752

22 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	As at 31 March 2015 £000	As at 31 March 2016 £000
Cash held by the Council	108	108
Bank current accounts	(779)	(3,375)
Short-term deposits	15,000	14,000
Total cash and cash equivalents	14,329	10,733

23 Short term creditors

	As at 31 March 2015 £000	As at 31 March 2016 £000
Central government bodies	(3,209)	(2,457)
Other local authorities	(2,420)	(2,383)
NHS bodies	(126)	(1,434)
Other entities and individuals	(22,748)	(19,372)
Total	(28,503)	(25,646)

24 Long Term Provisions

	Other £000	Total £000
Balance at 1 April 2015	(1,158)	(1,158)
Additional provisions made in 2015/16	(420)	(420)
Amounts used in 2015/16	0	0
Unused amounts reversed in 2015/16	11	11
Balance at 31 March 2016	(1,567)	(1,567)

Equal Pay - The provision created for potential costs related to payments due as a result of the job evaluation exercise that had a start date of 1 July 2005 has been reversed as all of the outstanding claims have been settled.

Equal Pay - A provision of £166,000 has been created for potential legal costs related to payments due as a result of the job evaluation exercise that had a start date of 1 July 2005.

Land Reclamation - A provision of £300,000 has been made in the accounts as at 31 March 2016 for the repayment of reclamation grant.

Section 117 - A provision of £178,000 is held for the potential repayment of charges made under s117 of the Mental Health Act 1983. The Council are likely to be making payments for a number of years.

Insurance Provision - The Council insures against the risk of claims in respect of personal injury and property loss. These risks are insured externally, however there is a £5,000 excess in respect of each and every claim on the liability policy. The balance of £923,000 on this account represents claims made and still outstanding as at 31 March 2016 which are within these excesses.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

25 Leases

Council as Lessee

Finance Leases

The Council currently has no finance leases.

Operating Leases

The Council has acquired vehicles, furniture and equipment under operating leases. Payments made during the year in respect of these leases amount to £0.624M (£0.510M in 2013/14).

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2015	31 March 2016
	£000	£000
Not later than one year	216	354
Later than one year and not later than five years	531	1,092
Later than five years	107	125
	854	1,571

There are no contingent rents payable in respect of the leases.

The Council has not sub-let any of the vehicles, furniture and equipment under these operating leases.

Council as Lessor

Finance Leases

The Council does not have any leases categorised as Finance Leases in its capacity as Lessor.

Operating Leases

The Council leases various Land and Buildings to third parties under operating leases. The leases are primarily to provide suitable affordable accommodation for local businesses but also includes the lease of buildings that enable the delivery of community services such as Community Centres. During 2015/16 £0.677M (£0.710M in 2014/15) was received by the Council in relation to these leases.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2015	31 March 2016
	£000	£000
Not later than one year	710	677
Later than one year and not later than five years	1,071	857
Later than five years	5,548	4,883
	7,329	6,417

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

26 Contingent Liabilities

At 31 March 2016, the Council had the following contingent liabilities:

During 1992/93 Municipal Mutual Insurance (MMI) ceased accepting new business. MMI and its policyholders, including local authorities, have established a Scheme of Arrangement for the orderly run down of the company. MMI's future liabilities under its old policies cannot be fully quantified until all of the claims, current and yet to be made, have been settled. There is a Scheme of Arrangement in place that if MMI does not have enough assets to meet the claims and liabilities it can clawback from major policy holders part of the claims paid from October 1993. This scheme was triggered in November 2012 and Darlington Borough Council has paid £0.134M up to 31st March 2016 this represents 15% of claims paid by MMI excluding the first £0.050M of claims. During 2012/13 the Council commissioned an Actuarial Report from a firm of insurance brokers, independent of MMI, who estimate at this time that the clawback amount could be as much as 50% of all claims excluding the first £50,000 this could be as much as £0.448M. In early April the Council was notified that a further 10% levy would be applied under the scheme and a further payment of £0.089M would be required in early May 2016 this would bring the levy paid up to 25% or £0.224M. As a result the Council has a contingent liability of £0.313M, this being the 50% that the Council could be liable for (£0.448M) less the amount paid over to MMI to date (£0.134M). Of the £0.313M, £0.089M will be paid in May 2016.

Furthermore, the Council will be liable for 15% of all new claims that have incurred but not yet been reported but this could increase to 50% of all new claims, therefore, a figure for this contingent liability is unknown at this time. It is intended that a further Actuarial report will be commissioned

The Association of North East Councils (ANEC), of which Darlington Borough Council is a constituent member, has agreed to guarantee the liabilities relating to the admission of employees of the North East Assembly to the Tyne and Wear Pension Fund. The total potential liability of the 12 constituent authorities is £1.580M of which Darlington has stood guarantor for £0.061M.

Darlington is one of a consortium of partners, forming a Community Interest Company (CIC) Achieving Real Change for Communities (ARCC). The ARCC is a CIC without shareholdings supported by Darlington and 8 other organisations. There is a Deed of Guarantee in place of £14.12M in the event of significant failures in performance of which Darlington's potential liability is £2.45M rising to £3.53M in the unlikely event of failure by the private guarantors to meet their obligations.

27 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

	2014/15 £000	2015/16 £000
General Fund	23,840	21,227
Earmarked Reserves	5,588	9,714
Housing Revenue Account	16,359	16,493
Schools Revenue Balances	1,849	1,397
Revenue Grant Unapplied	4,623	4,051
Capital Receipts Reserve	2,501	2,386
Capital Grants Unapplied	10,642	10,500
Total Usable Reserves	65,402	65,768

General Fund

Resources available to meet future running costs for services other than council housing

Earmarked Reserves

Earmarked reserves are shown in Note 5 and resources set aside for future spending plans

Housing Revenue Account

Resources available to meet future running costs for council housing

Schools Revenue Balances

Surplus balances of locally managed schools which are committed to be spent on the education service.

Revenue Grant Unapplied

The balance is in respect of revenue grants that have been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from the grant has not been incurred at the Balance Sheet date.

Capital Receipts Reserve

Proceeds of non-current asset sales available to meet future capital investment.

Capital Grants Unapplied

The balance is in respect of capital grants that have been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from the grant has not been incurred at the Balance Sheet date.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

28 Unusable Reserves

	2014/15 £000	2015/16 £000
Revaluation Reserve	17,435	25,138
Capital Adjustment Account	91,686	75,636
Available-for-Sale Financial Instruments Reserve	0	0
Financial Instruments Adjustment Account	(60)	(45)
Pensions Reserve	(130,140)	(125,740)
Deferred Capital Receipts Reserve	1	0
Collection Fund Adjustment Account	(344)	(1,097)
Unequal Pay Back Pay Account	(11)	0
Accumulated Absences Account	(600)	(627)
Total Unusable Reserves	(22,033)	(26,735)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2014/15 £000	2015/16 £000
Balance at 1st April	14,565	17,435
Upward revaluation of assets	3,624	10,457
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	(456)	(1,421)
(Deficit) / Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services	3,168	9,036
Difference between fair value depreciation and historical cost depreciation	(261)	(238)
Accumulated gains on assets sold or scrapped	(37)	(1,095)
Amount written off to the CAA	(298)	(1,333)
Balance at 31st March	17,435	25,138

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that is outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2016 will be charged to the General Fund over the next 7 years.

	2014/15 £000	2015/16 £000
Balance at 1st April	(75)	(60)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements	15	15
Balance at 31st March	(60)	(45)

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

Capital Adjustment Account (CAA)

The CAA absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets for financing and acquisition, construction or enhancement of those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The CAA is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The CAA contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The CAA also contains revaluation gains on accumulated Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. **Note 4** provides details of the source of all transactions posted to the CAA, apart from those involving the Revaluation Reserve.

