

***DARLINGTON BOROUGH
COUNCIL***

**Statement
of
Accounts**

2005/2006

STATEMENT OF ACCOUNTS

2005 / 2006

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PREFACE

The Statement of Accounts reflects both revenue and capital expenditure and income and complies with the 'Accounts and Audit Regulations 2003' and the 2005 'Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice' (SORP) as developed by the CIPFA/ LASAAC Joint Committee, dealing with all issues relevant for financial statements for 2005/2006.

The Council's net revenue spending to be met from Government grant and council taxpayers during the year was £111.716m and capital spending on tangible and intangible fixed assets was £37.276m.

The Housing Revenue Account is ring fenced and therefore all expenditure is funded from housing rents and government subsidies. At 31st March 2006 a balance of £0.665m was carried forward into 2006/2007.

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 Peter Carrick of the Accounting Services Division at the Town Hall on (01325) 388326.

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

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

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

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

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

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

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

EXPLANATORY FOREWORD

1. Introduction

The purpose of this foreword is to provide a clear and concise guide to the most significant matters reported in the accounts. It explains the purpose of the financial statements that follow and provides a summary of the Council's financial activities during 2005/06 and its financial position as at 31st March 2006.

2. Information and Financial Statements

The Council's Accounts for the year ended 31st March 2006 are set out in the following pages and a glossary of terms used is provided on pages 63 to 67.

The information and financial statements are as follows:

Statement of Accounting Policies (pages 8 - 12)

Shows the policies adopted in compiling the Accounts.

Consolidated Revenue Account – CRA (page 13)

This statement brings together expenditure and income relating to all of the Council's functions. Following the Consolidated Revenue Account are notes giving further information on the more significant items. The restatement of the 2004/05 CRA enables inter-authority comparison of the Service Expenditure Analysis as set out in the Best Value Accounting Code of Practice.

Housing Revenue Account (page 21)

This deals with the provision and maintenance of Council housing. There is a statutory requirement to keep this account separate from other Council services, as defined in schedule 4 of the Local Government and Housing Act 1989.

Collection Fund Revenue Account (page 26)

This is a statutory fund, showing transactions in relation to Council Tax and National Non Domestic Rates and illustrates the way in which they have been distributed to both Precepting Authorities and the Council's General Fund.

Consolidated Balance Sheet (page 30)

This shows the balances and reserves available to the Council; its long-term liabilities; the fixed and net current assets employed in its operations and summarised information on the fixed assets held. Following the Consolidated Balance Sheet are notes giving further information on the more significant items.

Statement of Total Movement in Reserves (page 48)

This brings together all of the recognised gains and losses of the Authority during the period and identifies those which have not been recognised in the Consolidated Revenue Account.

Cash Flow Statement (page 51)

Summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Group Accounts

There are a number of criteria by which the Council must determine whether its interests in Associates, joint ventures and joint arrangements are significant enough to be included in the Council's consolidated accounts. After consideration of these criteria the Council has determined that although it has identified one associate the consolidation into the accounts would not have a material effect on the Council's financial position. Consequently, no group accounts have been prepared.

EXPLANATORY FOREWORD

Statement on Internal Control (page 55)

This statement sets out the main elements of the system of internal control within the Council and the results of a review of the effectiveness of the system.

Statement of Responsibilities for the Statement of Accounts (page 59)

Sets out the responsibilities of the Authority and the Director of Corporate Services.

Auditor's Report (page 60)

The Auditor's opinion gives an independent view on the Council's accounts for the year ended 31st March 2006.

