



# STATEMENT

OF

ACCOUNTS

2002/2003

# Statement of Accounts

2002 / 2003

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# STATEMENT OF ACCOUNTS 2002/2003

## Introduction

The Statement of Accounts reflects both revenue and capital expenditure and income and complies with the 2002 'Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice' as developed by the CIPFA/ LASAAC Joint Committee, dealing with all issues relevant for financial statements for 2002/2003.

For 2002/2003 the Council's Revenue Budget was £94.432m plus parish precepts. The Consolidated Revenue Account shows that the overall revenue budget results for 2002/2003 are very satisfactory.

The Housing Revenue Account is ring fenced and therefore all expenditure is funded from Housing rents and government subsidies. The legislation requires authorities to maintain a reasonable balance on this account. At 31<sup>st</sup> March 2003 the balance of £1.058m was carried forward into 2003/2004.

The Statement of Accounts is intended to provide readers with useful detail on the Council's financial affairs. If you require further information please contact the Accounting Services Division at the Town Hall on (01325) 388326.

A copy of the Statement of Accounts is available on the Councils' website on [www.darlington.gov.uk](http://www.darlington.gov.uk)

The Statement of Accounts was approved by Council on 17th July, 2003.



Mayor

Dated : 17<sup>th</sup> July 2003



Borough Solicitor

18<sup>th</sup> July 2003

## **EXPLANATORY FOREWORD**

**Introduction** - The purpose of this foreword is to explain briefly the Council's financial activities during 2002/2003 and its position at 31st March 2003.

**Information and Financial Statements** - The Council's revenue income and expenditure for the year ended 31st March 2003 is summarised on Pages **5** and **6**.

**The Statement of Accounting Policies** on Pages **7** to **10** explains the policies adopted in compiling the Accounts.

**The Consolidated Revenue Account and Housing Revenue Account** on Pages **11** to **23** show the revenue expenditure and income for each service provided, contributions to and from reserves etc. Following the financial statements are notes giving further information on the more significant items in the Revenue Accounts.

**The Collection Fund** on Pages **24** to **27** shows the income received by the Borough Council from council taxpayers, non-domestic ratepayers and government grants to meet the Borough Council's demand and precepts from the Police and parish councils.

**The Consolidated Balance Sheet** on Pages **28** to **44** summarises the financial position of the Council at 31st March 2003. Following the financial statement are notes giving further information on the more significant items in the Balance Sheet.

**The Statement of Total Movements in Reserves** on Pages **45** to **47** summarises the transactions on all capital and revenue reserves during the year.

**The Consolidated Cash Flow Statement** on Pages **48** to **51** summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

**The Statement of Internal Control** on pages **52** to **53** gives an opinion as to the controls in place in relation to all aspects of corporate governance.

**The Statement of Responsibilities for the Statement of Accounts** on page **54** outlines the respective responsibilities of the Authority and the Director of Corporate Services.

**The Auditor's Opinion** on Page **55** gives an independent, professional opinion on the Council's accounts for the year ended 31st March 2003.

**2002/2003 Revenue Budget** : In March 2002 the Council set a net revenue budget for 2002/2003 of £94.432 million, including the planned use of reserves of £0.138 million. During the year, a further £0.203m of reserves was released to fund the 2002/03 pay award. The overall revenue budget results for 2002-03 are very satisfactory with the underspend achieved through improved budget management being less than 1% of the net revenue budget. The Council's financial position has improved due to the receipt of £2.6m of funds from Durham County Council following a successful outcome of arbitration. There is a planned use of reserves in 2003/04 amounting to £0.499 million as set out in the Medium Term Financial Plan.

## **EXPLANATORY FOREWORD**

**Capital Expenditure** : During 2002/2003 the Council expended £17.041 million on works of a capital nature, principally on housing improvements and renovations (£7.120m), schools (£4.500m), leisure facilities (£0.307m), social services facilities (£0.360m) highways (£3.342m) and E.Government (£0.200m). This was funded by the use of credit approvals (£7.684m), grants and contributions (£8.483m), capital receipts (£0.874m). Total borrowing from outside the Council for capital spending amounts to £60.229m.

The Department of Education & Skills (DfES) has recommended that provisional funding of £34.9m be granted to

PFI Darlington for a Private Finance Initiative (PFI) scheme involving Beaumont Hill Special School, Houghton Community School, Springfield Primary School and Harrowgate Hill Infants and Junior School. The Authority has produced an Outline Business Case and tendering procedures are now progressing. Preferred bidder will be chosen early in September 2003 with financial close following in February 2004. Building works should commence shortly after with the new provisions opening in September 2005

**Corporate Governance** : Cabinet approved and adopted a local code of corporate governance in December 2002, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework 'Corporate Governance in Local Government: A Keystone for Community Governance'. It endeavours to ensure that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

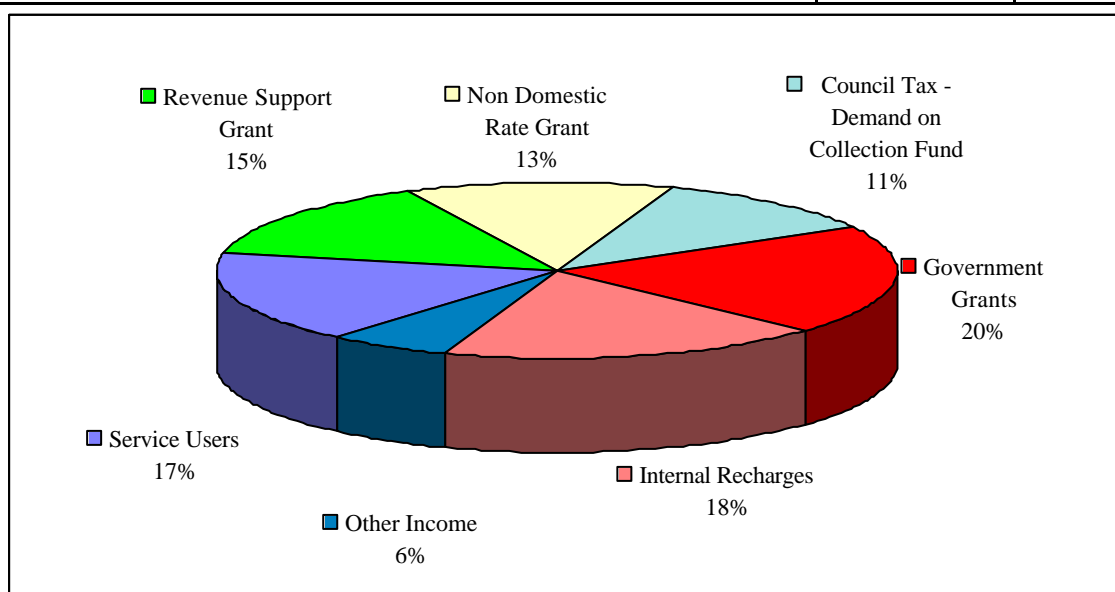
**Comprehensive Performance Assessment (CPA)** : During 2002-03 the Council underwent a CPA inspection and were categorised as 'Good' with only 14% of authorities nationally scoring higher in the 'excellent' category. This was a very pleasing result for the third smallest top tier authority.

**E-Government** : The Government have set targets requiring that all dealings with Government should be carried out electronically where feasible. This target is 100% by December 2005 and the principle vehicle for delivering it will be the Council's Website Project.

## REVENUE SPENDING

### WHERE DID THE MONEY COME FROM?

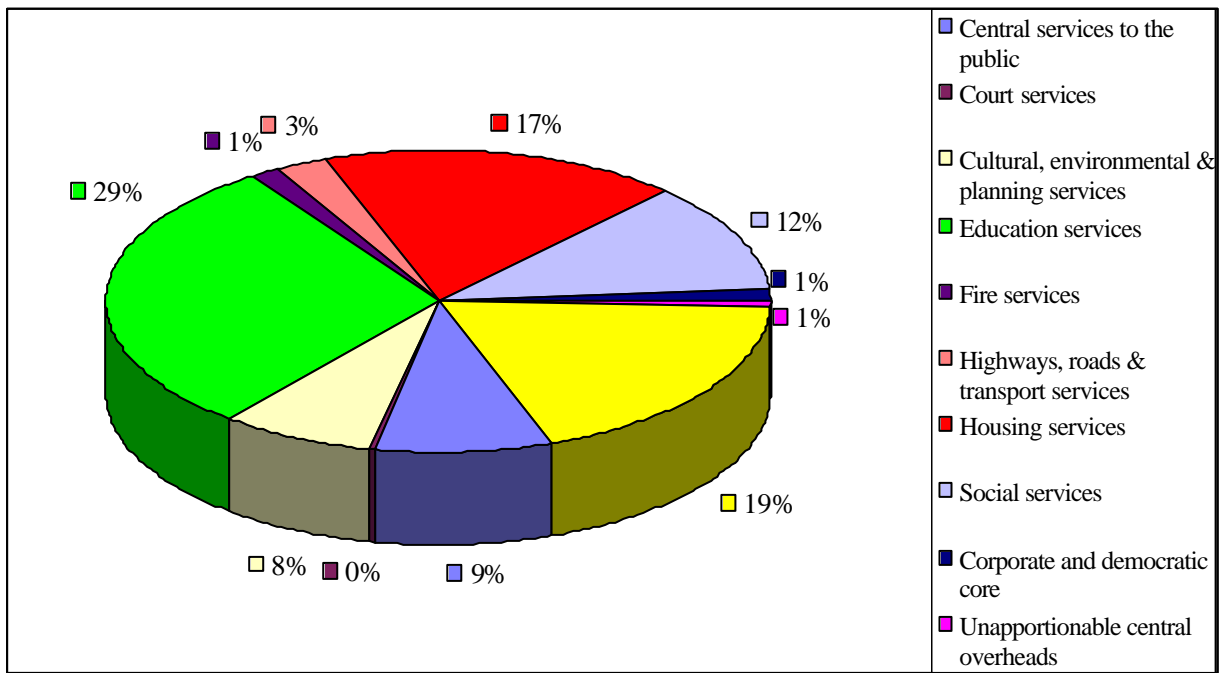
DESCRIPTION	£000	£000
Service Users		
Council House Rents	13,490	
Charges For Services	28,389	41,879
Borough Council		
Revenue Support Grant	35,678	
Non Domestic Rate Grant	30,950	
Council Tax - Demand on Collection Fund	27,828	
Net Budget Requirement		94,456
Government Grants		
Service Specific		49,240
Internal Recharges		45,055
Other Income		14,077
		244,707



# REVENUE SPENDING

## HOW WAS IT SPENT?

	EMPLOYEE COSTS	RUNNING COSTS	CAPITAL FINANCING COSTS	GROSS EXPENDITURE
	£000	£000	£000	£000
Central services to the public	11,261	10,716	1,193	23,170
Court services	0	121	0	121
Cultural, environmental & planning services	4,692	11,907	3,641	20,240
Education services	45,311	21,886	11,519	78,716
Fire services	0	3,618	0	3,618
Highways, roads & transport services	2,815	2,086	1,944	6,845
Housing services	2,556	43,636	44	46,236
Social services	10,620	19,969	441	31,030
Corporate and democratic core	447	2,747	9	3,203
Unapportionable central overheads	1,162	801	0	1,963
Direct labour organisation (DLO)	12,183	37,589	0	49,772
<b>Total Expenditure</b>	<b>91,047</b>	<b>155,076</b>	<b>18,791</b>	<b>264,914</b>
<i>Add</i> Costs arising from Durham County Council arbitration				165
<i>Add</i> Parish council precepts				25
<i>Add</i> Amortised premiums on the repurchase of borrowing				122
<i>Add</i> Net transfer to other earmarked reserves				16
<i>Add</i> Transfer to pensions reserve				175
<i>Less</i> Surplus transferred to HRA balances				(72)
<i>Less</i> Provision for repayment of external loans				(1,121)
<i>Less</i> Transfer from schools revenue reserves				(372)
<i>Less</i> Transfer from Major Repairs Reserve				(25)
<i>Less</i> Asset management revenue account				(18,147)
<i>Less</i> Interest and investment income				(973)
				<b>244,707</b>



# **STATEMENT OF ACCOUNTING POLICIES**

## **1 General**

The accounts have been prepared in accordance with the principles of the Code of Practice on Local Authority Accounting, issued in 2002 by the Chartered Institute of Public Finance and Accountancy (CIPFA). The analysis of service expenditure included in the Consolidated Revenue Account also reflect the requirements of the Best Value Accounting Code of Practice (BVACOP) standard classification of expenditure at the mandatory level.