	2014/15 £000	2015/16 £000
Balance at 1st April	89,447	91,686
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(10,002)	(14,258)
Neutralise the impact on the HRA in respect of the depreciation transfer required under the Accounts and Audit (England) Regulations 2011 (Regulation 7(5)(a))	(4,455)	(4,384)
Revaluation losses on Property, Plant and Equipment	(14,052)	(24,753)
Revaluation gains used to reverse previous revaluation losses	2,046	4,461
Revenue expenditure funded from capital under statute	(1,361)	(964)
Capital Expenditure classed as De-minimis	(195)	(109)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(1,286)	(5,659)
	<u>(29,305)</u>	<u>(45,666)</u>
Adjusting amount written out of the Revaluation Reserve	353	931
Net written out amount of the cost of non-current assets consumed in the year.	<u>(28,952)</u>	<u>(44,735)</u>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,843	2,866
Use of the Major Repairs Reserve to finance new capital expenditure	4,455	4,384
Capital grants and contributions credited to the CIES that have been applied to capital financing	853	983
Application of grants to capital financing from the Capital Grants Unapplied Account	15,342	8,566
Statutory provision for the financing of capital investment charged against the GF and HRA balances	4,938	1,866
Capital expenditure charged against the General Fund and HRA balances	8,203	10,749
	<u>35,634</u>	<u>29,413</u>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(4,443)	(728)
Balance at 31st March	<u>91,686</u>	<u>75,636</u>

Available-for-Sale Financial Instruments Reserve

The Available-for-Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when instruments with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- disposed of and the gains are realised.

	2014/15 £000	2015/16 £000
Balance at 1st April	68	0
Upward/(Downward) revaluation of investments not charged to the Deficit on the Provision of Services	(68)	0
Balance at 31st March	<u>0</u>	<u>0</u>

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2014/15 £000	2015/16 £000
Balance at 1st April	(106,770)	(130,140)
Actuarial losses on pensions assets and liabilities	(19,880)	8,720
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(11,190)	(12,340)
Employer's pension contributions and direct payments to pensioners payable in the year	7,700	8,020
Balance at 31st March	(130,140)	(125,740)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2014/15 £000	2015/16 £000
Balance at 1st April	4	1
Transfer to the Capital Receipts Reserve upon receipt of cash	(3)	(1)
Balance at 31st March	1	0

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the CIES as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across to the General Fund from the Collection Fund.

	2014/15 £000	2015/16 £000
Balance at 1st April	(1,101)	(344)
Amount by which council tax and non-domestic rates income credited to the CIES is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	757	(753)
Balance at 31st March	(344)	(1,097)

Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such times as cash might be paid out to claimants.

	2014/15 £000	2015/16 £000
Balance at 1st April	(951)	(11)
Decrease in provision for back pay in relation to Equal Pay cases	940	11
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(11)	0
Balance at 31st March	(11)	0

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, for example, annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2014/15 £000	2015/16 £000
Balance at 1st April	(587)	(600)
Settlement or cancellation of accrual made at the end of the preceding year	587	600
Amounts accrued at the end of the current year	(600)	(627)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(600)	(627)
Balance at 31st March	(600)	(627)

29 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2014/15 £000	2015/16 £000
Opening Capital Financing Requirement	174,866	182,296
Capital Investment		
Property, Plant and Equipment	24,067	33,673
Investment Properties	13,249	253
Revenue Expenditure Funded from Capital Under Statute	1,361	964
Add Adjustment to Funding for previous year	432	0
Sources of Finance		
Capital receipts	(1,843)	(2,866)
Government grants and other contributions	(17,243)	(9,536)
Sums set aside from revenue:		
Direct revenue contributions	(7,597)	(10,762)
MRP/loans fund principal	(3,625)	(629)
Deferred liabilities movement	(1,312)	(1,237)
Other Movements finance leases and Mortgages	(49)	(1)
Depreciation/ Amortisation of HRA Non dwellings	(10)	(9)
Closing Capital Financing Requirement	182,296	192,146
Explanation of movements in year		
Minimum Revenue Provision (MRP)	(4,937)	(1,866)
Other Movements	(59)	(10)
Increase in underlying need to borrowing (unsupported by government financial assistance)	12,426	11,726
Increase in Capital Financing Requirement	7,430	9,850

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

30 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and expenditure Statement in 2015/16:

	2014/15 £000	2015/16 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	24,730	17,938
Business Rates Baseline	16,496	16,754
Capital Grants and Contributions	17,524	8,424
Local Authority Top Up Grant	3,904	4,037
New Homes Bonus	1,339	1,880
Small Business Rates Relief S31 Grant	927	1,115
Other	60	49
Local Services Support Grant	59	38
Sub-total	65,039	50,235
Credited to Services		
Dedicated Schools Grant (DSG)	26,223	24,940
Rent Allowance	24,303	24,309
Rent Rebates	13,730	14,120
Public Health Grant	7,184	7,879
The Private Finance Initiative (PFI)	3,200	3,200
Social Care Funding	1,879	2,111
Pupil Premium	1,755	1,697
Local Sustainable Transport Fund (DfT)	800	1,121
Housing Benefit & Council Tax Support Admin subsidy	799	733
Independent Living Fund	0	651
Community Learning	458	611
Adult Social Care Implementation Grant	0	582
Education Services Grant	596	510
Universal Infant Free School Meals	213	412
Tackling Troubled Families	441	405
16-18 Apprentices	215	280
Youth Justice Board	296	245
Step Up to Social Work	0	183
Discretionary Housing Payments	210	150
Property Searches New Burdens Payment	0	112
Children & Young Peoples Mental Health Innovation Fund	0	111
Local Welfare Provision Grant	407	0
TVBNI - Smart Choices (DfT)	307	0
SEN Reform Grant	150	0
Adult Skills	134	0
Community Safety Funding	129	0
SEN Implementation New Burdens	125	0
Care Bill Implementation Grant	125	0
Adoption Reform Grant	100	0
Other	1,077	640
Sub-total	84,856	85,002
Total	149,895	135,237

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	2014/15 £000	2015/16 £000
Capital Grants Receipts in Advance		
Developer Contribution	1,033	996
Fair Share Trust	50	50
Safer & Stronger Communities Fund	42	42
Tees Valley Regeneration	75	75
	1,200	1,163

31 Private Finance Initiative

Education PFI Scheme

2015/16 was the eleventh year of the Council's 25 year PFI scheme for the construction, maintenance and operation of five schools, the Education Village (a federation of schools comprising Springfield, Beaumont Hill and Haughton Schools) and Harrowgate Hill Primary School, which became operational in March 2006 and August 2005 respectively. The Education Village Schools converted to Academy status on 1 April 2012 under the provisions of the Academies Act 2010.

(1) Harrowgate Hill

The Council has certain exclusive use rights for the use of the school during specific times during school terms. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the centres and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the centres. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

(2) Education Village

The Education Village Academy trust has certain exclusive use rights for the use of the centres by schools during specific times during school terms. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the centres and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the centres. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Academy Trust for nil consideration. The Council continues to be the primary contracting party with the contractor but the Academy Trust has taken over a large part of the monitoring responsibilities for the three schools it serves. The payment arrangements are that the Council makes the payment to the contractor and receives the PFI credits and contributions from the schools involved to cover the majority of the costs with the remainder being topsliced from the Dedicated Schools Grant.

Property, Plant and Equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in **Note 16**.

Payments

The Council makes an agreed payment each year part of which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2016 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2016/17	2,256	1,213	775	4,244
Payable within two to five years	9,601	4,659	2,530	16,790
Payable within six to ten years	13,414	5,541	1,941	20,896
Payable within eleven to fifteen years	13,318	4,817	629	18,764
Payable within sixteen to twenty years				0
Total	38,589	16,230	5,875	60,694

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2014/15	2015/16
	£000	£000
Balance outstanding at start of year	18,730	17,467
Payments during the year	(1,263)	(1,237)
Balance Outstanding at end of year	17,467	16,230

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

32 Members' Allowances

Details of the amounts paid to each Member of the Council are published annually and can be viewed on the Darlington Borough Council website. The total amount paid to Members in respect of basic, special responsibility and travel and subsistence allowance was £582,377 (2014/15 £629,172).

33 Trust Funds

Trust Funds administered by Darlington Borough Council are as follows :

	Balance at 1 April 2015 £000	Receipts £000	Payments £000	Balance at 31 March 2016 £000
BAT Legacy	105	0	(12)	93
Other	3	0	0	3
	108	0	(12)	96

Purpose of the Trust Funds:

BAT Legacy

British American Tobacco (BAT) closed its Darlington plant in 2004. A legacy was left to the town to support business growth and economic development.

The only main funds that the Council still administers is the BAT legacy as well as 4 other minor funds.

34 Related Parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are included within **Note 30** and the amounts outstanding from/to various government departments are summarised in **Notes 21/23**.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in **Note 32**. Councillors are subject to the Council's Member Code of Conduct. The Register of Members Interests and declarations of interests relating to specific items of discussion at meetings are available for inspection.