3. Where the Money Comes From and How it was Spent

Where the money comes from:

Gross Income	2004/05		2005/06	
	£000	%	£000	%
Gross Council Rents	13,042	6.3	13,223	5.9
Revenue Support Grant	48,347	23.5	47,451	21.1
Non Domestic Rate Grant	27,345	13.3	32,571	14.4
Demand on Collection Fund	29,902	14.5	31,984	14.2
Specific Government Grants	50,274	24.4	52,197	23.2
Charges for Services	25,512	12.4	29,565	13.1
Other Income	11,248	5.6	18,176	8.1
	205,670	100.0	225,167	100.00

How it was spent:

Gross expenditure	2004/05		2005/06	
	£000	%	£000	%
Central Services to the Public	3,070	1.5	4,544	2.0
Court Services	166	0.1	0	0
Cultural, Environmental & Planning Services	27,880	13.5	32,866	14.6
Education Services	79,831	38.8	88,913	39.5
Highways, Roads & Transport Services	8,990	4.4	10,658	4.7
Housing Services	46,063	22.4	43,771	19.5
Social Services	34,709	16.9	39,644	17.6
Other Services	4,961	2.4	4,771	2.1
	205,670	100.0	225,167	100.0

Note: Central Services to the Public includes such services as Registrars, Customer Services, Local Taxation, Accounting Services, Payroll, Audit, Legal Services, Democratic, Consultancy Services & Youth Training. This list is not exhaustive.

EXPLANATORY FOREWORD

Cultural, Environmental & Planning Services include services such as Planning, Building Control, Economic Regeneration, Community Safety, Library, Railway Museum, Trading Standards, Central Arts, Community Partnerships & Environmental Health. This list is not exhaustive.

What it was spent on:

Type of Expenditure	2004/05		2005/06	
	£000	%	£000	%
Employees	84,430	41.0	91,994	40.9
Running Expenses	106,441	51.8	118,166	52.4
Capital Financing	14,799	7.2	15,007	6.7
	205,670	100.0	225,167	100.0

4. Comparison of Actual with Budget – Revenue

Net expenditure 2005/06	Budget	Actual	Variance
	£000	£000	£000
Education	66,015	66,017	2
Social Services	24,321	24,321	0
Community Services	12,088	12,002	(86)
Development & Environment	12,410	12,423	13
Chief Executives Office	950	976	26
Corporate Services	9,120	8,824	(296)
Joint Board & Levies	553	553	0
Development Fund	325	138	(187)
Net Cost of Services	125,782	125,254	(528)
Reversal of Capital Charges	(16,133)	(16,133)	0
Capital Financing Costs	2,524	2,132	(392)
Earmarked Reserves	660	1,216	556
General Reserves	(965)	(601)	364
Total	111,868	111,868	0

In March 2005 the Council set a net revenue budget for 2005/06 of £111.868m and approved a contribution from reserves of £1.236m. Additional approvals made in accordance with the Council's Constitution during the year increased the approved contribution to £1.603m. Changes approved in the MTFP by Council in March 2006 resulted in a planned net contribution to reserves of £0.595m. Variances in income and expenditure resulted in the actual contribution being £0.806m. This is a variance from the approved contribution equivalent to 0.2% of the net budget. There is a planned use of reserves in 2006/07 of £2.389m as set out in the Medium Term Financial Plan.

At 31st March, 2006, the Council had reserves of £11.999m available to fund future general revenue expenditure. The MTFP approved by Council in March 2006 includes the planned use of £6.139M of reserves over the next four years to 2009-10.

EXPLANATORY FOREWORD

5. Comparison of Actual with Resources – Capital

Net expenditure 2005/06	Resources £000	Actual £000	Resources C/Fwd £000
Children's Services	13,774	10,975	2,799
Housing	11,268	10,254	1,014
Transport	7,978	4,464	3,514
Community Services	9,068	2,500	6,568
Corporate Services	3,070	2,239	831
Development and Environment	13,227	6,451	6,776
Social Services	718	393	325
Total	59,103	37,276	21,827
Financed By:			
Supported Borrowing		6,974	
Corporate Supported Borrowing		2,743	
Departmental Supported Borrowing		1,394	
Capital Grants		16,697	
Capital Contributions		1,156	
Housing Revenue Account - Capital Receipts		1,441	
General Fund - Capital Receipts		3,771	
Revenue Contributions		3,100	
Total		37,276	

The total resources available for Capital schemes during 2005/06 totalled £59.103, however, not all of the resources were planned to be expended during 2005/06. Total capital expenditure planned to be incurred in 2005/06 was £40.340m against actual spend incurred of £37.276m which equates to 92% of the planned spend. The slippage into 2006/07 will be financed by unsupported borrowing, grants carried forward, Usable Capital Receipts and Capital Contributions.