## **2 Fixed Assets**

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. Capital expenditure under £5,000 is classified as de-minimus and is written down to the Fixed Asset Restatement Reserve and has no effect on the Balance Sheet.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Practice and Guidance notes issued by the Royal Institute of Chartered Surveyors. Different categories of fixed assets have been valued on different bases.

Operational assets have been included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use. Non-operational assets have been included in the balance sheet at the lower of net current replacement cost or net realisable value. When assessing net current replacement cost non-specialised operational properties have been valued on the basis of existing use value, specialist operational properties on the basis of depreciated replacement cost and investment properties on the basis of open market value. Community Assets and Infrastructure assets have been included in the balance at historical cost.

The asset values used in the accounts are based upon a certificate issued by the Council's Director of Development & Environment. Additions since that date are included in the accounts at their cost of acquisition.

## **3 Depreciation**

In accordance with FRS 15 depreciation is provided for on a straight line basis for all operational fixed assets with a finite life assessed as being under 40 years.

Operational buildings are depreciated over the anticipated useful life of the asset which can be any length of time between one and 40 years.

Vehicles, plant, furniture and equipment are depreciated over the anticipated useful life of the asset, generally between 3 and 10 years.

Infrastructure assets are depreciated over their anticipated useful lives, generally 40 years.

The exception to using the straight line method, is the Housing stock, where the major repairs allowance has been used as a proxy for depreciation.

## **4 Leases**

Rentals payable under operating leases are charged direct to revenue.





# **STATEMENT OF ACCOUNTING POLICIES**

## **5 Government Grants**

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account or, in the case of capital grants, to a government grants-deferred account. Amounts are released from the government grants-deferred account to offset any provision for depreciation charged to the revenue account in respect of assets to which the grants relate.

## **6 Deferred Charges**

Deferred Charges are payments of a capital nature where no fixed asset is created. Expenditure is charged to service revenue accounts over a period of time appropriate to the benefit received, generally in the year in which the expenditure is incurred. The Council, following guidance in the Code of Practice on Local Authority Accounting, has transferred the deferred charge balance to the Capital Financing Reserve as the expenditure does not provide a continuing benefit to the Authority. Deferred charges are not revenue based and are reversed out in the appropriations section of the Consolidated Revenue Account. Deferred charges therefore, have a neutral impact on the amounts required to be raised from local taxation.

## **7 Capital Receipts**

Capital receipts from the disposal of assets are held in the capital receipts unapplied account and invested temporarily until such time as they are used to finance capital expenditure or to repay debt. Interest on capital receipts is credited to the Consolidated Revenue Account.

The Local Government and Housing Act 1989 requires that prescribed proportions of the income from the disposal of capital assets (the reserved element) is set aside for the repayment of external loans. Under the Accounting Code of Practice these amounts are credited to the Capital Financing Reserve and are used to reduce external borrowing. The balance of the income (the useable element) is included in the Useable Capital Receipts Reserve until utilised to finance capital expenditure.

## **8 Debtors and Creditors**

Transactions are recorded in the accounts on an income and expenditure basis and include provision for all significant amounts known to be due to or from the Council prior to the closing of the accounts, including interest accrued on external loans. There are three exceptions to this principle where costs are not apportioned between years:-

- (a) wages are accounted for in whole weeks;
- (b) housing rents are shown in whole weeks;
- (c) 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.

## **9 Stocks and Work in Progress**

All work in progress, stocks and stores at the year end are valued at cost price, with the exception of stores held at Hundens Depot, which are valued at last price paid.



# STATEMENT OF ACCOUNTING POLICIES

## **10 Costs of Support Services**

All costs of management and administration have been fully allocated to services in accordance with Best Value Accounting Code of Practice (BVACOP). The bases of allocation used for the main cost of management and administration are outlined below.

<u>Cost</u>	<u>Basis Of Allocation</u>
Corporate Departments (Finance, Human Resources, IT, Legal )	Time Recording
Administrative Buildings	Area Occupied
Reprographics	Actual Use
Professional Services ( e.g. Engineers)	Time Recording

## **11 Provisions**

The Council sets aside provisions for specific expenses which are likely or certain to be incurred as a result of a past event but the amount of which cannot yet be determined accurately. A provision counts as expenditure in the year in which the earmarking takes place. Details of these provisions are to be found in **Note 10** to the Balance Sheet.

## **12 Reserves**

A reserve is created by appropriation “below the line” in the Consolidated Revenue Account after net expenditure has been calculated. When expenditure is incurred for which the reserve was created, the expenditure is charged to the service revenue account and the reserve is credited below the line to finance the expenditure. The Council maintains certain reserves to meet future expenditure. Details of the Council's reserves are to be found in **Note 16** to the Balance Sheet.

## **13 Pensions**

The pension costs which are charged to the Council's accounts in respect of its employees are equal to the contributions payable for the year to the funded pension scheme for those employees. These costs have been determined on the basis of contribution rates that are set to meet 100% of the liabilities of the Superannuation Fund, in accordance with relevant Government regulations. However, the large increase in contributions needed to bring the fund's assets to 100% of liabilities are being phased in over a number of years. As a result the Council does not comply with the accounting requirements of SSAP 24 'Accounting for pension costs' and the liabilities included in the balance sheet are understated in respect of pension costs. In accordance with standard accounting practice for local authorities, the additional costs that it would have been necessary to provide for in the accounts for the period under SSAP 24 are disclosed as a note to the Consolidated Revenue Account. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

The Teachers fund is an unfunded scheme administered by the Department for Education and Skills (DfES). The pension costs charged in the accounts are based upon a contribution rate set by the DfES.

In 2002/03 the Council is required to comply with FRS 17 disclosing certain information provided by the Actuary by way of a note to the accounts. The Council has complied fully with this requirement and the relevant information is contained within Note 21 (pages 42-44) to the Consolidated Balance Sheet.



# **STATEMENT OF ACCOUNTING POLICIES**

## **14 Internal Interest**

Interest is credited to the General Fund and the Housing Revenue Account based on the level of their Fund Balances. The amounts are calculated using 7-day money market rates.

## **15 Interest Charges**

Interest payable on sums borrowed by the authority are included in the accounts on an accruals basis. Interest is charged to the Asset Management Revenue Account.

## **16 Provision for the Redemption of Debt**

The Local Government and Housing Act 1989 introduced a requirement that debt redemption should be based on a reducing balance method representing a percentage of the opening outstanding debt-set at 2% for the Housing Revenue and 4% for the other services. All amounts set aside for the repayment of external loans and to finance capital expenditure are disclosed separately in the Consolidated Revenue Account below net operating expenditure.

## **17 Investments**

Investments are shown in the Consolidated Balance Sheet at cost. The largest investments were in the form of deposits with banks and building societies using funds not currently required for operational purposes.

## **18 Capital Charges**

The capital charges made to service revenue accounts, central support services and DSO accounts, equate to the sum of depreciation plus a notional interest charge based on the net amount at which the fixed asset is included in the balance sheet at 1 April 2002. The notional rates of interest used are 6% for those fixed assets included in the balance sheet at current value and 6% for infrastructure assets and community assets which are included in the balance sheet at historical cost.

In order to disclose the Authority's corporate net operating expenditure, capital charges need to be reversed out and be replaced by depreciation and external interest payable. This is performed in the Asset Management Revenue Account

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to earmarked reserves are disclosed separately as appropriations in the Consolidated Revenue Account, below net operating expenditure. Capital charges therefore, have a neutral impact on the amounts required to be raised from local taxation.

## **19 Delegated Budgets**

Schools with delegated budgets may carry forward any under or over spending ( as long as it is backed up with an approved recovery plan) to the following financial year as an earmarked reserve. Details of these can be found in **Note 16** to the Balance Sheet.

## CONSOLIDATED REVENUE ACCOUNT

NET EXPENDITURE 2001/02		GROSS EXPENDITURE 2002/03	INCOME 2002/03	NET EXPENDITURE 2002/03
£000		£000	£000	£000
5,131	Central services to the public	23,170	(19,037)	4,133
121	Court services	121	0	121
13,753	Cultural, environmental & planning services	20,240	(6,591)	13,649
55,694	Education services	78,716	(21,905)	56,811
3,661	Fire services	3,618	0	3,618
4,353	Highways, roads & transport services	6,845	(1,939)	4,906
5,905	Housing services	46,236	(39,781)	6,455
18,886	Social services	31,030	(11,585)	19,445
2,968	Corporate and democratic core	3,203	0	3,203
1,699	Unapportionable central overheads	1,963	0	1,963
-	Costs arising from Durham County Council arbitration	165	0	165
-	Deferred charges	6,479	0	6,479
<b>112,171</b>	<b>Net cost of services</b>	<b>221,786</b>	<b>(100,838)</b>	<b>120,948</b>
20	Parish council precepts			25
305	Contribution to council tax benefit costs arising from subsidy limitation			-
(1,021)	Surplus on trading undertakings (DLO)			(1,204)
(18,963)	Asset management revenue account			(18,147)
313	Amortised premiums on the repurchase of borrowing			122
(909)	Interest and investment income			(973)
<b>91,916</b>	<b>Net operating expenditure</b>			<b>100,771</b>
295	Surplus transferred to HRA balances			(72)
(301)	Transfer from schools revenue reserves			(372)
-	Transfer to pensions reserve			175
(25)	Transfer from Major Repairs Reserve			(25)
(600)	Contribution from capital reserves			-
(1)	Net transfer to other earmarked reserves			16
-	Transfer from Capital Financing Reserve in respect of deferred charges			(6,479)
162	Financing of capital expenditure			-
(2,064)	Provision for repayment of external loans			(1,121)
<b>89,382</b>	<b>Amount to be met from government grants and local taxation</b>			<b>92,893</b>
(23,767)	Borough council demand on Collection Fund			(27,278)
(300)	Transfer from the Collection Fund in respect of the previous year's surplus			(550)
(36,742)	General government grants			(35,678)
(28,268)	Contribution from non-domestic rates pool			(30,950)
<b>305</b>	<b>Net General Fund (surplus)/deficit for the year</b>			<b>(1,563)</b>
1,956	Balance on General Fund brought forward			1,651
(305)	General Fund surplus/(deficit) for the year			1,563
-	Transfer from Durham County Council			2,587
<b>1,651</b>	<b>Balance on General Fund carried forward</b>			<b>5,801</b>

# NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

## 1 Durham County Council Arbitration

Following Local Government Reorganisation in 1997 there were a number of outstanding issues with Durham County Council (DCC). These have now been to arbitration with the majority of the awards going in Darlington's favour.

To date a sum of £2.587m has been received from DCC in respect of Darlington's share of the former County reserve and is reflected in the Consolidated Revenue Account (CRA), increasing General Fund balances.

DCC has appealed against most of the other decisions and, as the result of these appeals is uncertain, a prudent approach to the treatment of costs incurred through the arbitration process has been taken. This has resulted in a charge to the CRA in 2002/03 of £0.165m. Should DCC be unsuccessful in its appeal then it is anticipated that most of these costs will be recoverable.