During 2015/16, the Council had transactions with the following entities in which Members were deemed to have the potential to control or have significant influence over that entity;

	Expenditure		Income		Creditors		Debtors	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
700 Club	272	0	0	0	(1)	0	0	0
Bike Stop Darlington Limited	3	0	0	0	0	0	0	0
Darlington College	237	196	(19)	(29)	(1)	1	1	4
Evolution	98	0	(21)	0	0	0	(5)	0
First Stop Darlington Limited	124	233	(6)	0	(7)	(2)	0	0
Limited	120	159	(43)	(91)	0	0	122	(39)
Theatre Hullabaloo	3	0	(4)	0	0	0	2	0
TOTAL	857	588	(93)	(120)	(9)	(1)	120	(35)

Following local government elections in May 2015, there is no longer any Member interest in the 700 Club, Evolution or Theatre Hullabaloo.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

During 2015/16, the Council paid £1.137M (£0.798M in 2014/15) to and received £0.005M (£0.007M in 2014/15) from other entities in which Members declared an interest on their Members' Interest forms but in which they were not deemed to have the potential to control or have significant influence over those entities. At the end of the year the Council owed £0.006M to these entities (£0.021M owing to these entities in 2014/15).

Senior Officers

The Council's senior managers may influence financial and operating policies through the professional advice to elected Members and through the management decisions they make under delegated powers. Such officers are subject to the Council's Employee Code of Conduct and professional bodies' standards. There are no related party transactions between the Council and its senior managers that require disclosure in 2015/16.

Other Organisations

The Council paid £0.705M to 16 other organisations (£0.666M to 12 in 2014/15) on which it has Member representation and which share educational, economic development, social and cultural objectives. These representations were made on 4 June 2015 by Annual Council and 16 June 2015 by Cabinet and these reports are available on the Council's website. It has been deemed that no Member, as a result of any such nomination, has any significant control or influence over that organisation.

Other Public Bodies

The Council received £4,994,157 (£3,181,295 in 2014/15) from the NHS. The Council paid £1,948,552 (£2,592,503 in 2014/15) to the NHS. At the year end there was £266,806 (£365,760 in 2014/15) owed to the NHS and there was £649,665 (£166,024 in 2014/15) owed by the NHS.

35 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2015/16, the Council paid £0.901M to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2014/15 were £0.819M and 14.1%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in **Note 36**.

During 2013/14, Public Health staff transferred to the Council and these staff have maintained their membership in the NHS pension scheme. The Scheme provides these staff with sufficient benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes and it is therefore accounted for on the same basis as a defined contribution scheme.

In 2015/16 the Council paid £0.045M to the NHS Pension scheme in respect of former NHS staff retirement benefits, representing 14.0% of pensionable pay. The figures for 2014/15 were £0.053M and 14.0%. There were no contributions remaining payable at the year end.

36 Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes.

The disclosures below relate to the funded liabilities within the Durham County Council Pension Fund which is part of the Local Government Pension Scheme (LGPS).

The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits earned over the period covered by this disclosure are set out in 'The Local Government Pension Scheme Regulations 2013' and the 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'.

There are arrangements in place for the award of discretionary post retirement benefits upon early retirement, this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Funding / Governance Arrangements of the LGPS

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2013 and the contributions to be paid until 31 March 2017 resulting from the valuation are set out in the Fund's Rates and Adjustment Certificate.

An actuarial valuation of the Fund will be carried out at 31 March 2016 and as part of that valuation a new Rates and Adjustment Certificate will be produced for the three year period from 1 April 2017.

The Fund Administering Authority, Durham County Council is responsible for the governance of the Fund.

Assets

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employers liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole is shown in the disclosures split by quoted and unquoted investments.

Transactions Relating to Post-Employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

	Local Government Pension Scheme		Discretionary Benefits	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service cost	(6,660)	(8,150)	0	0
• gains from settlements	(110)	(160)	0	0
Financing and Investment Income and Expenditure				
• net interest expense	(3,940)	(3,640)	(480)	(390)
Total Post Employment Benefit Charged to the Deficit on the Provision of Services	(10,710)	(11,950)	(480)	(390)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• return on plan assets (excl the amount included in the net interest expense)	15,860	(10,390)	0	0
• actuarial gains/(losses) arising on changes in financial assumptions	(36,080)	15,070	(770)	320
• actuarial (losses)/gains arising on changes in demographic assumptions	0	0	0	0
• actuarial gains/(losses) due to liability experience	2,090	3,510	(980)	210
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(28,840)	(3,760)	(2,230)	140
Movement in Reserves Statement				
• reversal of net charges made to the Deficit on the Provision of Services for post employment benefits in accordance with the Code	10,710	11,950	480	390
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to the scheme	6,650	6,990		
• retirement benefits payable to pensioners			1,050	1,030

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement from 1 April 2009 to 31 March 2016 is a gain of £17.480M (to 31 March 2015 a gain of £8.760M).

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Fair value of assets	270,150	266,560	0	0
Present value of funded defined benefit obligation	(387,300)	(380,480)	(12,990)	(11,820)
Funded Status	(117,150)	(113,920)	(12,990)	(11,820)
Other movements in the liability	0	0	0	0
Net liability recognised on the balance sheet	(117,150)	(113,920)	(12,990)	(11,820)

Assets and Liabilities in Relation to Post Employment Benefits

Pension Scheme Assets comprised:

	Asset Split at 31 March 2015			Asset Split at 31 March 2016		
	Quoted %	Unquoted %	Total %	Quoted %	Unquoted %	Total %
Equities	6.7	37.0	43.7	40.8	0.0	40.8
Property	1.4	4.7	6.1	1.3	6.7	8.0
Government Bonds	25.4	5.9	31.3	26.0	6.0	32.0
Corporate Bonds	0.0	9.3	9.3	0.0	9.0	9.0
Cash	9.6	0.0	9.6	10.2	0.0	10.2
Other	0.0	0.0	0.0	0.0	0.0	0.0
	43.1	56.9	100.0	78.3	21.7	100.0

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000
Opening defined benefit obligation balance at 1 April	(339,880)	(387,300)	(11,810)	(12,990)
Current service cost	(6,660)	(8,150)	0	0
Interest expense on defined benefit obligation	(14,450)	(12,260)	(480)	(390)
Contributions by scheme participants	(2,210)	(2,330)	0	0
Actuarial (gains)/losses on liabilities - financial assumptions	(36,080)	15,070	(770)	320
Actuarial (gains)/losses on liabilities - demographic assumptions	0	0	0	0
Actuarial (gains)/losses on liabilities - experience	2,090	3,510	(980)	210
Net Benefits paid out	10,000	11,140	1,050	1,030
Past Service cost (inc curtailments)	(110)	(160)	0	0
Closing defined benefit balance at 31 March	<u>(387,300)</u>	<u>(380,480)</u>	<u>(12,990)</u>	<u>(11,820)</u>

Reconciliation of fair value of the scheme assets:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000
Opening fair value of assets balance at 1 April	244,920	270,150	0	0
Interest income on assets	10,510	8,620	0	0
Remeasurement gains/(losses) on assets	15,860	(10,390)	0	0
Contributions by the employer	6,650	6,990	1,050	1,030
Contributions by scheme participants	2,210	2,330	0	0
Net Benefits paid out	(10,000)	(11,140)	(1,050)	(1,030)
Closing fair value of assets balance at 31 March	<u>270,150</u>	<u>266,560</u>	<u>0</u>	<u>0</u>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

The actual loss on scheme assets in the year was £1.77M (2014/15: gain of £26.370M).