6. Corporate Governance

The Council has adopted a local code of corporate governance, 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.

7. Local Government Pension Scheme

Following full implementation of FRS 17, the accounts show the benefit entitlement earned by employees of the Local Government Scheme in the relevant year rather than the charges to revenue based on employers' contributions payable and payments to pensioners in the year. The effect on the Consolidated Balance Sheet is to reduce the net worth of the Council by the pension liability of £80.330m from £238.520m to £158.190m (In 2004/05 the pension liability of £85.810m reduced the net worth from £191.856m to £106.046m). However, statutory arrangements mean that the deficit on the Pension Fund will be made good by increased contributions over the working life of employees, as assessed by the Fund actuary. Further information is available in Consolidated Revenue Account notes page 17 and Consolidated Balance Sheet notes page 45.

8. Comprehensive Performance Assessment (CPA)

The authority was re-assessed during 2005/06 and was classified as a 'four star' authority with an 'improving well' direction of travel. Authorities gaining such a rating are given greater independence and flexibilities.

EXPLANATORY FOREWORD

9. Prudential Code for Capital

After a long consultation process the Code was approved and implemented from 1st April 2004. From this date the Council was given greater flexibility to borrow as long as the costs of borrowing could be funded through the revenue budget.

10. Private Finance Initiative

The Education Village (formerly Beaumont Hill Special School, Haughton Community School and Springfield Primary School) was completed in March 2006 and the new Harrowgate Hill Primary School was completed in September 2005. Both are part of the approved funding of £34.9m by the Department of Education & Skills (DfES). A recognition of the long-term contract entered into with partners Kajima Darlington Schools Ltd can be found on the Consolidated Revenue Account Note 16.

11. Local Area Agreement (LAA)

The LAA is about change and improvement and proposes to use new and aligned funding in an innovative way to improve outcomes for children and young people, thereby enhancing community cohesion in Darlington.

The LAA is a three-year agreement between the Government and a local authority, which commits it to work with its partners to improve services. Darlington's first LAA involves public and voluntary sector organisations in the Borough, the regional Government Office North East (GONE) and the Government. The LAA will provide the opportunity to develop new working relationships, pooled funding arrangements and facilitate the integration of public services with a total approved budget over the three years of £8.353m.

12. Equal Pay

During 2005/06 the Council made the second payment under the terms of the equal pay agreement and has also come to an agreement with the Inland Revenue as to the acceptable amount in full and final settlement of the liability in respect of the equal pay payments already paid.

13. Single Status

The Council has been through the single status / job evaluation exercise with an implementation date of 1st July 2005 and consequently there has been a reserve created in 2005/06 of £2.5m that has been utilised to fund the backdated increases. There is also an additional £9.5m built into the life of the current Medium Term Financial Plan (MTFP) to fund the outcome of the above.

14. Material Assets Acquired, Liabilities Incurred and Borrowing

The following major items of capital expenditure were incurred during the year;

	£000
Operational Buildings - Improvements	1,771
Environmental Improvements	1,074
Children's Services Improvements to Schools	9,573
Housing Stock - Improvements	8,910
Highways and Transport Infrastructure	7,481
Community Assets Improvements	2,816
Development Services	1,072
Vehicles Plant and Equipment	1,124
Other	3,455
Total	37,276

During 2005/06 the Council spent £37.276m on works of a capital nature. Total borrowing from outside the Council for capital spending amounts to £86.603m. An analysis of loans outstanding is shown in Note 7 to the Balance sheet on page 36.

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 in the United Kingdom: A Statement of Recommended Practice (SORP), issued in 2005 by the Chartered Institute of Public Finance and Accountancy (CIPFA) except where disclosed below. The analysis of service expenditure included in the Consolidated Revenue Account also reflects the requirements of the Best Value Accounting Code of Practice (BVACOP) standard classification of expenditure at the mandatory level.