## 2 Asset Management Revenue Account

The Asset Management Revenue Account is credited with notional charges made to service revenue accounts for the capital employed in the delivery of services. It is the income from the rent charged to users of assets minus the interest paid on long-term debt, adjusted for the sum chargeable to the Housing Revenue Account. It is debited with actual capital financing costs incurred during the year and the balance on the account is then transferred back to the consolidated revenue account to ensure that the notional charges for capital made do not impact on the Council Tax.

Transactions on the account were :	2002/03 £000	2001/02 £000
Reversal Of Capital Charges For The Use Of Fixed Assets	(25,399)	(26,894)
External Interest Payable	3,662	3,676
Depreciation	3,590	4,255
Balance Credited To Consolidated Revenue Account	<u>(18,147)</u>	<u>(18,963)</u>

## 3 Finance And Operating Leases

The Authority uses leased refuse collection vehicles, and also enters into a leasing arrangement for computer equipment and other miscellaneous items. The amount paid under operating leases for these items in 2002/2003 was £0.924 million (£0.948m in 2001/02).

The Council is committed to making payments of £648,000 under these leases in 2003/04, comprising the following elements:-

Leases expiring 1 year	£98,000
Leases expiring between 2 -5 years	£437,000
Leases expiring after 5 years	£113,000

The Authority has entered into one Finance lease, but as the capital cost of this lease does not exceed £12,000 the Finance lease is classed as de-minimus and is excluded from the definition of a credit arrangement.



## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 4 Trading Operations

The Council operates a number of trading type operations, details of which for 2002/03 are :

	2001/02		2002/03	
	Income £000	Surplus £000	Income £000	Surplus £000
Works of New Construction	5,437	405	7,500	703
General Highways and Sewerage	3,359	56	2,777	32
Works of Maintenance	5,866	146	6,937	157
Other Cleaning	1,321	64	1,401	18
Ground Maintenance	2,346	169	2,239	13
Other Catering	1,072	7	1,194	7
Refuse Collection	1,904	57	1,932	153
Building Cleaning	1,280	22	1,280	36
Leisure Management	1,620	75	1,679	51
Housing Management	1,007	5	1,146	4
School Meals	1,324	15	1,245	26
<b>Surplus on DLO trading undertakings</b>	<b>26,536</b>	<b>1,021</b>	<b>29,330</b>	<b>1,204</b>
Open & Covered Markets	674	32	703	6
Shops And Offices	205	49	173	29
Car Parks	1,368	491	1,444	528

### 5 Section 137 Expenditure

The Local Government Act 2000 granted new powers to authorities in England & Wales to promote well being in their area. As a consequence the majority of the provisions of s137 were repealed with effect from October 2000, but principal authorities in England & Wales will continue to disclose any expenditure incurred under s137(3) e.g. donations to charities.

Unitary authorities are allowed to spend up to £3.80 per head of population.

For Darlington Borough Council this was £371,944 (£3.80 x 97,880) in 2002/2003.

Expenditure amounted to £34,120 in 2002/2003 (£6,195 in 2001/02). The expenditure is reflected in the appropriate departments' accounts and is grouped as follows :-

	2002/03 £	2001/02 £
Grants in support of disadvantaged groups	11,620	3,355
Employment and community support grants	22,500	3,640
	<u>34,120</u>	<u>6,995</u>

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 6 Publicity

Set out below, under the requirement of s5(1) of the Local Government Act 1986, is the council's spending on publicity.

	2001/02 £000	2002/03 £000
Recruitment Advertising	243	401
Other Advertising	261	326
Other publicity	54	51
	558	778

### 7 Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function - 'details of scheme for setting charges'. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

	Chargeable £000	2002/03 Non Chargeable £000	Total £000	2001/02 Non Chargeable £000	2001/02 Chargeable £000
Employee Expenses	115	94	209	101	77
Premises	4	4	8	4	3
Transport	7	5	12	6	4
Supplies & Services	17	7	24	17	13
Central & Support Service Charges	64	42	106	45	32
Total Expenditure	207	152	359	173	129
Building Regulations Income	(223)	(6)	(229)	(171)	(5)
(Surplus)/Deficit	(16)	146	130	2	124

### 8 Local Authority (Goods And Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies.

In 2002/03 surplus bedding plants grown at the Council's plant nursery were sold to various public bodies, generating income of £307,700 (£254,579 in 2001/02).

The total income on the nursery account (including internal recharges) was £427,960 (£367,072 in 2001/02) compared with expenditure of £427,335 (£363,557 in 2001/02).

The authority provided Civil Engineering, Street Lighting, Building Maintenance and Construction Work for various other bodies generating income of £106,755 (£211,414 in 2001/02).

# NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

## **9 Local Government Pension Scheme**

In 2002/2003 the Council paid an employer's contribution of £4.778m (£4.214m in 2001/02) based on 14.70% of employee's pensionable pay into Durham County Council's Superannuation Fund, which provides members with defined benefits related to their pay and service.

The contribution rate is determined by the County Fund's Actuary based on triennial actuarial valuations, the last full review being on 31st March 2001. In accordance with FRS 17 the results have been updated and as at 31st March, 2003 the assets held were estimated to cover 56% (71% in 2001/02) of the accrued liabilities assessed on an ongoing basis.

Under Superannuation Fund Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund, but the required increases in the contribution rates are being phased in over a number of years.

The Fund's Actuary has advised that the pension costs that it would have been necessary to provide for in the year, in accordance with FRS 17 'Retirement Benefits' are £4.388m (£4.070m in 2001/02) representing 13.21% (13.25% in 2001/02) of pensionable pay.

In addition, the Council is responsible for all pension payments relating to added benefits it has awarded, together with the related increases. In 2002/2003 these amounted to £0.696m (£0.664m in 2001/02) representing 2.09% (2.16% in 2001/02) of pensionable pay.

Further information can be found in the County Council's Superannuation Fund's Annual Report available from Durham County Council, County Hall, Durham.

### Capitalised Cost of Pensions

In accordance with Council policy, discretionary additions are occasionally made to employees pension entitlements. Such decisions are made on the grounds of redundancy or improving the efficiency of services and are subject to meeting set criteria.

The capital costs of decisions made by the Council to grant discretionary increases in pensions are estimated to be :-

Decisions made during Year :	2002/03 £000	2001/02 £000
lump sum payments	9	2
increased pensions	60	16
Increases in pensions payments agreed in previous years	13,725	12,60

The actual cost incurred will depend upon the length of time for which pensions are paid. This cannot be known in advance. The above figures are, therefore, estimated in accordance with guidance issued by the Chartered Institute of Public Finance and Accountancy which assume that payments continue for an average of 18 years.

# NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

## 10 Teachers Pension Scheme

In 2002/2003 the Council paid £2.046m (£1.578m in 2001/02) to the Department for Education and Skills in respect of teachers' pension costs which represents 8.35% (7.40% in 2001/02) of teachers pensionable pay.

In addition, the Council is responsible for all payments relating to added years which it has awarded (including liability transferred from Durham County Council) together with the related increases. In 2002/2003 these amounted to £0.367m (£0.360m in 2001/02), representing 1.50% (1.62% in 2001/02) of pensionable pay.)

Further details on pension liabilities are provided in note 21 to the Balance Sheet.

## 11 Minimum Revenue Provision

The authority is required by statute to set aside a minimum revenue provision for the repayment of external loans.

The method of calculating the provision is defined by statute.

For 2002/2003 the amount is £2.469m (2001/02 £2.192m). Details are given below :

	2001/02 £000	2002/03 £000
Amount Charged To Service Accounts As Depreciation	4,256	3,590
Additional Charge To Revenue	(2,064)	(1,121)
Minimum Revenue Provision	<u>2,192</u>	<u>2,469</u>

## 12 Members' Allowances

Details of the amounts paid to each Member of the Council are published annually in the local newspaper. The total amount paid to Members in respect of basic, special responsibility and attendance allowances was £415,619 (2001/02 - £394,963)

## 13 Employees' Remuneration

Remuneration band	2001/02	2002/03
	Number of employees Total	Number of employees Total
£50,000 - £59,999	7	8
£60,000 - £69,999	7	6
£70,000 - £79,999	0	5
£80,000 - £89,999	0	0
£90,000 - £99,999	0	0
£100,000 - £109,999	1	0
£110,000 - £119,999	0	1

# **NOTES TO THE CONSOLIDATED REVENUE ACCOUNT**

## **14 Related Party Transactions**

The Code of Practice on Local Authority Accounting requires disclosure of material transactions between the Council and related parties. Related parties are organisations or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. The following organizations and individuals are related parties for these purposes:-

### **Central Government**

Central government controls the statutory framework within which the Council operates and provides the majority of the Council's funding. The Consolidated Revenue Account and Cash Flow Statement contain details of grants paid by central government to the Council in 2002/03.

### **Councillors**

Members of the Council have direct control over the Council's financial and operating policies. During 2002/03 the Council had transactions totalling approximately £55,000 (£160,000 in 2001/02) with charitable bodies and companies in which Members had interests. Councillors are subject to the Council's Member Code of Conduct. Registers of Members interests and declarations of interests relating to specific items of discussion at meetings are available for public inspection.

### **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 Employees Code of Conduct and professional bodies' standards. There are no related party transactions between the Council and its senior managers that require disclosure in 2002/03.

### **Pensions**

Details of the Council's payment of employer's superannuation contribution to the Pension Fund are shown in the appropriate sections of the Statement i.e. Consolidated Revenue Account **Note 9** (page 14) and Consolidated Balance Sheet **Note 21** (pages 42 - 44).

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### Other Organisations

The following organisations are related parties and had the stated value of transactions with the Council during 2002-03.

Organisation	Nature of Relationship	Total Value of Transactions 2002/03 £000	Total Value of Transactions 2001/02 £000
Association of North East Councils	Member representation	32	33
One North East	Member representation	1,452	2,064
County Durham and Darlington Combined Fire Authority	Levying body and Member representation	3,618	3,661
Darlington Partnership	Member representation and executive involvement	25	25
North East Regional Employers Organisation	Member and officer representation	14	17
Northumbria Regional Flood Defence Committee	Levying body and Member representation	248	208
Tees Valley Development Company	Member representation	126	106
Tees Valley Joint Strategy Committee	Member representation	200	194
Darlington Citizens Advice Bureau	Member representation	92	122
Council for Voluntary Services	Member representation	30	37
Darlington & District Youth & Community Association	Member representation	321	341
Darlington & District Age Concern	Member representation	150	65
Darlington Association on Disability	Member representation	272	194
Darlington Business Venture Limited	Member representation	124	88
Northern Arts - Company	Member representation	34	35

In addition to the above transactions, the Council granted a 5 year capital loan of £60,000 to Darlington and District Youth and Community Association in 2001/02 to help in the purchase of an outdoor education centre.

The first instalment of repayment of the loan was made in January 2003, therefore the balance outstanding at 31st March 2003, is £48,000.

The Council is due to receive a refund of £175,000 from County Durham and Darlington Combined Fire Authority as the due share of 2002-03 underspending by the Authority.