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £125.740M has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a reduction in the net worth from £164.772M to £39.032M. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2017 is £7.070M. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2017 are £1.030M.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by AonHewitt Limited, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2014/15	2015/16	2014/15	2015/16
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	22.6	22.7	22.6	22.7
• Women	25.1	25.2	25.1	25.2
Longevity at 65 for future pensioners:				
• Men	24.8	24.9	n/a	n/a
• Women	27.4	27.5	n/a	n/a
Rate of inflation (RPI)	2.9%	2.9%	2.9%	2.9%
Rate of Inflation (CPI)	1.8%	1.8%	1.8%	1.8%
Rate of increase in salaries	3.3%	3.3%	n/a	n/a
Rate of increase in pensions	1.8%	1.8%	1.8%	1.8%
Pension accounts revaluation rate	1.8%	1.8%	n/a	n/a
Rate for discounting scheme liabilities	3.2%	3.4%	3.1%	3.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above, The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption	Decrease in Assumption
	£M	£M
Longevity (increase or decrease by 1 year)	9.85	(9.85)
Rate of increase in salaries (increase or decrease by 0.1% p.a.)	1.88	(1.86)
Rate of increase in pensions (increase or decrease by 0.1% p.a.)	5.52	(5.43)
Rate for discounting scheme liabilities (increase or decrease by 0.1% p.a.)	(7.27)	7.41

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2015	31 March 2016
	%	%
Equity investments	43.7	40.8
Debt Instruments	40.6	41.0
Other assets	15.7	18.2
	100.0	100.0

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

37 Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000
Cash Equivalents Short Term Deposits (See Note 22)	0		15,000	14,000
Short Term Investments (Per Balance Sheet)	5,000	5,000	13,039	13,032
Loans and Receivables at amortised cost	5,000	5,000	28,039	27,032
Available-for-Sale assets	0	0	0	0
Total Investments	5,000	5,000	28,039	27,032
Debtors				
Loans and Receivables	198	204	0	0
Financial assets carried at contract amounts (Debtors)	0	0	6,842	6,093
Total Debtors	198	204	6,842	6,093
Borrowings				
Financial liabilities(principal amount)	110,160	126,260	14,000	5,000
Add Accrued Interest	0	0	1,393	1,425
Less Other accounting adjustments	(43)	(41)	0	0
Financial Liabilities at amortised cost	110,117	126,219	15,393	6,425
Total Borrowings (Per Balance Sheet)	110,117	126,219	15,393	6,425
PFI and finance lease liabilities	16,230	15,017	1,237	1,213
Total other long term creditors (Per Balance Sheet)	16,230	15,017	1,237	1,213
Financial liabilities carried at contract amount	0	0	1,989	1,773
Total Creditors	0	0	1,989	1,773

Income, Expense, Gains and Losses

	2015/16				Total £000
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available-for-sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	
Interest expense	6,217	0	0	0	6,217
Total expense in Deficit on the Provision of Services	6,217	0	0	0	6,217
Interest income	0	(333)	0	0	(333)
Total income in Deficit on the Provision of Services	0	(333)	0	0	(333)
Loss on revaluation	0	0	0	0	0
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0	0	0
Net gain/(loss) for the year	6,217	(333)	0	0	5,884

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

	2014/15				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000
Interest expense	6,021	0	0	0	6,021
Total expense in Deficit on the Provision of Services	6,021	0	0	0	6,021
Interest income	0	(321)	0	0	(321)
Total income in Deficit on the Provision of Services	0	(321)	0	0	(321)
Loss on revaluation	0	0	(68)	0	(68)
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	(68)	0	(68)
Net gain/(loss) for the year	6,021	(321)	(68)	0	5,632

- Available-for-Sale Assets - The Council holds the following investments, and during the year the following adjustments were made:

	Balance Sheet Value 2014/15	Balance Sheet Value 2015/16	Reduction in Value
Durham Tees Valley Airport	0	0	0
	0	0	0

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans from both PWLB and non PWLB payable, borrowing rates from PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2015		31 March 2016	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial Liabilities:				
PWLB Debt	65,311	89,980	65,311	77,127
Non PWLB debt	58,850	86,968	64,850	99,777
Total Debt	124,161	176,948	130,161	176,904
Creditors	1,989	1,989	1,773	1,773

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2016) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £77.127M measures the economic effect of the terms agreed with the PWLB Board compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date which has been assumed as the PWLB new borrowing rates. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £65.311m would be valued at £77.127m. But if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge based on the redemption interest rates, an early redemption charge of £25.112m for the additional interest which will not now be paid. The exit price for the PWLB loans including the penalty charge would be £90.423M

	31 March 2015		31 March 2016	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial Assets				
Money market loans more than 1 year	5,000	5,073	0	0
Debtors	6,842	6,842	6,093	6,093

The fair value of the assets is greater than the carrying amount because the Council's portfolio of investments includes a fixed rate investment where the interest rate payable is higher than the rates available for similar investments in the market at the balance sheet date this shows a notional future gain (based on economic conditions at 31st March 2016) arising from a commitment to receive interest from lenders above current market rates.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

38 Nature and Extent of Risks Arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitment to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Overall Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out in a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall these procedures require the Council to manage risks in the following ways:

- by formally adopting the requirements of the code of Practice;
- by the adoption of a treasury policy statement and treasury management clauses within the Constitution;

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

- by approving annually in advance prudential indicators for the following three years limiting the Council's overall borrowing including:

- it's maximum and minimum exposures to fixed and variable rates;
- it's maximum annual exposure to investments maturing beyond 1 year

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risks in relation to the Council's financial instrument exposure. Actual performance is also reported half-yearly to Members.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 26 February 2015 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2015/16 was set at £238.388M. This was the maximum amount of external borrowings and other long term liabilities allowed.
- The operational Boundary was expected to be £201.881M. This is the expected level of borrowing and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40% based on the council's net debt.
- The maximum and minimum exposure to the maturity structure of debt are shown in the note relating to refinancing and maturity risk.

Risk Management is carried out by a central treasury team under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMP's). These TMP's are a requirement of the Code of practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and institutions unless they meet the minimum requirements of investment criteria outlined below.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Credit Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. Additional selection criteria are also applied after these initial criteria are applied. Full details of the Investment Strategy can be found on the Council's website. The key areas of the investment Strategy are the minimum criteria for investment counterparties which include:

- UK institutions Credit rating of Short Term F1, Long Term A- or equivalent
- Non UK institutions Credit rating of Short Term F1+, Long Term AA- or equivalent
- UK institutions provided with support from the UK Government.

The full Investment Strategy for 2015/16 was approved by full Council on 26 February 2015 and is available on the Council's website.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions:

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

	Amount at 31 March 2016 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2016 %	Estimated maximum exposure to default and uncollectability at 31 March 2015 £000	Estimated maximum exposure at 31 March 2016 £000
Deposits with banks and Financial Institutions					
AAA rated counterparties	10,000	0	0	0	0
AA Rated Counterparties					
Less than 1 year	3,000	0	0	0	0
1 to 2 years	0				
A rated counterparties	14,000	0.09	0.017	7	2
UK Government backed Banks BBB+ rated	5,000	0.20	0.074	5	4
Trade debtors	6,093	12.50	13.32	704	812

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for customers, such that £3.313M of the £6.093M balance shown in the balance sheet as part of short term debtors is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2015 £000	31 March 2016 £000
Debts on Payment plans	1,416	1,314
Less than three months	355	326
Three to six months	270	242
Six months to one year	252	652
More than one year	682	779
	2,975	3,313

Liquidity Risk

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	31 March 2015 £000	31 March 2016 £000
Less than one year	28,000	27,000
Between one and two years	5,000	5,000
	33,000	32,000

All trade and other payables are due to be paid in less than one year and are not shown in the table above.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicators limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or rescheduling of the existing debt; and

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy)

	Approved Maximum Limits	31 March 2016	31 March 2015 £'000	31 March 2016 £'000
Less than 1 year	25%	4%	14,000	5,000
Between 1 and 2 years	40%	5%	0	7,000
Between 2 and 5 years	60%	6%	0	8,000
Between 5 and 10 years	80%	5%	6,750	6,750
More than 10 years	100%	80%	103,411	103,411
Total		100%	124,161	130,161

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Comprehensive Income Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance subject to influences from Government grants (HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together with the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy, a treasury indicator is set which provides limits for fixed and variable rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	(272)
Increase in interest receivable on variable rate investments	(170)
Impact on Surplus or Deficit on the Provision of Services	(442)
Share of overall impact debited to the HRA	(177)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	26,143

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the note Fair value of Assets and Liabilities carried at Amortised Cost.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

Price Risk

The Council, excluding the Pension Fund, does not generally invest in equity shares or marketable bonds and therefore does not have exposure to price risk in its investments.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

39 Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Neighbourhood Services & Resources on 16 June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no significant post balance sheet events to be disclosed.