2. Tangible 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-minimis and is written down to the Fixed Asset Restatement Account and has no effect on fixed assets in 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 are included at a nominal value unless they have been enhanced and then they have been included in the Balance Sheet at historic cost. Infrastructure Assets are included in the Balance Sheet at historic cost.

The asset values used in the accounts are based upon a certificate issued by the Council's Director of Development & Environment. Recent additions 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.

Operational buildings are depreciated over the anticipated useful life of the asset that 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.

Community and Non-Operational assets (including Land) are not depreciated.

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

Where substantially all risks and rewards of ownership of a leased asset are borne by the relevant department, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the consolidated revenue account (CRA) over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to service revenue accounts on a straight-line basis over the term of the lease. Finance Leases have been capitalised on the balance sheet and depreciated over the length of the lease.

STATEMENT OF ACCOUNTING POLICIES

5. Government Grants and European 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 and Intangible Assets

Deferred charges represent expenditure, which may properly be capitalised, but does not result in the creation of a fixed asset to the Council. They include grants made to other bodies or individuals e.g. improvement grants. Expenditure and associated income 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.

Intangible assets are defined in FRS10 – Goodwill & Intangible Assets as being non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights. The Council currently has no intangible assets.

7. Capital Receipts

Capital receipts from the disposal of assets are held in the Useable Capital Receipts Reserve 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 Act 2003 requires that prescribed proportions of the income from the disposal of certain capital assets are pooled and repaid to the Office of the Deputy Prime Minister.

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. This is a departure from the SORP but the effect of the different treatment is not material.

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
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 for which the amount and/or timing are uncertain. A provision counts as expenditure in the year in which the provision is created and is charged to the relevant service revenue account. Details of these provisions are to be found in **Note 12** 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 17** to the Balance Sheet.

13. Pensions

The Financial Reporting Standard No.17 Retirement Benefits (FRS 17) requires the recognition of the Council's share of the Pension Fund assets and liabilities in the accounts as well as requiring recognition in the Council's revenue account of the full costs of providing for future retirement benefits. The operating costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities are recognised in the accounting periods in which they arise. The financial statements also contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities.

This accounting policy was first applied in full in 2003/04. The previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible. The new policy better reflects our commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The Teachers fund is an unfunded scheme administered by the Teachers' Pension Agency. The pension costs charged in the accounts are based upon a contribution rate set by the DfES.

Any additional benefits awarded upon early retirement outside of the terms of the Teachers Pension Scheme are recognised as defined benefits and included in the pension liability of the Council.

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. External Interest Paid

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. FRS4 –Capital instruments- Lender Option Borrower Option Loans (LOBO's)

The common feature of these loans is a reduced interest rate for an initial period and then a stepped increase fixed to the end of the term. With regard to interest charged to the Revenue Account for this type of loan, it comprises part of the total debt of the Council. The interest charged reflects the average interest payable over the expected life of the loan, which is anticipated to be ten years, rather than the interest payable in any one year.

17. External Interest Received

Interest receivable is also accrued and accounted for in the accounts of the period to which it relates.

18. Provision for the Redemption of Debt

The Council complies with the accounting requirements of the SORP and in accordance with the Local Government Act 2003 is required to set aside a Minimum Revenue Provision (MRP) for the repayment of Debt.

For 2005/06 the Minimum Revenue Provision is based on 4% of the value of the Capital Financing Requirement as at 1st April each year in accordance with the Prudential Framework, together with any contributions the Council voluntarily makes to the provision. The Statement of Accounts has been prepared to fully comply with these requirements and further analysis is available in **Note 10** to the consolidated revenue account (page18).

19. 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.

20. Capital Charges

The capital charges made to service revenue accounts and central support services, equate to the sum of depreciation plus a notional interest charge based on the opening net book value of assets and adjusted for revaluations and depreciation. The notional rates of interest used are 3.5% for those fixed assets included in the Balance Sheet at current value and 4.95% 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 are 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.

STATEMENT OF ACCOUNTING POLICIES

21. Delegated Budgets

Schools with delegated budgets may carry forward any under spending 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 17** to the Balance Sheet.