## HOUSING REVENUE ACCOUNT

2001/02		2002/03	Notes
£000		£000	
	<b><u>Income</u></b>		
(13,248)	Dwelling rents (gross)	(13,490)	
(283)	Non-dwelling rents (gross)	(294)	
(503)	Charges for services & facilities	(892)	
(7,826)	HRA subsidy receivable (including MRA)	(7,996)	7
(52)	Housing benefit transfers from general fund	(47)	
<b>(21,912)</b>	<b>Total Income</b>	<b>(22,719)</b>	
	<b><u>Expenditure</u></b>		
4,249	Repairs and maintenance	4,889	
3,025	Supervision and management	3,196	
8	Rent, rates, taxes and other charges	38	
8,342	Rent rebates	9,093	
84	Increased provision for bad and doubtful debts	143	8
6,773	Cost of Capital Charge	6,560	5
	Depreciation of fixed assets		
3,546	On dwellings (= MRA)	3,394	6
25	On other assets	25	6
9	Debt management costs	23	
<b>26,061</b>	<b>Total Expenditure</b>	<b>27,361</b>	
<b>4,149</b>	<b>Net Cost of Services</b>	<b>4,642</b>	
(5,215)	Net HRA expenditure/(income) on asset management revenue account	(5,154)	5
287	Amortised premiums	109	
	HRA investment income		
(17)	Mortgage interest	(12)	
(80)	Interest on notional cash balances	(75)	
<b>(876)</b>	<b>Net Operating Expenditure/(Income)</b>	<b>(490)</b>	
606	HRA contribution to Minimum Repayment Provision	587	
(25)	Transfer from Major Repairs Reserve	(25)	
<b>(295)</b>	<b>(Surplus)/Deficit for the year</b>	<b>72</b>	
(835)	HRA balance brought forward	(1,130)	
(295)	(Surplus)/Deficit for the year	72	
<b>(1,130)</b>	<b>HRA balance carried forward</b>	<b>(1,058)</b>	

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 1 Housing Stock

1st April 2002    31st March 2003

### Number and types of dwellings

Houses	3,582	3,406
Flats	2,437	2,404
Bungalows	343	342
Non HRA	9	9
Total dwellings	<u>6,371</u>	<u>6,161</u>

### Balance Sheet values

	£000	£000
Land	503	384
Houses	107,178	99,948
Other property	242	490
Total net Balance Sheet value	<u>107,923</u>	<u>100,822</u>
Operational Assets		
Dwellings	107,044	99,950
Other land & buildings	49	48
	<u>107,093</u>	<u>99,998</u>
Non-operational assets	830	824
Total net Balance Sheet value	<u>107,923</u>	<u>100,822</u>

## 2 Vacant Possession Values

The vacant possession value of dwellings as at 1 April in the financial year is £168.299m (£171.85m in 2001/02).

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 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 rented 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.



## NOTES TO THE HOUSING REVENUE ACCOUNT

### 3 Major Repairs Reserve

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

	2001/02 £000	2002/03 £000
Balance as at 1 April 2002	0	(1,401)
Transfer to MRR during the financial year		
Depreciation on HRA dwellings	(3,546)	(3,394)
Depreciation on other HRA assets	(25)	(25)
Transfer to HRA during the financial year		
Depreciation on other HRA assets	25	25
Transfer from MRR during the financial year in respect of capital expenditure on		
Land	32	123
Houses	2,113	4,672
Other property	0	0
Balance as at 31 March 2003	(1,401)	0

### 4 Capital Expenditure

Capital expenditure within the HRA during 2002/03 was as follows :-

	2001/02 £000	2002/03 £000
Land	32	182
Houses	3,952	5,800
Other property	970	1,138
Total capital expenditure	4,954	7,120

Total capital expenditure on land, houses and other property within the HRA during 2002/03 was funded via the following sources :-

	2001/02 £000	2002/03 £000
Borrowing	1,340	1,867
Usable capital receipts	625	292
Major Repairs Reserve	2,145	4,795
Disabled facilities grant (DFG)	185	166
Single Regeneration Budget (SRB)	659	0
Total capital expenditure	4,954	7,120

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

	2001/02 £000	2002/03 £000
Land	4	0
Houses	2,140	3,703
Other property	44	0
Total capital receipts	2,188	3,703

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 5 Capital Asset Charges

A key feature of the introduction of resource accounting as part of the New Financial Framework is the inclusion of capital asset charges within the HRA. These comprise :-

	2001/02 £000	2002/03 £000
Cost of Capital Charge	6,773	6,560
Capital Asset Charges accounting adjustment	(6,773)	(6,560)
HRA contribution towards debt financing and management costs	1,558	1,406
Net HRA income on asset management revenue account	(5,215)	(5,154)

The Cost of Capital Charge is calculated as 6% of the value of HRA operational assets, carried out in accordance with the *Guidance on Stock Valuation* published by DETR in May 2000. It is included in the net cost of services in the HRA and acts as an important signal in the new style HRA, showing the cost of capital tied up in housing assets.

However, it does not impact on the amount of income generated to achieve a balanced budget, i.e. in rents from council tenants. The cost of capital is reversed out of the HRA through the Asset Management Revenue Account (AMRA) below the net cost of services and the HRA's share of the authority's debt financing and management continues, as in previous years, to be borne by the HRA.

## 6 Depreciation of Fixed 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 :-

	2001/02 £000	2002/03 £000
Land	0	0
Houses (= Major Repairs Allowance)	3,546	3,394
Other property	25	25
Total charge for depreciation	3,571	3,419
Operational Assets		
Dwellings	3,546	3,394
Other land & buildings	25	25
Non-operational assets	0	0
Total charge for depreciation	3,571	3,419

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 7HRA Subsidy

The amount of HRA subsidy payable to the authority for the financial year is as follows :-

	2001/02 £000	2002/03 £000
Management allowance	2,031	1,988
Maintenance allowance	3,287	3,220
Major Repairs Allowance (MRA)	3,546	3,394
Charges for capital	2,583	2,254
Rent rebates	8,412	9,164
Tenant participation compact	17	0
Resource accounting allowance	38	0
	19,914	20,020
<i>less</i>		
Rent	(12,071)	(12,012)
Interest on receipts	(17)	(12)
	7,826	7,996

### 8Rent Arrears

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

	2002 £000	2003 £000
Gross rent arrears as at 31st March	873	825

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

	2001/02 £000	2002/03 £000
Opening provision for uncollectable debts	245	178
Amounts written off in the year	(151)	(129)
Increase in provision for the year	84	143
	178	192

## COLLECTION FUND

2001/02		2002/03	NOTES
£000		£000	
	<b><u>Income</u></b>		
21,856	Income from Council Tax	25,029	3
	Transfers from General Fund		
4,038	Council Tax benefits	4,638	3
(2)	Transitional relief	(2)	3
304	Council Tax benefit subsidy limitation	0	3
23,358	Income collectable from business ratepayers	22,916	2
<b>49,554</b>	<b>Total Income</b>	<b>52,581</b>	
	<b><u>Expenditure</u></b>		
25,500	Precepts and demands	29,297	4
	Business rate		
23,206	Payment to national pool	22,765	
152	Costs of collection	151	
	Bad and doubtful debts		
384	Write offs	0	
(174)	Movement in net provision	259	
	Contributions		
323	Towards previous year's Collection Fund surplus	590	5
<b>49,391</b>	<b>Total Expenditure</b>	<b>53,062</b>	
<b>163</b>	<b>Collection Fund surplus for the year</b>	<b>(481)</b>	
363	Collection Fund balance brought forward	526	
163	Collection Fund surplus/(deficit) for the year	(481)	
<b>526</b>	<b>Collection Fund balance carried forward</b>	<b>45</b>	

# NOTES TO COLLECTION FUND

## 1 Collection Fund

In order to comply with the terms of the Local Government and Housing Act 1989 (as amended by the Local Government Finance Act 1992), local authorities must maintain a separate Collection Fund.

Transactions relating to income from Council Tax payers, non-domestic ratepayers and government grants are shown together with the Borough Council's demand and Police Authority precept on the Collection Fund Income and Expenditure Account.

Balances relating to debtors or creditors on this account are included in the Authority's Consolidated Balance Sheet.

## 2 Income From Business Rates

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.

This money is paid into a national pool, after making reductions for the relief for charities and transitional arrangements.

The Council receives in return a contribution from the pool based on a standard amount per head of local adult population.

These transactions make up the figure in the accounts as follows :

	2001/02 £000	2002/03 £000
Non-Domestic Rate Value (£61.7m) x Uniform Business Rate (43.7p per £)	26,832	26,963
Less Adjustments For Previous Years	(789)	(1,248)
Less Transitional Arrangements	(505)	(90)
Less Allowances And Adjustments	(2,180)	(2,709)
Net Income To Collection Fund	23,358	22,916

## NOTES TO COLLECTION FUND

### 3 Income From Council Tax

The Council Tax replaced the Community Charge on 1st April 1993 and 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	12,374	6,063	4,825	4,039	2,792	1,394	674	47
Ratio	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

The Council set a basic council tax of £870.03 (£773.34 in 2001/02), being the amount payable in respect of properties in Band D for services provided by Darlington Borough Council.

Durham Police Authority set a Band D council tax of £64.44 (£56.43 in 2001/02) for their services.

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

Council Tax income is therefore :

	2001/02 £000	2002/03 £000
Council Tax levied	29,149	33,088
Less allowances	(2,953)	(3,423)
	26,196	29,665
Payable from the following sources :		
Billed to Council Tax payers	21,856	25,029
Council Tax benefits	4,038	4,638
Transitional relief	(2)	(2)
Council Tax benefit subsidy limitation	304	0
	26,196	29,665

## NOTES TO COLLECTION FUND

### 4 Precepts And Demands

The following precepts and demands were made on the Collection Fund :

	2001/02 £000	2002/03 £000
Darlington Borough Council	23,767	27,278
Durham Police Authority	1,733	2,019
	25,500	29,297

### 5 Contribution In Respect Of Previous Year's Surplus

The estimated previous year's surplus was redistributed in proportion to the precepts and demands of the billing and precepting authorities as follows :

	2001/02 £000	2002/03 £000
Darlington Borough Council	300	550
Durham Police Authority	23	40
	323	590

## CONSOLIDATED BALANCE SHEET

31 MARCH		AS AT 31 MARCH 2003			NOTES
£000		£000	£000	£000	
	<b>Fixed Assets</b>				
107,923	Council Dwellings	100,822			
130,759	Other Land and Buildings	122,824			
2,504	Vehicles, Plant and Equipment	2,677			
18,947	Infrastructure Assets	18,403			
4,088	Community Assets	3,373			
	Non Operational Properties	11,594			
<b>275,063</b>	<b>Total Fixed Assets</b>		<b>259,693</b>		1a
	<b>Deferred Charges</b>				2
821	Debt Rescheduling Equalisation	660			
2,408	Expenditure - Improvement Grants	0			
4,237	Expenditure - Other	0			
			660		
	<b>Long Term Debtors</b>				
	<b>Mortgages</b> Mortgages	239			
	<b>Other</b> Other	344			
			583		5
<b>283,237</b>	<b>Total Long-Term Assets</b>			<b>260,936</b>	
	<b>Current Assets</b>				
448	Stocks and Work in Progress	571			4
8,854	Debtors and Prepayments	12,364			5
20,109	Investments (Short Term)	26,538			
29,411			39,473		
	<b>Less : Current Liabilities</b>				
19,569	Creditors & Income in Advance	22,351			6
2,900	Short-term Loans	0			
23	Bank Overdraft	1,089			
22,492			23,440		
<b>6,919</b>	<b>Net Current Assets/(Liabilities)</b>			<b>16,033</b>	
<b>(66,133)</b>	<b>Long Term Borrowing</b>		<b>(72,651)</b>		7
<b>(1,668)</b>	<b>Provisions</b>		<b>(1,969)</b>		10
				<b>(74,620)</b>	
<b>222,355</b>	<b>Total Assets less Liabilities</b>			<b>202,349</b>	
	<b>Financed By :</b>				
	<b>Deferred Capital Receipts</b>		201		9
	<b>Fixed Asset Restatement Reserve</b>		150,183		11
	<b>Capital Financing Reserve</b>		25,264		12
	<b>Government Grants Deferred</b>		17,583		8
0	<b>Usable Capital Receipts Reserve</b>		100		13
1,401	<b>Major Repairs Reserve</b>		0		16
5,210	<b>Reserves</b>		9,018		16
<b>222,355</b>	<b>Total Net Worth</b>			<b>202,349</b>	



# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 1 Fixed Assets

### (a) Movement of Fixed Assets

	Council Dwellings	Other Land & Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Non- Operational Properties	TOTAL
	£000	£000	£000	£000	£000	£000	£000
<b>Gross Value</b>							
Gross book value as at 31st March 2002	113,769	139,927	6,360	21,671	4,088	10,842	296,657
Adjustment to Balance b/f	0	0	0	0	0	0	0
Value as at 1 April 2002	113,769	139,927	6,360	21,671	4,088	10,842	296,657
Revaluations & restatements	0	(368)	0	0	0	1,135	767
Additions	0	300	695	0	0	0	995
Enhancements	6,062	4,560	0	3,254	199	615	14,690
Disposals	(3,682)	(4,869)	0	0	0	(208)	(8,759)
Transfers	0	1,245	0	0	(914)	(331)	0
Expenditure not increasing Gross Book Value	(6,062)	(2,342)		(3,254)		(459)	(12,117)
Gross book value as at 31st March 2003	110,087	138,453	7,055	21,671	3,373	11,594	292,233
<b>Depreciation</b>							
Accumulated	5,846	9,168	3,856	2,724	0	0	21,594
Depreciation for year	3,419	8,300	522	544	0	0	12,785
Depreciation on assets sold		(1,839)					(1,839)
Balance as at 31st March 2003	9,265	15,629	4,378	3,268	0	0	32,540
<b>Net book value as at 31st March 2003</b>	<b>100,822</b>	<b>122,824</b>	<b>2,677</b>	<b>18,403</b>	<b>3,373</b>	<b>11,594</b>	<b>259,693</b>

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## **(b) Valuation disclosure for Fixed Assets**

In most cases the effective date for valuations was 1 April 2000. Revaluation of 20% of the Authority's assets was completed during 2001/02, and a further 20% during 2002/03 as part of the 5 yearly revaluation programme. An impairment review has been undertaken in accordance with FRS 11. Only one asset was judged to have been impaired during 2002/03.

Operational land and buildings are being depreciated over their estimated useful economic lives, having been assessed by the Development & Environment Department, on a straight line basis. Infrastructure are also depreciated over their estimated useful economic life of 40 years. The major repairs allowance is being used as a proxy for depreciation on the Housing Stock. Plant and vehicles are depreciated on a straight line basis with computer equipment being depreciated over 5 years and Close Circuit Television ( CCTV) over 12 years.

Depreciating assets have all had their asset lives, land values and residual values assessed in order to fully comply with FRS 15.

### Council Dwellings, Other Land and Buildings and Non-Operational Assets

Operational land and buildings of a non-specialised nature were valued on the basis of their open market value assuming they would continue in their existing use. Operational properties of a specialised nature were valued by reference to what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect age, wear and tear and obsolescence.

Non-Operational land and buildings were valued using their open market value for their best use, taking account of planning consents etc.

The freehold and leasehold properties which comprise the Council's property portfolio (except community and infrastructure assets) were valued by one of the Councils' valuers who is a Member of the Royal Institute of Chartered Surveyors. Valuations were prepared in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors, except that not all the properties were inspected; this was considered neither practicable ( particularly in the case of Council Dwellings), nor necessary for valuation purposes.

Where plant and equipment are an integral part of a property asset (e.g. lifts and boilers) the value of such plant has been included in the property value. Where fittings are not integral to the functioning of the property (e.g. computers, lathes, etc.), these have been treated separately within the vehicle, plant furniture and equipment category of fixed assets.

The sources of information and assumptions made in producing the various valuations are set out in the valuation certificate and report.

### Community, Infrastructure and Vehicle, Plant, Furniture and Equipment Assets

The Code of Practice on Local Authority Accounting requires community and infrastructure assets to be valued at historical cost. In line with the Code, vehicle, plant, furniture and equipment being short lived assets have mainly been valued at historical cost less accumulated depreciation as a proxy for current cost.

## **(c) Financing**

The capital expenditure was financed as follows :

	2002/03 £000s	2001/02 £000s
Revenue Contributions	0	43
Grants and Contributions	8,483	6,179
Capital Receipts	874	1,754
Loans	7,684	5,489
	17,041	13,465

At the 31st March 2003 the Authority has ongoing major capital commitments in relation to the purchase of the

Arts Centre £0.100m and £0.836m for the erection of a nursery at Mcnay Street.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### Capital Investment

The total capital investment was as follows:

	2002/03 £000s	2001/02 £000s
Operational Assets	15,324	12,657
Non-Operational	459	473
Deferred Charges	1,258	335
	<b>17,041</b>	<b>13,465</b>

### (d) Analysis of Fixed Assets

	31st March 2003	31st March 2002
Schools - Nurserv	6	6
- Primary (excluding Aided schools)	29	29
- Secondary (excluding Aided)	6	6
- Special	1	1
- Pupil Referral	1	1
Children's homes	1	1
Homes for Older	2	2
Adult Residential	1	1
Adult Day Centres	1	1
Other Social Services Properties	3	3
Council Dwellings	6,161	6,371
Highways - Principal	50.9km	50.9 km
- 'B' roads	27.8km	27.8 km
- 'C' roads	105.9km	105.9 km
- Unclassified	328.9km	277.14km
Town Hall	1	1
Other Administrative Buildings	1	1
Depots and	4	4
Off-Street Car Parks/Lorry Park	25	25
Arts Centre	1	1
Leisure Centre	1	1
Eastbourne Sports	1	1
Libraries	2	2
Museum	1	1
Parks and Recreation Grounds	39	39
Golf Course	1	1
Theatre	1	1
Covered Market	1	1
Cattle Market	1	1
Open Market	1	1
Cemeteries	3	3
Crematorium	1	1
Commercial Property Rented		
Shops, Offices Workshops etc.	45	45
	74,500 sq.ft	74,500 sq. ft
Ground Leases	152	153
	81.5 hectares	82.0 hectares
Short Term Tenancies & Licences of Land	78	78
Agricultural Tenancies including Farm Business	18	18
	332.13 hectares	332.13 hectares

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 2 Deferred Charges

	2002/03 £000	2001/02 £000
Balance as at 1 April 2002	6,645	6,645
Expenditure - Improvement Grants	1,138	963
Expenditure - Other	121	441
Amounts written off to consolidated revenue account	(7,904)	(1,404)
Balance as at 31 March 2003	0	6,645

### 3 Euro

The adaptation of operation and information systems will be required as the Euro becomes established as a major currency and the possible date for British participation in EMU draws closer.

The Council is a member of the CIPFA Euro Forum and uses a BASDA accredited accounting system which has been upgraded to ensure compatibility with the introduction of the Euro.

At this stage the Authority has not incurred any other expenditure or is committed to any significant expenditure.

### 4 Stocks And Work In Progress

	31st March 2003 £000	31st March 2002 £000
Work in Progress	21	53
Stocks		
DLO	209	50
Other	341	345
	571	448

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 5 Debtors And Prepayments

	31st March 2003	31st March 2002
	£000	£000
Amounts falling due in one year		
:		
Government Departments	3,993	1,715
Other Local Authorities	1,020	290
Council Tax and NDR	4,292	2,903
Housing Rents	718	821
Sundry Debtors	4,067	4,523
Prepayments	794	309
	14,884	10,561
Less Provision for Doubtful Debts	(2,520)	(1,707)
	12,364	8,854
Amounts falling due after one year :		
Car loans to employees	167	210
Council House Mortgages	172	219
Housing Act Advances	67	74
Other	177	205
	583	708

### 6 Creditors And Income In Advance

	31st March 2003	31st March 2002
	£000	£000
Collection Fund Balance	45	526
Income in Advance	5,111	3,628
Government Departments	2,726	2,601
Other Local Authorities	2,283	2,737
Sundry Creditors	12,186	10,077
	22,351	19,569

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 7 Long Term Borrowing And Creditors

Source Of Loan	Range Of Interest Rates Payable	Total Outstanding at 31st March	
		2003	2002
	%	£000	£000
Durham County Council		12,422	13,303
Public Works Loans Board	4.424 - 5.529	50,629	52,830
Money Market	3.250 - 5.320	9,600	0
		72,651	66,133
Analysis of Loans by Maturity			
Maturing in 1-2 years		690	690
Maturing in 2-5 years		2,070	2,070
Maturing in 5-10 years		7,036	3,451
Maturing in more than 10 years		62,855	59,922
		72,651	66,133

Under the arrangements following Local Government reorganisation, Durham County Council continues to administer certain long term borrowing on behalf of the Council. The total debt outstanding at 31st March 2003 was £13.112million which is repayable in equal instalments of approximately £0.690 million per annum over 19 years.

### 8 Deferred Government Grants

Government grants in respect of capital are credited to a Government Grants Deferred account when they are received and are released to off-set depreciation charged to revenue accounts. The balance of £17.583m (£14.496m in 2001/02) relates principally to European Regional Development Fund, Single Regeneration Budget, Home Office, Standards Fund and National Lottery.

### 9 Deferred Capital Receipts

Deferred Capital Receipts are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses, which form the main part of mortgages under long term debtors.

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 10 Provisions (General Fund)

	1st April 2002	Receipts In Year	Payments In Year	31st March 2003
	£000	£000	£000	£000
Land Reclamation	510	420	(325)	605
Recycling Initiatives	(8)	5	0	(3)
D.L.O.	107	0	(51)	56
Insurance Provision	934	342	(130)	1,146
Absence Supply Insurance	38	0	(38)	0
Frozen Holiday Pay	40	0	0	40
Social Services s117	47	0	0	47
Rates Refund	0	78	0	78
	1,668	845	(544)	1,969

### **Land Reclamation**

- A provision for the repayment of reclamation grant has been made in the accounts in the sum of £605,000 at 31st March 2003. This is at variance with SSAP 4.

### **Recycling Initiatives**

- Provision for costs of promoting and developing recycling initiatives, which the Council is committed to funding from income received as a result of previous recycling activities.

### **D.L.O.**

- Provision for losses on contracts that were not completed by 31st March 2003.

### **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 on this account represents claims made and still outstanding at the 31st March 2003 which are within these excesses.

### **Absence Supply Insurance**

- The Council insures schools with delegated budgets against the risk of long term sickness.

### **Frozen Holiday Pay**

- To meet the cost of accrued holiday entitlement in respect of certain groups of employees transferred from Durham County Council.

### **Social Services s117**

- Provision for potential repayment of charges made under s117 of the Mental Health Act 1983. (see also Balance Sheet

**Note 17** - Contingent Liabilities).

### **Rates Refund**

- Provision for the potential refund of rates payments.



# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 11 Fixed Asset Restatement Reserve

Capital accounting requires the establishment of a Fixed Asset Restatement Reserve. The balance represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation at 1st April 1995.

The reserve is written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations.

	2002/03 £000	2001/02 £000
Balance brought forward	170,468	154,450
Disposal of fixed assets	(8,759)	(2,783)
Capital Expenditure not increasing gross book value	(12,118)	(9,893)
Revaluation of Fixed Assets	767	28,694
Write Down of De-minimus capital expenditure	(175)	0
	150,183	170,468

## 12 Capital Financing Reserve

The capital financing reserve contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts.