40 Statement of Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. The principle accounting policies have been applied consistently throughout the year.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

The only exceptions to these principles where costs are not apportioned between years are:

- housing rents are shown in whole weeks
- quarterly accounts e.g. electricity are reflected on the basis of four payments per year

This policy is consistently applied each year and does not materially affect the accounts.

c) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions, including 'on-call accounts and deposits with Money Market Funds, repayable without penalty on notice of not more than 24 hours held to meet short-term cash commitments. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Bank overdrafts that form an integral part of daily cash management are classified as cash and cash equivalents.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

d) Prior Period Adjustments, Changes In Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

e) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service,
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off,
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

f) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi time or time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards although it is the Council's policy not to award any such enhancements.

Post Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by NHS Pensions
- The Local Government Pensions Scheme, administered by Durham County Council.

The schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees of the Council.

However, the arrangements for the teachers' and the NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year and the Public Health Service line is charged with the employer's contributions payable to the NHS Pension scheme in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefit scheme:

- The liabilities of the Durham County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.2% (based on the indicative rate of return on high quality corporate bond).
- The assets of Durham County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - current service cost - the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
 - net interest on the net defined benefit liability (asset), i.e. net Interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

- Remeasurements comprising:
 - the return on plan assets - excluding amounts included in net interest on the net defined liability (asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the Durham County Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

g) Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

h) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market,
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices - the market price,
- other instruments with fixed and determinable payments – discounted cash flow analysis,
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

Instruments entered into before 1st April 2006

The Council has two financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that there is a contingent liability note on **page 30**.

i) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Business Improvement Districts

A Business Improvement District (BID) scheme applies across the town centre of the Council. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

j) Interests in Companies and Other Entities

In accordance with the Code of Practice on Local Authority Accounting 2015/16, the Council is required to identify interests in subsidiaries, associates and joint ventures and, if that interest is considered material, prepare consolidated Group Accounts. The Council does not have any interests that are classed as material. The Council holds a minority of the share values in the following companies but does not have the ability to exert control over those companies and therefore no Group accounts have been prepared.

The Council holds investments and they are included in the Balance Sheet as Long Term Investments (**see Note 37**).

The Council has a number of minority interests in other entities:

Northern Arts
Darlington Business Venture
Darlington Partnership
Business Link Tees Valley
Tees Valley Unlimited
Shopmobility
Age Concern Darlington
Safe in Tees Valley
North East Museums, Libraries and Archives Council
Northern Grid for Learning

k) Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value, with the exception of stores held at Allington Way Depot, which are valued at last price paid. This is a departure from the Code of Practice but the effect of the different treatment is not material. Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any profit reasonably attributable to the works.

l) Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

m) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent upon the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term Debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

n) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

o) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rentals to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Capital expenditure under £5,000 is classified as de-minimis and is charged to the Comprehensive Income and Expenditure Statement. The de-minimis expenditure is financed using existing capital resources or by borrowing, this is posted out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement so there is no impact on the levels of council tax.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but that does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price,
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management,
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction - depreciated historical cost
- dwellings - current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets - the current value measurement basis is fair value, estimated at highest and best use from a market participant's perspective.
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of current value because of the specialised nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains),
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains),
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer,
- infrastructure - straight-line allocation over 30 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Assets valued higher than £1M that are made up from different components and whose cost is significant in relation to the total cost of the item are depreciated on a component by component basis. The components used are structure & externals, internal fixtures & fittings and services. Once separated, depreciation is charged across each components useful life as appropriate.

Revaluations gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2016

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

p) Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council carries the assets used under the contract on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into three elements:

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement,
- finance cost - an interest charge of 4.77% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

q) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Provision for Back Pay Arising from Unequal Pay Claims

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made. As of 2015/16 all outstanding claims have been settled and therefore the provision is no longer required.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in **note 26** to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential although at present the Council doesn't have any Contingent Assets.

r) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

s) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

t) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue & Customs. VAT receivable is excluded from income.

u) Heritage Assets

A heritage asset is defined as an asset with 'historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.'

Heritage assets are accounted for in accordance with the Council's accounting policies on property, plant and equipment except 'where it is not practical to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements, heritage assets shall be measured at historic cost.' Valuations may also be made by any method that is appropriate and relevant.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment (see page 62). If any heritage assets are disposed of then the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

v) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the financial statements, depending on how significant the items are to an understanding of the Council's financial performance.

**Housing Revenue Account for Darlington Borough Council for the year ended 31
March 2016
HRA Income and Expenditure Statement**

Restated As at 31 March 2015		As at 31 March 2016	Notes
£000		£000	
	<u>Expenditure</u>		
(3,768)	Repairs and maintenance	(3,792)	
(5,144)	Supervision and management	(5,438)	
(38)	Rent, rates, taxes and other charges	(22)	
(130)	Increased provision for bad and doubtful debts	(169)	8
	<u>Depreciation of non-current assets:</u>		
(4,455)	On HRA dwellings	(4,384)	7
(10)	On Non-HRA dwellings	(10)	7
(714)	Impairment of Fixed Assets	(1,571)	3
(7,878)	Revaluation of Fixed Assets	(6,268)	
(100)	Revenue Expenditure funded from Capital under Statute	(24)	4
(9)	Debt management costs	(15)	
(22,246)	Total Expenditure	(21,693)	
	<u>Income</u>		
19,315	Dwelling rents	19,929	
357	Non-dwelling rents	359	
2,697	Charges for services & facilities	2,967	
577	Contribution towards Expenditure	409	
22,946	Total Income	23,664	
700	Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	1,970	
18	HRA Share of other amounts included in the whole Authority net costs of services but not allocated to specific services	(14)	
718	Net income for HRA Services	1,957	
	HRA Share of Operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(3,013)	Interest Payable and Similar Charges	(2,999)	
0	Gain on sale on HRA non-current assets	29	
71	Interest and Investment Income	75	
(199)	Pension Interest Cost and Expected Return on Pension Assets	(180)	
(2,423)	Surplus for the Year on HRA Services	(1,119)	

**Housing Revenue Account for Darlington Borough Council for the year ended 31
March 2016
Movement on the HRA Statement**

As at 31 March 2014		As at 31 March 2015	As at 31 March 2015
£000		£000	£000
13,345	Balance on the HRA at the end of the previous year		16,359
(2,423)	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	(1,119)	
	Adjustments between accounting basis and funding basis under statute:		
2	Difference between amounts charged to Income and Expenditure for amortisations of premiums and discounts and the charge for the year determined in accordance with statute	2	
13,170	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	12,261	
(629)	Voluntary set aside for debt repayment	(629)	
(7,267)	Capital expenditure funded by the HRA	(10,578)	
2,853	Net increase before transfers to reserves	(63)	
	Transfers (to) or from earmarked reserves:		
503	Net charges made for retirement benefits in accordance with IAS19	552	
4	Other transfers (to) or from earmarked reserves	4	
(346)	Employer's contributions payable to the Durham County Council Pension Fund and retirement benefits payable direct to pensioners.	(358)	
161	Transfers from reserves	197	
3,014	Increase in year on the HRA		134
16,359	Balance on the HRA at the end of the current year		16,493

Notes to the Housing Revenue Account of Darlington Borough Council

1 Housing Stock

1 April 2015		31 March 2016
	<u>Number and types of dwellings</u>	
2,726	Houses	2,704
2,210	Flats	2,216
344	Bungalows	344
3	Non HRA	3
<hr/> 5,283	Total dwellings	<hr/> 5,267
	<u>Balance Sheet values</u>	
£000		£000
88	Land	88
86,816	Houses	85,887
558	Other property	580
<hr/> 87,462	Total net Balance Sheet value	<hr/> 86,555
	<u>Operational Assets</u>	
86,816	Dwellings	85,887
0	Other Land & buildings	0
<hr/> 86,816		<hr/> 85,887
646	Non-operational assets	668
<hr/> 87,462	Total net Balance Sheet value	<hr/> 86,555

2 Vacant Possession Values

The vacant possession value of dwellings as at 1 April in the financial year is £335.910M (£316.836M in 2014/15).

The vacant possession value of a property is defined as an opinion of the best price at which the sale of an interest in the property would have been completed unconditionally for cash consideration on the date of the valuation.