22. Group Accounts

The Council has fully complied with the SORP and implemented the requirement to collate its interests in companies. The Council has identified those companies that are subsidiaries, associates or joint ventures in accordance with the guidance detailed in the Statement of Recommended Practice, the provisions of FRS2 “Accounting for Subsidiary Undertakings” and the provisions of FRS9 “Associates and joint ventures”. The exercise identified that the Council has 1 associate company but it is not deemed to be material in respect to the Accounts and therefore no Group Accounts have been prepared.

23. Long Term Investments

Long-term investments are shown in the Consolidated Balance Sheet at cost. Further details are available in **Note 2** to the consolidated balance sheet (page 34).

24. Long Term Contracts

The amounts of any outstanding undischarged obligations arising from long-term contracts such as Private Finance Initiatives (PFI) are required to be included as a separate note to the Consolidated Revenue Account. The relevant note and information relating to the Council’s PFI scheme is detailed in **Note 16** (page 20).

CONSOLIDATED REVENUE ACCOUNT

NET EXPENDITURE RESTATED 2004/05		GROSS EXPENDITURE 2005/06	INCOME 2005/06	NET EXPENDITURE 2005/06	Notes
£000		£000	£000	£000	
641	Central services to the public	4,544	(2,817)	1,727	
166	Court services	0	0	0	
18,415	Cultural, environmental & planning services	32,866	(12,287)	20,579	
60,595	Education services	88,913	(22,221)	66,692	
0	Fire services	0	0	0	
5,757	Highways, roads & transport services	10,658	(4,096)	6,562	
2,694	Housing services	43,771	(44,488)	(717)	
21,732	Social services	39,644	(12,923)	26,721	
4,951	Corporate and democratic core	4,671	(0)	4,671	
10	Non Distributed Costs	100	0	100	8
114,961	Net cost of services	225,167	(98,832)	126,335	
30	Parish council precepts			38	
(1,578)	Surplus on trading undertakings			(1,581)	3
(12,209)	Asset management revenue account			(9,203)	1
3,995	Contribution of housing capital receipts to Government Pool			2,379	
181	Amortised premiums on the repurchase of borrowing			166	
(1,658)	Interest and investment income			(1,723)	
12,490	Pensions interest			10,580	8
(8,870)	Expected return on assets			(8,220)	8
107,342	Net operating expenditure			118,771	
(5)	(Deficit)/Surplus transferred to HRA balances			188	
1,669	Transfer to schools revenue reserves			110	
(1,756)	Transfer to/(from) pensions contributions reserve			0	
(4)	Transfer from Major Repairs Reserve			(8)	
(400)	Contribution from capital reserves			0	
53	Net transfer to other earmarked reserves			174	
1,000	Transfer to/from PFI Reserve			(800)	
(3,995)	Transfer from Useable Capital Receipts Reserve			(2,379)	
(4,006)	Provision for repayment of external loans			(9,188)	10
0	Transfer from Insurance Reserve			(1,000)	
2,228	Government Grants Deferred written off			4,617	
0	PFI Residual Interest Account			(139)	
0	Revenue Contribution to Capital Outlay			3,100	
(3,610)	Movements on pensions reserve			(1,730)	8
98,516	Amount to be met from government grants and local taxpayers.			111,716	
(29,902)	Borough Council demand on Collection Fund			(31,984)	
0	Transfer from the Collection Fund in respect of the previous year's deficit			100	
(48,347)	General government grants			(47,451)	
(27,345)	Contribution from non-domestic rates pool			(32,571)	
0	Local Authority Business Growth Incentive			(653)	
(7,078)	Net General Fund (surplus)/deficit for the year			(843)	
4,916	Balance on General Fund brought forward			11,994	
7,078	General Fund surplus/(deficit) for the year			843	
0	Transfer from Durham County Council			0	
0	Rates Refund			0	
11,994	Balance on General Fund carried forward			12,837	

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1 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 :	2004/05 £000	2005/06 £000
Reversal Of Capital Charges For The Use Of Fixed Assets	(18,437)	(19,207)
External Interest Payable	3,276	3,826
Depreciation	5,180	10,795
Deferred Government Grants Written Off	(2,228)	(4,617)
Balance Credited To Consolidated Revenue Account	<u>(12,209)</u>	<u>(9,203)</u>

2 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 2005/2006 was £0.774million (£0.981million in 2004/05). The Authority has 11 leasing agreements for Land & Buildings. The amount paid under the leases for these items in 2005/2006 was £0.150million (£0.159million in 2004/05).