It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

	2002/03 £000	2001/02 £000
Balance as at 1 April 2002	30,532	37,620
2002/2003 capital receipts set aside	4,779	1,624
2002/2003 capital financing		
capital receipts - 2002/2003	874	1,754
capital grants	1,147	0
revenue	0	43
2002/2003 MRP (less depreciation provision)	(4,515)	(9,155)
Less		
write down of deferred charges	(7,738)	(1,211)
redemptions by borrowers	(6)	(7)
write down of de-minimus capital expenditure	0	(136)
County Durham Probation Service Loan Repayment	191	0
	25,264	30,532

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 13 Useable Capital Receipts Reserve

The useable capital receipts reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.

	2002/03 £000	2001/02 £000
Opening balance	0	0
Capital receipts 2002/2003	5,753	3,378
Less		
2002/2003 capital receipts set aside	4,779	1,624
2002/2003 capital receipts used for financing	874	1,754
	100	0

## 14 Analysis Of Net Assets Employed

	31st March 2003 £000	31st March 2002 £000
General Fund	99,455	109,287
Housing Revenue Account	102,126	112,223
Direct Labour Organisation	769	845
	202,349	222,355

## 15 Related Companies

Under Part V of the Local Government and Housing Act 1989, the Council has to maintain a register of interests in companies. Accordingly the following companies have been identified as being under some form of control by the Council:

### A) Controlled Companies

The Tees Valley Development Company is jointly controlled by 5 Local Authorities with Darlington having a minority standing.

The Local Government Information Unit is an authorised exempted company and does not therefore fall under the controls established under Part V of the Local Government and Housing Act 1989 or the Local Authorities ( Companies ) Order 1995.

Tees Forest is jointly controlled by the 5 Tees Valley Local Authorities as well as being match funded by the Countryside Commission.

The new Tees Valley Connexions Partnership Ltd was launched on the 2nd September, 2002 and is jointly run by the 5 Local Authorities. There are five Local Management Committees, one in each of the five boroughs which own the Connexions Company

### B) Minority Interest Companies

There are 5 companies that fall into the above category, namely, Northern Arts, Darlington Business Venture, Darlington Partnership, Business Link Tees Valley and Tees Valley Urban Regeneration Company.

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 16 Reserves (General)

	1st April 2002	Receipts In Year	Payments In Year	31st March 2003
	£000	£000	£000	£000
General Fund	1,597	3,545	0	5,142
Earmarked Departmental Balances	54	605	0	659
Faverdale Maintenance Fund	51	0	(5)	46
Housing Revenue Account	1,130	200	(272)	1,058
Revenue Contribution to Capital Outlay	799	141	(200)	740
Schools Revenue Balances	1,183	377	(701)	859
Other	4	0	0	4
Insurance Fund	374	450	(575)	249
Crematorium Refurbishment Fund	18	16	0	34
Building Control	0	52	0	52
Pensions Contribution Reserve	0	175	0	175
Major Repairs Reserve	1,401	0	(1,401)	0
	<b>6,611</b>	<b>5,561</b>	<b>(3,154)</b>	<b>9,018</b>

### General Fund

- The Council regards the General Fund Reserve as being available to support the Council's overall service.

### Earmarked Departmental Balances

- These surpluses/deficits have been built up by the departments and are earmarked for their use in forming part of the forward planning process

### Faverdale Maintenance Fund

- Provision has been made for the cost of maintenance of land at Faverdale in accordance with an agreement entered into when the Council sold land it previously owned.

### Housing Revenue Account

- The Housing Revenue Account reflects the annual surplus or deficit on council housing activity.

### Revenue Contribution to Capital Outlay

- The Council has established this reserve to meet future capital commitments. The balance includes £0.486m to finance future capital repairs to the housing stock

### Schools Revenue Balances

- Balances held by locally managed schools are not available to the Council for general use. The net surplus balance at 31st March 2003 includes deficits totalling £502,129 in respect of 6 schools ( £293,487 for 6 schools in 2001/02).

### Insurance Fund

- The Council maintains an Insurance Fund established under statutory powers to indemnify the Council against specified risks.

### Crematorium Refurbishment Fund

- The Council has established this fund to meet future expenditure which will be incurred in complying with the requirements of the Environmental Protection Act 1990.

### Building Control Reserve

- This reserve has been created to enable any surpluses built up to be carried forward to offset against future costs.

### Pensions Contribution Reserve

- The Council has established this reserve so that the phased increase in contribution rates spread over six years, as specified by the actuary, will be reached in three years as per the Medium Term Financial Plan.

### Major Repairs Reserve

- The Council receives Major Repairs Allowance to fund Capital repairs to its Housing stock.

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 17 Contingent Liabilities

These refer to amounts that may fall due in the future but are uncertain over what amount might be due and whether in fact they might arise. In 2002-03 the contingent liabilities were as follows:-

The Council has guaranteed the leasing payments on the Imperial Centre for Darlington Enterprise Association for three years. The annual payments are £29,000 and the Council's potential liability is £51,000, as the lease expires in December 2004 but will only be payable to the extent that the company might fail to meet its obligations to make the payments. The company's 2001/02 accounts have been given an unqualified audit report.

During 1992/93 Municipal Mutual Insurance ceased accepting new business. At 31st March 2003, the Council only had e outstanding claim with MMI amounting to £12,000 and arrangements are in place to try to ensure an orderly on settlement of the sum due.

The Council has in the past charged for services provided under Section 117 of the Mental Health Act 1983. Following a recent decision of the House of Lords the Council is now liable to reimburse those users who have been inappropriately charged for services. This includes those people who have had services arranged for them by the Council and those who "self funded" their own care privately but had a legal right under Section 117 to free after care. Until an exercise is concluded to locate all cases, it is difficult to assess the actual cost of this decision although it could cost upto £500,000 depending on legal opinion as to responsibility for services provided prior to becoming a Unitary Authority in 1997.

## 18 Provision For Credit Liabilities

In accordance with the requirements of the Local Government and Housing Act 1989, the Council is required to set aside sums as a provision to repay external loans. A specific account is not required however, a memorandum account is required and this is set out below.

	31st March 2003	31st March 2002
	£000	£000
Balance brought forward	980	0
Amount set aside for MRP	2,469	2,192
Reserved capital receipts	4,779	1,688
European Grants	0	0
Less Debt Paid	(8,228)	(2,900)
	0	980

## 19 Assets And Liabilities Transferred From Durham County Council

Following Local Government Re-organisation and the creation of the new unitary authority in Darlington, Durham County Council's balance sheet has been divided between this Council and the residual County authority. To date a sum of £2.587m has been received from Durham County Council, after arbitration, in respect of Darlington's share of the former County's reserve and this is reflected in the increased General Fund reserves. There are still some outstanding issues yet to be resolved.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 20 Trust Fund Memorandum Account

The Council acts as custodian trustee for a number of Trusts which operate for the benefit of Students attending or who have attended Secondary Schools in Darlington Borough ( including Queen Elizabeth 6th Form College ). It also acts as trustee for a further 18 funds and as in neither case do they represent assets of the Council, they have not been included in the Consolidated Balance Sheet.

Funds for which Darlington Borough Council are sole or custodian trustee.

	Balance at 1st April £000's	Receipts £000's	Payments £000's	Balance at 31st March £000's	Assets £000's	Liabilities £000's
James Barningham Fellowship	21	2	(7)	16	50	0
Lady Dale Scholarship	5	1	0	6	24	0
Darlington Education Fund	10	15	(22)	3	327	0
W.Draffon Scholarship	3	1	(1)	3	19	0
Others	7	2	0	9	46	0
	46	21	(30)	37	466	0

All of the above investments are held by the Charities Commission and the latest COIF Charity Fund shares are valued at £428,493 as per valuation date 31/03/03 (£570,201 as per valuation date 31/12/01).

#### **Purpose of the Trust Funds:**

##### **James Barningham Fellowship**

Scholarships to pupils proceeding from any of the schools to institutions of further education, such scholarships to be awarded for the best essays on the subject " The rise and downfall of nations ".

##### **Lady Dale Scholarship**

Scholarships to female pupils proceeding from any of the secondary schools to institutions of further education.

##### **Darlington Education Fund**

Promoting the education, including social and physical training, of persons under the age of 25 years who attend or have attended any of the secondary schools in Darlington.

##### **W.Draffon Scholarship**

Scholarships to pupils from any of the secondary schools proceeding to the University of Edinburgh.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

Other Trust Funds administered by Darlington Borough Council are as follows :

	Balance at 1st April £000's	Receipts £000's	Payments £000's	Balance at 31st March £000's
Stainsby Murray Fund	41	2	(2)	41
Middleton Greathead SP	37	2	0	39
Stainsby Murray Trust	42	2	(2)	42
E.M.Corner Bequest	96	4	(10)	90
Criminal Injuries Compensation	30	8	(6)	32
Other	50	13	(13)	50
	<u>296</u>	<u>31</u>	<u>(33)</u>	<u>294</u>

### **Purpose of the Trust Funds:**

#### **Stainsby Murray Fund**

Provision of Christmas comforts for aged persons in Darlington.

#### **Middleton Greathead Printers Scholarship**

This fund has not been used for many years as its purpose in its original form has been considered incapable of being carried out. "The scholarship to be open to and set apart for the education of the sons of Journeymen Printers only and who are natives of or residents in Darlington".

#### **Stainsby Murray Trust**

Provision of Christmas comforts for aged persons in Darlington.

#### **E.M.Corner Bequest**

Provision of the Arts by Darlington Library

#### **Criminal Injuries Compensation**

Provision of funds for compensation to minors.

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 21 Pensions

### Local Government Pension Scheme

The Local Government Pension Scheme is a multi-employer scheme which provides members with defined benefits related to their pay and length of service. It is a funded scheme, i.e. the contributions of scheme members and employers fund the future liability to pay pensions and other benefits to members. Durham County Council administer the Durham pension fund on behalf of Darlington Borough Council and other employers in the area.

An independent actuary revalues the fund every three years and the amounts included in the Council's 2002-03 accounts have been derived by suitable approximate methods from the full actuarial valuation carried out by the actuary as at 31st March 2001.

Financial Reporting Statement No.17 (FRS 17) requires certain information to be published about employers' liabilities for future pension costs. The purpose of this note is to provide information about the Council's obligations to fund future benefits and the impact on the underlying economic position of the Council. The figures below are not included in the Council's balance sheet.