The vacant possession value most naturally relates to sale of a single owner-occupied dwelling. Therefore it must be adjusted to obtain the balance sheet or social housing value. The social value housing value reflects a valuation for a property if it were disposed of with sitting tenants enjoying sub-market rents and tenants' rights. Rents in the private sector reflect capital values quite well since they are market rents. Rents set by local authorities are unlikely to reflect the market position as they have been arrived at through a combination of historic practice and current policy.

The difference between the vacant possession value and the balance sheet value therefore shows the economic cost to the Government of providing council housing at less than open market value.

3 Impairment/Revaluation of Non-current assets

These charges occur where there is a material reduction in the value of a non-current asset during an accounting period. Impairment/revaluation charges of £7.839M (£8.592M in 2014/15) were charged to the HRA Income and Expenditure in 2015/16. This represents £1.571M (£0.714M in 2014/15) of capital expenditure incurred in the year that did not add value to the current housing stock valuation and £6.268M (£7.878M in 2014/15) following a re-valuation exercise carried out during the year.

Revaluation gains are credited to the HRA Income and Expenditure Statement where they arise from the reversal of a loss previously charged to the HRA, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised. Losses reversed in 2015/16 amount to £2.262M (£1.629M in 2014/15).

4 Revenue Expenditure funded from Capital under Statute

Capital expenditure in 2015/16 included expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets and has been charged as expenditure to the HRA Income and Expenditure Account. Grants received towards the cost of this expenditure can be regarded as revenue grants despite their classification as capital. In 2015/16 Revenue Expenditure funded from Capital under Statute totalled £0.024M (£0.100M in 2014/15), capital grants treated as revenue totalled £0.001M (£0.100M in 2014/15).

5 Major Repairs Reserve

An analysis of the movement on the Major Repairs Reserve (MRR) is as follows :

2014/15 £000		2015/16 £000
0	Balance as at 1 April	0
	Transfer to MRR during the financial year	
(4,455)	Depreciation on HRA dwellings	(4,384)
(10)	Depreciation on other HRA assets	(10)
	Transfer to HRA during the financial year	
10	Depreciation on other HRA assets	10
	Transfer from MRR during the financial year in respect of capital expenditure on Houses	
4,455		4,384
<u>0</u>	Balance as at 31 March	<u>0</u>

6 Capital Expenditure

Capital expenditure within the HRA during 2015/16 was as follows :

2014/15 £000		2015/16 £000
560	Land	137
7,205	Houses	11,126
107	Other property	24
<u>7,872</u>	Total capital expenditure	<u>11,287</u>

Total capital expenditure on land, houses and other property within the HRA during 2015/16 was funded via the following sources:

2014/15 £000		2015/16 £000
542	Usable capital receipts	344
7,267	Revenue	10,578
63	Other Grant Funding	365
<u>7,872</u>	Total capital expenditure	<u>11,287</u>

A summary of total capital receipts from disposals is as follows :

2014/15 £000		2015/16 £000
1,136	Houses	802
<u>1,136</u>	Total capital receipts	<u>802</u>

Notes to the Housing Revenue Account of Darlington Borough Council

7 Depreciation of Non-current Assets

Depreciation charges also form part of the New Financial Framework. They reflect the consumption of HRA assets over their useful life and are as follows:

2014/15		2015/16
£000		£000
4,455	Houses (= Major Repairs Allowance)	4,384
10	Other property	10
4,465	Total charge for depreciation	4,394
4,455	Operational Assets	4,384
10	Dwellings	10
130	Other land and buildings	10
4,465	Total charge for depreciation	4,394

8 Rent Arrears

Details of gross rent arrears, which include garages, heating and water charges are:

2014/15		2015/16
£000		£000
1,419	Gross rent arrears as at 31 March	1,471

A provision in respect of uncollectable rent debts is included in the consolidated balance sheet.

Year Ended		Year Ended
31 March		31 March
2015		2016
£000		£000
342	Opening provision for uncollectable debts	381
(91)	Amounts written off in the year	(138)
130	Increase in provision for the year	169
381	Closing provision for uncollectable debts	412

Collection Fund for Darlington Borough Council for the year ended 31 March 2016

2014/15		2015/16			Notes
		Council Tax	Non-domestic rates	Total	
Total					
£000		£000	£000	£000	
	<u>Income</u>				
(46,279)	Income from Council Tax	(48,132)	0	(48,132)	2
(33,613)	Income from Business Rates	0	(33,080)	(33,080)	3
	Contributions				
0	Towards previous year's Collection Fund deficit				
(834)	Darlington Borough Council	0	(1,038)	(1,038)	
(851)	Central Government	0	(1,059)	(1,059)	
(17)	County Durham and Darlington Fire & Rescue Authority	0	(21)	(21)	
(81,594)	Total Income	(48,132)	(35,198)	(83,330)	
	<u>Expenditure</u>				
	Precepts and demands				
54,759	Darlington Borough Council	39,416	17,225	56,641	
4,836	Office of the Durham Police and Crime Commissioner	5,061	0	5,061	
3,142	County Durham and Darlington Fire & Rescue Authority	2,922	352	3,274	
17,443	Central Government	0	17,576	17,576	
	Release of apportionment of Council Tax surplus				
	Darlington Borough Council	732	0	732	
	Office of the Durham Police and Crime Commissioner	94	0	94	
	County Durham and Darlington Fire & Rescue Authority	54	0	54	
	Business rate				
148	Costs of collection	0	145	145	
	Impairment of Bad or Doubtful Debts / Appeals				
780	Write offs	539	725	1,264	
78	Movement in net provision	(222)	(163)	(385)	
(660)	Increase/(Decrease) in Provision for Appeals	0	93	93	
80,526	Total Expenditure	48,596	35,953	84,549	
(1,068)	Collection Fund (surplus)/deficit for the year	464	755	1,219	
2,438	Collection Fund (surplus)/deficit balance b/fwd	(967)	2,337	1,370	
(1,068)	Collection Fund (surplus)/deficit for the year	464	755	1,219	
1,370	Collection Fund (surplus)/deficit balance c/fwd	(503)	3,092	2,589	
	Allocated to:				
343	Darlington Borough Council	(418)	1,515	1,097	
(105)	Office of the Durham Police and Crime Commissioner	(54)	0	(54)	
(37)	County Durham and Darlington Fire & Rescue Authority	(31)	31	0	
1,169	Central Government	0	1,546	1,546	
1,370		(503)	3,092	2,589	

Notes to the Collection Fund of Darlington Borough Council

1 Collection Fund

In order to comply with the terms of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992), local authorities must maintain a separate Collection Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and National Non-domestic Rates.

The Collection Fund is an agent's statement that reflects the statutory obligations for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates (NNDR).

2 Income From Council Tax

The Council Tax is a tax based on property bandings (A to H).

There is a basic tax for the middle band (Band D) with proportionately higher and lower taxes for the other bands.

The Council's tax base i.e. the number of chargeable dwellings in each band (adjusted for discounts) and converted to an equivalent number of Band D dwellings was calculated as follows:

Band	A	B	C	D	E	F	G	H
Chargeable Dwellings	9,445	6,202	5,284	4,834	3,270	1,543	839	54
Ratio	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

The Council set a basic council tax in 2015/16 of £1,263.34 (£1,238.64 in 2014/15), being the amount payable in respect of properties in Band D for services provided by Darlington Borough Council.

The Office of the Durham Police and Crime Commissioner set a Band D council tax in 2015/16 of £162.73 (£159.57 in 2014/15) for their services.

County Durham and Darlington Fire & Rescue Service set a Band D council tax in 2015/16 of £93.96 (£92.16 in 2014/15) for their services.

A small additional charge is also payable in respect of parish council services in certain areas of the borough.

3 Income Collectable From Business Rate payers

Under the national system for non-domestic rates, the Council collects from local businesses an amount equal to the rateable value of their property multiplied by a uniform rate set by the Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aimed to give Councils a greater incentive to grow businesses but also increased the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain proportion of the total collectable rates due. The Council retains 49% with the remainder distributed to Central Government (50%) and the other 1% to the County Durham Fire & Rescue Authority.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. Darlington is a top up authority and in 2015/16 it received a grant of £3.979M.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office and hence business rates outstanding as at 31 March 2016. As such authorities are required to make a provision for these amounts in the same proportion as the precepting shares (49:50:1). In 2015/16 the total provision was reviewed and increased by £0.093M.