The Council is committed to making payments of £0.596m under these leases in 2006/07, comprising the following elements:-

	£000s
Leases expiring 1 year	92
Leases expiring between 2 -5 years	452
Leases expiring after 5 years	52

The Authority has entered into one finance lease, that is classified as a de-minimis finance lease and as the cost of this lease does not exceed £0.012m it is excluded from the definition of a credit arrangement and is therefore classified as an operating lease.

No leases entered into during 2005/06, in accordance with SSAP 21, have qualified as finance leases. Plant and Equipment leased in this manner totalled £0.326m and includes various vehicles and gym equipment. The amount paid under finance leases for these items in 2005/06 was £0.058m, split between principal repayments of £0.043m and interest of £0.015m. An outstanding liability of £0.244m existed relating to finance leases as at 31st March 2006.

The Council is committed to making payments of £0.058m under these leases in 2006/07, comprising the following elements:-

	£000s
Leases expiring 1 year	0
Leases expiring between 2 -5 years	58
Leases expiring after 5 years	0

The Authority acts as the Lessor and leases various Land & Buildings to third parties. During 2005/06 £0.669m was received by the Authority in relation to these leases.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

3 Trading Operations

The Council operates a number of trading operations, details of which for 2005/06 are :

	2004/05		2005/06	
	Income £000	Surplus £000	Income £000	Surplus £000
Works of New Construction	8,401	605	8,959	596
General Highways and Sewerage	4,115	214	3,771	235
Works of Maintenance	8,305	279	8,459	97
Other Cleaning	1,913	57	2,057	138
Ground Maintenance	2,704	163	2,725	228
Other Catering	1,332	5	1,262	(85)
Refuse Collection	2,130	88	2,229	143
Building Cleaning	1,468	140	1,585	143
Leisure Management	1,838	26	1,890	108
Housing Management	1,252	6	1,265	5
School Meals	1,176	(57)	1,336	(29)
	<hr/> 34,634	<hr/> 1,526	<hr/> 35,538	<hr/> 1,579
Adjustments:-				
FRS 17		4		(15)
Pension Increase Act		34		33
Prudential Borrowing		14		(16)
		<hr/> 1,578		<hr/> 1,581
Open & Covered Markets	598	24	614	(38)
Shops And Offices	172	41	177	66
Car Parks	1,969	827	2,460	1,054

4 Section 137 Expenditure

The Local Government Act 2000 granted 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 £374,532 (£3.80 x 98,561) in 2005/06.

Expenditure amounted to £37,880 in 2005/2006 (£14,387 in 2004/05). The expenditure is reflected in the appropriate departments' accounts and is grouped as follows :-

	2004/05 £	2005/06 £
Grants in support of disadvantaged groups	490	4,714
Employment and community support grants	13,897	33,166
	<hr/> 14,387	<hr/> 37,880

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

5 Publicity

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

	2004/05 £000	2005/06 £000
Recruitment Advertising	450	316
Other Advertising	318	324
Other publicity	54	63
	<u>822</u>	<u>703</u>

6 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	2004/05 Non Chargeable £000	Total £000	Chargeable £000	2005/06 Non Chargeable £000	Total £000
Employee Expenses	185	90	275	196	109	305
Premises	8	4	12	9	5	14
Transport	10	5	15	10	6	16
Supplies & Services	29	13	42	37	11	48
Central & Support Service Charges	95	48	143	113	51	164
Total Expenditure	327	160	487	365	182	547
Building Regulations Income	(397)	(1)	(398)	(349)	(2)	(351)
(Surplus)/Deficit	(70)	159	89	16	180	196

7 Local Authority (Goods And Services) Act 1970

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

In 2005/06 surplus bedding plants grown at the Council's plant nursery were sold to various public bodies, generating income of £306,760 (£263,074 in 2004/05).