The estimated fair value of the fund's assets and liabilities attributable to Darlington are :-

	31st March 2003 £m	31st March 2002 £m
Funded benefits under the LGPS regulations	(171.3)	(161.7)
Unfunded discretionary benefits awarded by means of additional benefits under the LGPS regulations	(8.2)	(8.0)
Actuarial value of Fund assets	<u>(179.5)</u>	<u>(169.7)</u>
Market value of Fund assets	93.4	120.0
Surplus (deficit) in the Fund	<u>(86.1)</u>	<u>(49.7)</u>

The main financial assumptions used are as follows :-

	2002/03	2001/02
Rate of Price Inflation	2.50%	2.50%
Future escalation of pensionable pay	4.30%	4.30%
Future increases in pensions	2.50%	2.50%
Rates used to discount scheme liabilities	6.10%	6.10%
Expected return on assets	7.69%	7.05%

## NOTES TO THE CONSOLIDATED BALANCE SHEET

The fair value of attributable assets held by the pension fund as at 31st March 2003 is estimated to be £93.4m (£120.0m as at 31st March 2002), in the following classes of investment :-

	31st March 2003			31st March 2002		
	£m	Proportion %	Expected Rate of Return	£m	Proportion %	Expected Rate of Return
Equities (UK)	48.5	52.0%	8.50%	64.2	53.5%	7.50%
Equities (overseas)	22.1	23.7%	8.50%	28.6	23.8%	7.50%
Bonds	9.0	9.6%	5.50%	10.3	8.6%	6.00%
Other :-						
Gilts	6.2	6.6%	4.50%	8.7	7.3%	5.25%
Cash & Net Current Assets	4.2	4.5%	4.00%	4.6	3.8%	4.50%
Property	<u>3.4</u>	3.6%	7.00%	<u>3.6</u>	3.0%	6.00%
	<u>93.4</u>			<u>120.0</u>		

An analysis of the movement in surplus (deficit) in the Fund during the period is as follows:-

	2002/03 £m
Surplus (deficit) in the Fund at beginning of period	(49.7)
Contributions paid	5.3
Current service cost	(4.5)
Past service cost	(0.9)
Settlement cost	0.0
Curtailement cost	0.0
Other finance income (charge)	(0.5)
Actuarial gain (loss)	(35.8)
Surplus (deficit) in the Fund at end of the period	<u>(86.1)</u>

The actuarial loss can be analysed into the following categories, measured as absolute amounts and as a percentage of assets and liabilities at 31st March 2003:

	£m's	%
Loss on Fund assets	35.8	38.33
Experience loss on scheme liabilities	0.0	0.00
Total actuarial loss recognised in STRGL	35.8	19.94



## NOTES TO THE CONSOLIDATED BALANCE SHEET

The components of the Defined Benefit Cost are as follows :

	£m
<i>Analysis of amounts charged to operating profits :</i>	
a Current service cost	4.5
b Past service costs	0.9
c Total charged to operating profit	<u>5.4</u>
<i>Analysis of other amounts charged to profit and loss account :</i>	
d Gain (loss) due to settlements	0.0
e (Gain) loss due to curtailments	0.0
f Net (gain) loss charged to profit and loss account	<u>0.0</u>
<i>Analysis of amount credited to other finance income :</i>	
g Interest on pension scheme liabilities	9.0
h Expected return on assets in the pension scheme	(8.5)
i Net charge (credit) to other finance income	<u>0.5</u>
j Total profit and loss charge before deduction for tax (c + f + i)	5.9
<i>Analysis of amounts recognised in Statement of Total Recognised Gains and Losses :</i>	
k (Gain) loss on assets	35.8
l Experience (gain) loss on liabilities	0.0
m (Gain) loss on change of assumptions (financial and demographic)	0.0
n Total (gain) loss recognised in STRGL before adjustment for tax	<u>35.8</u>

The deficit calculated in accordance with FRS 17 is a snapshot at a point in time, based on opinions of the actuary. It is, therefore, liable to major change each year and does not represent the long-term position of the fund, which is an accurate indicator of the financial implications for employing organisations. The substantial fall in equity values during 2002-03 (approximately 25%) hit all pension funds. From 31st March to the end of June 2003 there has been a rise of approximately 11% in equities. In theory, if the deficit was realised, the 'Total Net Worth' of the Council would be reduced by £86.1m to £116.2m.

The Council has made provision in its Medium Term Financial Plan for increases in future contribution rates to meet the requirement to fund future liabilities. This includes revenue account provision in excess of the contributions that are paid into the Durham fund. By adopting this approach, the impact of the deficit on the Council's balances and overall financial standing will be spread in a planned way which will help to avoid sharp increases in future years.

## STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	2001/02		2002/03	
	£000	£000	£000	£000
Surplus/(deficit) for the year:				
-General Fund	(305)		4,150	
-Housing Revenue Account	295		(72)	
-Faverdale Maintenance Fund	(5)		(5)	
-Revenue Contribution to Capital Outlay	(209)		(59)	
-Schools Revenue Balances	(260)		(324)	
-Major Repairs Reserve	1,401		(1,401)	
-Building Control Reserve	0		52	
-Pensions Contribution Reserve	0		175	
-Debt Rescheduling Equalisation	(8)		0	
-Insurance Fund	(17)		(125)	
-Crematorium Refurbishment Fund	6		16	
<b>Movements of specific revenue reserves</b>		898		2,407
<b>Total increase/(decrease) in revenue resources</b>				
Increase/(decrease) in useable capital receipts	0		100	
<b>Total increase/(decrease) in realised capital resources (note 1)</b>		0		100
Gains/(losses) on revaluation of fixed assets	28,694		767	
Impairment losses on fixed assets due to general changes in prices	0		0	
<b>Total increase/(decrease) in unrealised value of fixed assets (note 2)</b>		28,694		767
Amounts written off fixed asset balances for disposals	(2,783)		(8,759)	
Expenditure not increasing Gross Book Value	(9,893)		(12,293)	
<b>Total Value of assets sold, disposed of or decommissioned (note 2)</b>		(12,676)		(21,052)
Capital receipts set aside	3,378		5,653	
Revenue resources set aside	(10,466)		(10,921)	
Movement on Government Grant Deferred	3,519		3,087	
Movement on Deferred Capital Receipt	(65)		(47)	
<b>Total increase/(decrease) in amounts set aside to finance capital investment (note 3)</b>		(3,634)		(2,228)
<b>Total recognised gains and losses</b>		<b>13,282</b>		<b>(20,006)</b>

**NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN  
RESERVES**

<i>Useable capital receipts (Note 1)</i>	
<b>Movements in realised capital resources</b>	
Amounts receivable in 2002/03	974
Amounts applied to finance new capital investment in 2002/03	(874)
	<hr/>
Total increase/(decrease) in realised capital resources in 2002/03	100
Balance brought forward at 1st April 2002	0
	<hr/>
Balance carried forward at 31st March 2003	100
	<hr/> <hr/>

<i>Fixed Asset Restatement Reserve (note 2)</i>	
<b>Movements in unrealised value of fixed assets</b>	
Gains/losses on revaluation of fixed assets in 2002/03	767
Impairment losses on fixed assets due to general changes in prices in 2002/03	0
	<hr/>
<b>Total increase/(decrease) in unrealised capital resources in 2002/03</b>	<b>767</b>
<b>Value of assets sold, disposed of or decommissioned</b>	
Amounts written off fixed asset balances for disposals in 2002/03	(8,759)
Deminimus Capital Expenditure written off	(175)
Expenditure not increasing Gross Book Value	(12,118)
	<hr/>
	(21,052)
Total movement on reserve in 2002/03	(20,285)
Balance brought forward at 1st April 2002	170,468
	<hr/>
Balance carried forward at 31st March 2003	150,183
	<hr/> <hr/>



**NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN  
RESERVES**

<i>Capital Financing Reserve/Government Grants Deferred (note 3)</i>			
	Capital Financing Reserve	Government Grants Deferred	Deferred Capital Receipts
<b>Movements in amounts set aside to finance capital investment</b>			
Capital receipts set aside in 2002/03			
-reserved receipts	4,779		
-useable receipts applied	874		
<b>Total capital receipts set aside in 2002/03</b>	5,653		
Revenue resources set aside in 2002/03			
-capital expenditure financed from revenue	0		
-capital expenditure financed from grant	1,147		
-reconciling amount for provision for loan repayments	(12,068)		
<b>Total revenue resources set aside in 2002/03</b>	(10,921)		
Grants applied to Capital investment in 2002/03		7,215	
Amounts credited to the asset management revenue account in 2002/03		(4,128)	
<b>Movement of Government Grants Deferred/Deferred Capital Receipts</b>		3,087	(47)
<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>			
Total movement on reserve in 2002/03	(5,268)	3,087	(47)
Balance brought forward at 1st April 2002	30,532	14,496	248
Balance carried forward at 31st March 2003	25,264	17,583	201

## CONSOLIDATED CASH FLOW STATEMENT

2001/02	DESCRIPTION	2002/03		
£000		£000	£000	£000
	<b><u>Revenue Activities</u></b>			
	<b><i>Cash Outflows</i></b>			
76,831	Cash Paid To Employees	80,778		
84,021	Other Operating Cash Payments	98,312		
10,703	Housing Benefit Paid Out	12,197		
22,075	Payment To Non-Domestic Rates Pool	23,699		
1,756	Precept Paid To Durham Police Authority	2,059	217,045	
195,385				
	<b><i>Cash Inflows</i></b>			
(6,519)	Rents (After Rebates)	(6,033)		
(22,108)	Council Tax Collected	(25,229)		
(24,881)	Non-Domestic Rates Collected	(24,714)		
(28,268)	Share Of Non-Domestic Rates Pool	(30,950)		
(36,742)	Revenue Support Grant	(35,678)		
(13,533)	DSS Grants For Rebates	(15,714)		
(25,019)	Other Government Grants	(32,283)		
(41,478)	Cash Received For Goods And Services	(41,716)		
	Other Cash Receipts	(2,587)	(214,904)	2,141
(198,548)				
(3,164)	<b><u>Returns On Investments And Servicing Of Finance</u></b>			
	<b><i>Cash Outflows</i></b>			
3,796	Interest Paid	3,737		
0	Interest Element Of Finance Leasing Payments	0	3,737	
	<b><i>Cash Inflows</i></b>			
(1,049)	Interest Received	(1,057)		2,681
2,747				
	<b><u>Capital Activities</u></b>			
	<b><i>Cash Outflows</i></b>			
5,446	Payments For Capital Schemes	6,964		
	<b><i>Cash Inflows</i></b>			
(1,494)	Sale Of Fixed Assets	(6,695)		
(6,486)	Capital Grants Received	(6,835)	(13,531)	(6,567)
(2,535)				
(2,952)	<b>Net Cash Outflow/(Inflow) Before Financing</b>			(1,745)
	<b><u>Management of Liquid Resources</u></b>			
4,357	Net Increase/(Decrease) In Short Term Deposits	6,429		6,429
	<b><u>Financing</u></b>			
	<b><i>Cash Outflows</i></b>			
3,900	Repayment of Loans	11,126		
0	Capital Element Of Finance Leasing Payments	0	11,126	
	<b><i>Cash Inflows</i></b>			
(5,900)	New Long-Term Loans Raised	(14,744)		
(1,000)	New Short-Term Loans Raised	0	(14,744)	(3,617)
(3,000)				

(1,595)	<b>Net (Increase)/Decrease in Cash</b>		1,066

## NOTES TO CONSOLIDATED CASH FLOW STATEMENT

The Consolidated Cash Flow Statement summarises all movements of cash resulting from transactions with third parties.

The statement differs from the financial information elsewhere in the Statement of Accounts in that :-

- (i) it excludes internal transactions (recharges between accounts, contributions to and from reserves, provisions etc.) as these do not result in cash movements.
- (ii) cash-flow refers only to receipts and payments of cash during the year whereas the Council's revenue accounts are prepared on the basis of income and expenditure, i.e. taking into account debtors, creditors, accruals and prepayments.