Notes to the Collection Fund of Darlington Borough Council

The total national non-domestic rateable value at 31st March 2016 was £86.036M (£85.566M in 14/15). The non-domestic rating multiplier for 2015/16 was 49.3p per £ (48.2p per £ in 2014/15) and the small business non-domestic rating multiplier for 2015/16 was 48.0p per £ (47.1p per £ in 2014/15).

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Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April and ending as at the balance sheet date, 31 March.

Accruals

The concept that income and expenditure is accounted for as it is earned or incurred, not as money is received or paid.

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- recognising
- selecting measurement bases for, and
- presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements.

Actuarial Gains and Losses

Actuaries assess financial and non-financial information provided by the Pension Authority to project levels of future pension fund requirements. For a defined benefit pension scheme, the changes in actuarial deficits or surpluses can arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or
- the actuarial assumptions have changed.

Agency

The provision of a service by an authority on behalf of another authority, which is legally responsible for providing that service. The responsible authority reimburses the authority providing the service in the first instance.

Asset

An item owned by the Council, which has a monetary value. Assets are defined as current or non-current.

- Current assets will be consumed or cease to have value within the next financial year, e.g. stocks and debtors;
- Non-current assets provide benefits to the Council and to services it provides for a period of more than one year, for example, land, buildings, vehicles and equipment;
- Intangible assets are non-financial fixed assets, such as software licences, that do not have physical substance but are identifiable and are controlled through custody or legal rights.

Associate

An entity other than a subsidiary or joint venture in which the reporting authority has a participating interest and over whose operating and financial policies the reporting authority is able to exercise significant influence.

Audit

An independent examination of the Council's activities, either by internal audit or the Council's external auditor, who are Ernst & Young LLP.

Authorised Limit

This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of an accounting period.

Balances

The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the General fund or any other fund.

Budget

The forecast of the net revenue and capital expenditure over the accounting period. Members approve budgets, based on policies, linked to the corporate plan.

Capital Adjustment Account

This account accumulates the write-down of the historical cost of Property, Plant and Equipment as they are consumed by depreciation and impairments or written off on disposal. It accumulates the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Charges

A charge to services for the use of non-current assets, which comprises:

- a capital financing charge equivalent to notional interest on the net value of the assets;
- a depreciation charge based on the remaining finite life of the asset.

Capital Expenditure

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period or, expenditure which adds to an existing non-current asset.

Capital Financing

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contribution, revenue reserves and earmarked reserves.

Capital Financing Requirement

The capital financing requirement is one of the indicators that must be produced as part of the CIPFA prudential code. This measures the Council's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimate of any additional capital financing requirement for the current and the next two financial years.

Capital Grants

Grants received toward capital expenditure on a particular service or project.

Capital Receipts

The proceeds from the disposal of land or other capital assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government, but they cannot be used for revenue purposes.

Carry-forwards

Unspent revenue budgets which, upon approval, services can use in future years.

Carrying Amount

The Balance Sheet value recorded of either an asset or liability.

CIPFA

The Chartered Institute of Public Finance and Accountancy. This is the professional institute governing how public money is used and how it has to be reported.

CoP - 'Code of Practice on Local Authority accounting in the United Kingdom'

The Code of Practice specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of a local authority.

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and NDR and its distribution to other local government bodies and Central Government.

Community Assets

This is a category of Property, Plant and Equipment that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

Contingency

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain events.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability

A condition which exists at the balance sheet date, which may arise in the future but where the outcome will be confirmed only on the occurrence or non-occurrence of one or more future events.

Corporate and Democratic Core (CDC)

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Council Tax

This is a banded property tax which is levied on domestic properties throughout the Borough. The banding is based on estimated property values as at 1 April 1991.

Council Tax Requirement

This is the estimated revenue expenditure on General Fund services that needed to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

Creditor

Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.

Current Service Costs (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to rise from employee service in the current period.

Curtailment

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous year.

Debt Outstanding

Amounts borrowed to finance capital expenditure that are still to be repaid.

Debtor

Amounts due to the Authority for works done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses.

Deferred Charges

Expenditure of a capital nature, met from borrowing, but where there is no tangible asset, e.g. improvement grants. This includes loans outstanding on assets sold in cases where the sale proceeds were used for new capital investment.

Defined Benefit Pension Scheme

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investment of the scheme.

Defined Contribution Scheme

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all of the employee benefits relating to employee service in the current and prior periods.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

Discretionary Benefits (Pensions)

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers such as The Local Government (Discretionary Payments) Regulations 1996.

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

Entity

A body that is delivering a service, or carrying on a trade or business, with or without a view to profit.

Estimation Techniques

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accountancy policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- methods of depreciation, such as straight line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period; and
- different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual

Exceptional Items

Material items that derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Return on Pension Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Expenditure

Amounts paid by the Council for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment, as expenditure is deemed to have been incurred once the goods or services have been received, even if they have not yet been paid for.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

Events after the Balance Sheet Date

Events after the balance sheet date are those events, favourable or unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Fixed Assets

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

General Fund

This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government Grants.

Going Concern

The concept that the statement of accounts are prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

Government Grants

Grants made by the Government towards either revenue or capital expenditure to support the cost of the provision of the Council's services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the Council.

Heritage Assets

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Act Advances

Loans made by an authority to individuals or Housing Associations towards the cost of constructing, acquiring or improving dwellings. Loans to individuals are termed mortgages.

Housing Benefits

A system of financial assistance to individuals toward certain housing costs administered by authorities and subsidised by Central Government.

Housing Revenue Account (HRA)

A statutory account maintained separately to the General Fund. It includes all revenue expenditure and income relating to the provision, maintenance and administration of council housing and associated areas.

IFRS

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

Impairment

A reduction in the value of a non-current asset, below its carrying amount on the balance sheet.

Income

Amounts which the Council receives or expects to receive from any source, including fees, charges, sales and grants.

Income and Expenditure Account

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible, and demonstrates how that cost has been financed from precepts, grants and other income.

Infrastructure Assets

A class of fixed assets belonging to the Council whose life is of indefinite length and which are not usually capable of being sold. Examples include roads ,highways, footpaths, bridges and water facilities.

Intangible Assets

These are non-financial fixed assets, such as software licences, that do not have physical substance but are identifiable and are controlled by custody or legal rights.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to the settlement.

IAS 1 - Presentation of Financial Statements

The objective of this Standard is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the Council's financial statements of previous periods and with the financial statements of other entities. To achieve this objective, this Standard sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

IAS 7 - Cash Flow Statements

The objective of this standard is to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement which classifies cash flows during the period from operating, investing and financing activities.

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. The Standard is intended to enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities.

Disclosure requirements for accounting policies, except those for changes in accounting policies, are set out in IAS 1 Presentation of Financial Statements.

IAS 16 - Property, Plant and Equipment

The objective of this Standard is to prescribe the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognised in relation to them.

IAS 17 - Leases

The objective of this Standard is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases.

IAS 19 - Employee Benefits

The objective of this Standard is to prescribe the accounting treatment and disclosure requirements for employee benefits. The Standard requires an entity to recognise:

- (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- (b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

IAS 24 - Related Party Disclosures

The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit and loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

IAS 32 Financial instruments: Presentation

The objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities should be offset.

IAS 36 - Impairment of Assets

The objective of this Standard is to prescribe the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and the Standard requires the entity to recognise an impairment loss. The Standard also specifies when an entity should reverse an impairment loss and prescribes disclosures.

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets

The objective of this Standard is to ensure that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to enable users to understand their nature, timing and amount.

Inventories

Items of raw materials and stores the Council has produced to use on a continuing basis and which it has not yet used. Examples are consumable stores, raw materials and components purchased for incorporation into products for sale.

Investments (Pension Fund)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Investments - Long Term

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can be clearly demonstrated or where there are restrictions as to the investors ability to dispose of the investment.

Investment Properties

Interest in land and/or buildings in respect of which construction work and development have been completed, and which is held for its investment potential.

Joint Venture

An entity in which the reporting authority has an interest on a long-term basis and is jointly controlled by the reporting authority and one or more other entities under a contractual or other binding arrangement.

Liability

A liability is where an authority owes payment to an individual or another organisation:

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which, by arrangement is payable beyond the next year at some point in the future, or to be paid off by an annual sum over a period of time.