### 1 Revenue Activities

The net Cash Flow can be reconciled to the Consolidated Revenue Account as follows:-

<u>CASH FLOW STATEMENT 'REVENUE ACTIVITIES' RECONCILIATION TO CONSOLIDATED REVENUE ACCOUNT DEFICIT</u>	£000	£000
Consolidated Revenue Account Surplus		(1,563)
Less Net Movement In Creditors And Debtors		2,743
Items Included in CFS Revenue Activities, Not Included in CRA :-		
Payment To Non Domestic Rates Pool	23,699	
Precept Paid To Durham Police Authority	2,059	
Council Tax Collected	(25,229)	
Non Domestic Rates Collected	<u>(24,714)</u>	(24,186)
Items Excluded from CFS Revenue Activities, Included in CRA :-		
Borough Council Demand On Collection Fund	27,278	
Collection Fund Surplus	550	
Loans Pool Interest Paid	(3,737)	
Investment Income	<u>1,057</u>	25,148
<b>Net Cash Outflow On Revenue Activities</b>		<u><u>2,141</u></u>



## NOTES TO CONSOLIDATED CASH FLOW STATEMENT

### 2 Increase/(Decrease) in Cash

	Balance 31/3/02 £000	Balance 31/3/03 £000	Movement £000
Net Increase/(Decrease) in Cash	<u>23</u>	<u>1,089</u>	<u>(1,066)</u>

### 3 Reconciliation of Movement in Cash to Movement in Net Debt

	2002/03 £000
Increase in Cash	(1,066)
Cash flow from increase in borrowing	<u>2,811</u>
Change in Net Debt	<u>1,745</u>

### Analysis of Debt

	Balance 1st April 2002 £000	Balance 31st March 2003 £000	Cash Flow Changes £000
Increase/(decrease) in cash	(23)	(1,089)	(1,066)
Short term loans	(2,900)	0	2,900
Long Term borrowing	(66,133)	(72,651)	(6,518)
Investments (short term)	<u>20,109</u>	<u>26,538</u>	<u>6,429</u>
	<u>(48,947)</u>	<u>(47,202)</u>	<u>1,745</u>

### 5 Increase/(Decrease) in Liquid Resources

	Balance 31/3/02 £000	Balance 31/3/03 £000	Movement £000
Movement in Short Term Deposits			
Short Term Deposits	<u>20,109</u>	<u>26,538</u>	<u>6,429</u>

### 6 Movement in Long Term Borrowing

	Balance 31/3/02 £000	Balance 31/3/03 £000	Movement £000
Long Term Borrowing & Creditors	<u>(69,033)</u>	<u>(72,651)</u>	<u>(3,618)</u>

## **NOTES TO CONSOLIDATED CASH FLOW STATEMENT**

### **7 Other Government Grants**

"Other Government Grants" shown under Revenue Activities Cash Inflows (page 45) are comprised of :-

	£000
Education	
DFeSGrant	1,834
Mandatory Awards	101
GEST	3,300
Standards Fund	3,626
Out of School Childcare Grant	532
DFEE Threshold Grant	1,080
Learning Skills Council	2,643
Other education grants	1,789
Social Services	5,896
Housing Subsidy	8,333
Training & Employment	1,569
Other	1,580
	<hr/> <hr/>
	32,283

### **8 Capital Grants**

"Capital Grants Received" in the Capital Activities section of the statement (page 45) are :-

	£000
CCTV - Home Office	94
Schools NDS	2,396
SRB	296
Housing MRA	3,394
Renovation Grants	166
Sure Start	113
I-Government	200
Learning Skills Council	39
Rural Bus Challenge	62
Management Information System	75
	<hr/> <hr/>
	6,835

## **STATEMENT ON INTERNAL CONTROL**

Darlington Borough Council acknowledges its responsibility for maintaining a sound system of internal control that supports the achievement of its aims and objectives whilst safeguarding the public funds and assets for which it is responsible.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve aims and objectives; it can, therefore, only provide reasonable assurance against material misstatement or loss.

The system of internal control is a continuous process. The development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes :-

- comprehensive budgeting systems and financial management reporting arrangements which indicate financial performance against forecasts;
- clearly defined capital expenditure guidelines;
- the Council's Organisational Development Strategy entitled 'Striving for Excellence' which comprises :-
  - (a) the Performance Management Framework – a key mechanism for linking the aims and objectives of the Council with outcomes for services. This control entails the setting of a suite of indicators and the regular reporting of actual performance against targets to enable corrective action to be taken where necessary;
  - (b) the People Management Framework – which recognises that delivery of successful and cost-effective services relies upon the availability of committed, skilled staff who are valued for their efforts. The main components of this control include employee and member development and a performance development review system which underpins the Performance Management Framework;
  - (c) the Communications Framework - developed to keep all employees informed about issues which affect the Council and impact upon them as employees, to create an awareness amongst employees of corporate aims and objectives and to give employees opportunity to contribute to the development of policies and procedures which help improve the quality of services delivered.
- Council, Financial and Contract Procedure Rules;
- Protocol for Councillors and Officers dealing with planning matters;
- Scheme of Delegation to Officers;
- as appropriate, formal project management disciplines;
- a Local Code of Corporate Governance formally approved by Cabinet during the year;
- a Risk Management Strategy developed, adopted and implementation commenced during the year;
- External Audit's work programme approved by Cabinet and formal responses by Cabinet to External Audit reports;

- External Inspection reports considered by Cabinet and progress against agreed improvement plans monitored through the relevant Scrutiny Committee;

**STATEMENT ON INTERNAL CONTROL**

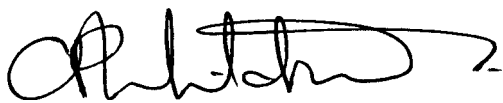
- the Council operates an Internal Audit function whose role is to objectively examine, evaluate and report upon the adequacy of internal control.

Internal Audit :-

- (a) report direct to the Director of Corporate Services.
- (b) terms of reference require that work is conducted in accordance with the professional standards set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Internal Audit in Local Government. In addition, Internal Audit is accredited under the quality assurance standard ISO 9001:2000.
- (c) the terms of reference also provide that Internal Audit has direct access to all senior management, including the Chief Executive, and elected members.
- (d) Internal Audit reports to Cabinet to agree its Annual Audit Plan, to report progress against the Plan during the year including any significant matters arising or other issues of concern and to receive Internal Audit's Annual Report.
- (e) Internal Audit concluded in their Annual Report for 2002/03 that the Council continues to operate within a control environment that is generally sound. Moreover, the implementation of the Risk Management Strategy should contribute to the maintenance, and even enhancement, of the adequate level of control.

The effectiveness of the Council's system of internal control is informed by :-

- the work of managers within the Council;
- the work of Internal Audit as described above; and
- the External Auditors in their Annual Audit Letter and other reports



Signed .....  
Director of Corporate Services



Signed .....  
Chief Executive

Dated ...16/07/2003..... Dated .....17/07/2003.....

**STATEMENT OF RESPONSIBILITIES FOR**  
**THE STATEMENT OF ACCOUNTS**

**The Authority's Responsibilities**

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this authority that officer is the Director of Corporate Services ('the Director').
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- approve the statement of accounts.

**The Director of Corporate Services' Responsibilities**

The Director 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 has:

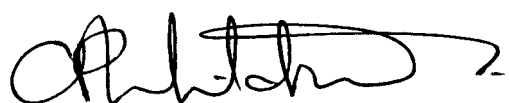
- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Director 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**

This Statement of Accounts has been prepared in accordance with the statutory requirements and proper accounting practices. It presents fairly the Council's financial position as at 31<sup>st</sup> March 2003 and the income and expenditure for 2002/2003.



Paul Wildsmith

Director of Corporate Services

# **AUDITORS' REPORT TO DARLINGTON BOROUGH COUNCIL**

We have audited the statement of accounts on pages 11 to 51 which has been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 7 to 10.

This report is made solely to Darlington Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

## **Respective Responsibilities of the Director of Corporate Services and Auditors**

As described on page 54 the Director of Corporate Services is responsible for the preparation of the statement of accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2002. Our responsibilities, as auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

- We report to you our opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Council.

We review whether the statement on the system of internal control on pages 52-53 reflects compliance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2002. We report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information we are aware of from our audit of the statement of accounts. We are not required to consider whether the statement on the system of internal control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts. The other information comprises only the explanatory foreword.

## **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also includes an assessment of the significant estimates and judgments made by the council in the preparation of the statement of accounts, and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the statement of accounts.

## **Opinion**

In our opinion the statement of accounts presents fairly the financial position of Darlington Borough Council as at 31 March 2003 and its income and expenditure for the year then ended.

## **Certificate**

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.





# **GLOSSARY**

## **ACCOUNTING PERIOD**

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

## **ACCRUALS**

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

## **ASSET**

An item having value in monetary terms, they can be defined as current or fixed.

- A current asset will be consumed or cease to have material value within the next financial year (e.g. stocks and debtors).
- A fixed asset provides benefits to the Authority and to the services it provides for a period of more than one year.

## **AUDIT**

An independent examination of the Authority's activities, either by internal audit or the Authority's external auditor, which is PriceWaterhouseCoopers.

## **BALANCE SHEET**

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

## **BUDGET**

The forecast of net revenue and capital expenditure over the accounting period.

## **CAPITAL CHARGES**

A charge to service revenue accounts to reflect the cost of utilising fixed assets in the provision of services.

## **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 fixed 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 contributions, revenue reserves and earmarked reserves.

## **CAPITAL RECEIPTS**

The proceeds from the disposal of land or other 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.

## **CIPFA**

The Chartered Institute of Public Finance and Accountancy.

## **COLLECTION FUND**

A separate fund recording the expenditure and income relating to council tax, non-domestic rates and residual community charge.

## **GLOSSARY**

### **COMMUNITY ASSETS**

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions in 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 one 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.

### **CORPORATE AND DEMOCRATIC CORE**

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<sup>st</sup> April 1991.

### **CREDITOR**

Amounts owed by the Authority 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.

### **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 CHARGES**

Expenditure which is properly capitalised but which does not result in, or remain matched with, tangible assets. Examples of deferred charges are expenditure on items such as improvement grants and premiums payable on debt which has been repaid prematurely.

### **DEPRECIATION**

The measure of the cost or revalued amount of the benefit of the fixed assets that have been consumed during the period.

### **FIXED ASSETS**

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



# **GLOSSARY**

## **FIXED ASSET RESTATEMENT RESERVE**

A reserve required following the introduction of a new capital accounting regime from 1<sup>st</sup> April 1994, which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.

## **GOVERNMENT GRANTS**

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

## **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)**

The Housing Revenue Account is a statutory account maintained separately from that in respect of General Fund services. It includes all revenue expenditure and income relating to the provision, maintenance and administration of council housing and associated areas.

## **IMPAIRMENT**

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

## **INCOME**

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

## **INFRASTRUCTURE ASSETS**

Fixed assets belonging to the Authority which do not necessarily have a resale value and for which a useful life-span cannot be readily assessed e.g. highways, bridges and drainage facilities.

## **LIABILITY**

A liability is where the 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.

## **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.



## **GLOSSARY**

### **MINIMUM REVENUE PROVISION (MRP)**

Is the minimum amount which must be charged to the revenue account every year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

### **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.

### **NET CURRENT REPLACEMENT COST**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

### **NET REALISABLE VALUE**

The open market value of the asset in its existing use, less the expenses to be incurred in realising the asset.

### **NON-DOMESTIC RATES (NNDR)**

An NNDR poundage is set annually by the government, collected by local authorities and paid into a national pool. The proceeds are then redistributed by Central Government as a grant to authorities in accordance with a government formula. These are often referred to as business rates.

### **NON-OPERATIONAL ASSETS**

These are assets which are not directly occupied, used or consumed in the delivery of services e.g. land awaiting development and surplus assets.

### **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 Authority in the direct delivery of those services for which it has a statutory or discretionary responsibility.

### **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 and Parish Councils.

### **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.





## **GLOSSARY**

### **PRUDENCE**

The concept where income should only be anticipated to the extent that it will be received, as cash or other assets, with reasonable certainty and full and proper allowance should be made for all known and foreseeable losses and liabilities.

### **PUBLIC WORKS LOAN BOARD (PWLB)**

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 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 Authority, but also in relation to its related party.

### **RESERVES**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement reserve cannot be used to meet current expenditure.

## **GLOSSARY**

### **REVENUE EXPENDITURE**

The day to day expenses of providing services. It is usually of a constantly recurring nature and produces no permanent asset.

### **REVENUE SUPPORT GRANT**

A grant paid by Central Government 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.

### **STATEMENT OF STANDARD ACCOUNTING PRACTICES (S.S.A.P.'s)**

Statement of Standard Accounting Practice, with which local authorities should comply when preparing their accounts so that the accounts are presented fairly.

### **STOCKS**

Items of raw materials and stores an authority 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.

### **TEMPORARY BORROWING**

Money borrowed for a period of less than a 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 Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

### **UNAPPORTIONABLE CENTRAL OVERHEADS (UCO)**

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.