Lender Option Borrower Option (LOBO)

The common feature of these loans is a reduced interest rate for an initial period and then a stepped increase to the end of the term. The lender can opt to increase the interest rate payable at the end of the initial period. If the lender opts to increase the interest rate payable above the fixed rate then the borrower can either agree to this increase and continue to repay the loan up to the maturity date or can reject the new terms and repay the loan in full (without penalty). The inclusion of options within LOBO's means the loans effectively become variable rate instruments and under FRS 4, interest should be averaged over the period to the earliest date at which the instrument would be redeemed or cancelled on exercise of such an option rather than the original term of the instrument where there is uncertainty over the term of the instrument.

Loans Outstanding

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to distortion of the financial statements to a reader of the statements.

Minimum Revenue Provision (MRP)

Represents the minimum amount that must be charged to a revenue account in each financial year to repay external borrowings.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation and any impairment losses.

Net Current Replacement Cost

The cost of replacing an asset in its existing condition and use.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

National Non-Domestic Rates (NNDR)

NNDR Poundage is set annually by Central Government based on the assessed value of properties used for business purposes and is collected by charging authorities. The proceeds are redistributed by the Government in accordance with the new business rates retention scheme.

Net Worth

The Council's value of total assets less total liabilities.

Non-Distributed Costs

These are overheads for which no user now benefits and as such are not apportioned to services.

Non-Operational Assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of Non-Operational Assets are investment properties and assets that are surplus to requirements pending sale or development.

Operating Lease

An agreement in which the Council derives the use of an asset in exchange for rental payments, but where the risks and rewards of ownership are not transferred.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

Past Service Costs (Pensions)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or the improvement to, retirement benefits.

Pension Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf e.g. Police Authority, Fire Authority and Parish Councils.

Prior Year Adjustment

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Private Finance Initiative (PFI)

PFI's are a method of funding/acquiring assets such as schools, but the supplier of the building is usually an agreed contractor or bidder, usually over a 25 year term. The Council pays for the use of the asset by means of a unitary charge and can acquire the asset after the term if included in the terms of the contract. Up until this point the Council does not own the asset and simply pays for the use of the asset. Government grant is available to assist authorities who enter into these agreements, however, known as PFI credits. These have a direct impact upon the level of government grant paid each year to help pay for the schemes.

Projected Unit Method

An accrued benefits valuation method in which the pension scheme liabilities make allowance for projected earnings. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

Property, Plant & Equipment (PPE)

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles

Provision

An amount put aside in the accounts for liabilities or losses which have occurred but uncertainty surrounds the exact amounts involved or the dates on which they will arise.

Provision for Credit Liabilities

This represents the sum set aside for the repayment of debt. This provision is subsumed within the capital financing reserve.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Prudential Framework

One of the principal features of the Local Government Act 2003 was to provide the primary legislative requirements to introduce a new prudential regime for the control of Local Authority capital expenditure. The regime relies upon both secondary legislation in the form of regulations, and a prudential code which has been published by CIPFA.

Under the prudential framework local authorities are free to borrow without specific government consent if they can afford to service the debt without extra government support. The basic principle is that authorities will be free to invest as long as their capital spending plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs all authorities must follow the prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Council before the start of the relevant financial year as part of their budget setting process.

Public Works Loan Board (PWLB)

This is a Central Government Agency which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the Government itself can borrow.

Rateable Value

The annual assumed rental value of a hereditament, (inheritable property), which is used for NDR purposes.

Related Parties

Two or more parties are related, when at any one time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- the provision of services to a related party, including the provision of pension fund administration services;
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and payments of benefits.

The materiality of related party transactions is judged not only in terms of their significance to the Council, but also in relation to its related party.

Remuneration

Includes taxable salary payments to employees less employees' pensions contributions, together with non-taxable payments when employment ends, taxable expense allowances and any other taxable benefits.

Reserves - Usable

The accumulation of surpluses, deficits and appropriations over past years. Useable Reserves of a revenue nature can be released to spend on services or added to for future spending on services.

Reserves - Unusable

Unusable reserves are reserves that in simple terms balance the Council's Balance Sheet and cannot be released to spend on services e.g. the Revaluation Reserve records the effect of revaluing fixed assets and is not available for general use in the financing of capital expenditure.

Residual Value

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revaluation Reserve

This Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Balances

These are accumulated surpluses on the General Fund. They can be applied to reduce borrowing, reduce council tax, or held to be applied in future years.

Revenue Contributions

The method of financing capital expenditure directly from revenue. The Council may determine that certain capital schemes should be financed in this way or alternatively may include a prescribed sum in the revenue budget for this purpose.

Revenue Expenditure

The day-to-day expenses of providing services. It is usually of a constantly recurring nature and produces no permanent asset, e.g. salaries, wages, supplies and services, and debt charges.

Revenue Expenditure Funded by Capital Under Statute (REFCUS)

Items of capital expenditure, which do not result in, or remain matched by, tangible fixed assets. Revenue Expenditure funded by Capital under Statute is charged to revenue in the year in which the expenditure is incurred.

Revenue Support Grant

This is a Central Government grant to authorities, contributing towards the cost of their services. It is based on the Government's assessment of how much an authority needs to spend to provide a standard level of service.

SeRCOP

CIPFA's Service Reporting Code of Practice establishes proper practices with regard to consistent financial reporting for services in England and Wales. It is given legislative backing by regulations which identify the accounting practices it propounds as proper practice under the Local Government Act 2003. It aims to:

- a) Modernise the system of local authority accounting and reporting to meet the changed and changing needs of local government, particularly the duty of to secure and demonstrate Best Value in the provision of services to the community;
- b) Facilitate accurate comparison between both services and authorities;
- c) Strengthen the arrangements for recharging all support costs which may be reasonably charged to front-line services and in so doing bringing efficiency pressures to support services comparable to those of service providers to the community; and
- d) Represent best practice.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Specific Grants

Government grants to Local Authorities in aid of particular services.

Temporary Borrowing / Investment

Money borrowed or invested for an initial period of less than one year.

Total Cost

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and overheads, which need to be apportioned.

Trust Funds

Funds administered by the Council for such purposes as charities and specific projects.

Unapportionable Central Overheads

These are overheads for which no user now benefits and should not be apportioned to services.

Useful Life

The period over which the Local Authority will derive benefits from the use of a fixed asset.

Work In Progress

The cost of work done on an uncompleted project at the balance sheet date, which should be accounted for.

A copy of the Statement of Accounts is available on the Council's website on www.darlington.gov.uk

If English is not your first language and you would like more information about this document, or if you require information in large print or braille or tape, please contact (01325) 388351.

Arabic

إذا رغبتكم الحصول على هذه النشرة بلغة أخرى غير اللغة الإنجليزية نرجو الاتصال بنا على رقم الهاتف التالي 01325 388351 مع ذكر رقم الإشارة.

Bengali

যদি আপনার ইংরেজী ছাড়া অন্য কোন ভাষায় এই প্রকাশনাটির দরকার থাকে, তাহলে নম্বরে ফোন করুন এবং সূত্র নম্বর উল্লেখ করুন। 01325 388351

Cantonese

如果你需要其它语言的版本，請與以下電話聯係並報出參考號碼：01325 388351

Hindi

यदि आप यह प्रकाशन अंग्रेज़ी के अलावा अन्य भाषा में चाहते हैं तो कृपया संदर्भ नम्बर (रेफरन्स नम्बर) बताकर निम्नलिखित 01325 388351 पर संपर्क करें।

Punjabi

ਜੇ ਇਹ ਪਰਚਾ ਤੁਹਾਨੂੰ ਅੰਗਰੇਜ਼ੀ ਤੋਂ ਬਿਨਾਂ ਕਿਸੇ ਹੋਰ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦਾ ਹੈ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਸਾਨੂੰ ਨੰਬਰ 01325 388351 ' ਤੇ ਫ਼ੋਨ ਕਰੋ ਅਤੇ ਰੈਫਰੈਂਸ (ਹਵਾਲਾ) ਨੰਬਰ ਦੱਸੋ।

Urdu

اگر آپ کو یہ کتابچہ انگریزی کے علاوہ کسی دوسری زبان میں درکار ہو تو براہ مہربانی ٹیلیفون نمبر 01325 388351 پر فون کر کے حوالہ نمبر بتائیں۔

Polish

Jeśli chciał(a)by Pan(i) otrzymać polską wersję językową tego dokumentu, proszę zadzwonić pod numer 01325 388351 i podać numer identyfikacyjny dokumentu.