The total income on the nursery account (including internal recharges) was £451,763 (£397,949 in 2004/05) compared with expenditure of £426,665 (£394,935 in 2004/05).

The authority provided Civil Engineering, Street Lighting, Building Maintenance and Construction Work for various other bodies generating income of £575,632 (£1,950,004 in 2004/05).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

8 Local Government Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in one scheme:

The Local Government Pension scheme administered by Durham County Council - this is a funded defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the CRA after Net Operating Expenditure. The following transactions have been made in the CRA during the year.

	2004/05 £000	2005/06 £000
<i>Net Cost of Service:</i>		
current service costs	(6,850)	(7,340)
past service costs	(10)	(100)
<i>Net Operating Expenditure:</i>		
interest cost	(12,490)	(10,580)
expected return on assets in the scheme	8,870	8,220
<i>Amounts to be met from Government Grants and Local Taxation</i>		
movements on pensions reserve	3,610	1,730
<i>Actual amount charged against council tax for pensions in the year</i>		
employers contributions payable to the scheme	(6,870)	(8,070)

Further information is available under **Note 24** to the Consolidated Balance Sheet (page 45) and the Statement of Total Movement in Reserves (page 49).

9 Teachers Pension Scheme

In 2005/2006 the Council paid £3.690m (£3.569m in 2004/05) to the Department for Education and Skills in respect of teachers' pension costs which represents 13.5% (13.5% in 2004/05) 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 2005/2006 these have been estimated to be £0.800m as per the actuarial valuation (£0.346m in 2004/05) representing 2.92% (1.31% in 2004/05) of pensionable pay.)

Previously this potential liability has been estimated using an approximate method of calculation but now it is included in the actuarial valuation supplied by the Actuary, this is the reason the Pension Fund Liability has been restated in 2004/05.

Further details on pension liabilities are provided in **Note 24** to the Balance Sheet.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

10 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 2005/2006 the amount is £1.607m (2004/05 £1.174m). Details are given below :

	2004/05 £000	2005/06 £000
Amount Charged To Service Accounts As Depreciation	5,180	10,795
Additional Charge To Revenue	(4,006)	(9,188)
Minimum Revenue Provision	<u>1,174</u>	<u>1,607</u>

11 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 £587,934 (2004/05 - £578,293)

12 Employees' Remuneration

Remuneration band	2004/05 Number of employees Total	2005/06 Number of employees Total
£50,000 - £59,999	19	24
£60,000 - £69,999	5	8
£70,000 - £79,999	0	1
£80,000 - £89,999	5	3
£90,000 - £99,999	2	4
£100,000 - £109,999	0	0
£110,000 - £119,999	0	1
£120,000 - £129,999	1	0

13 Disclosure of Audit Costs

The Audit Commission has appointed PricewaterhouseCoopers LLP (PWC) as the auditors of the Council.

In 2005/06 Darlington Borough Council incurred the following fees relating to external audit and inspection:

	2004/05 £000	2005/06 £000
Fees payable to PwC with regard to external audit services carried out.	157	175
Fees payable to PwC for the certification of grant claims and returns	77	67
Fees payable to PwC in respect of other services provided by the appointed auditor	31	3
Sub-Total	<u>265</u>	<u>245</u>
Fees payable to the Audit Commission in respect of statutory inspection	35	14
Total	<u>300</u>	<u>259</u>

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 2005/06.

Councillors

Members of the Council have direct control over the the Council's financial and operating policies. During 2005/06 the Council had transactions totalling approximately £77,500 (£61,000 in 2004/05) with charitable bodies and companies in which Members had interests. Councillors are subject to the Council's Member Code of Conduct. The Register of Members' interests and declarations of interests relating to specific items of discussion at meetings are available for 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 2005/06.

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 8** (page 17) and Consolidated Balance Sheet **Note 24** (page 45).

Other Organisations

The Council paid £3.251m to 34 other organisations on which it has Member representation and which share educational, economic development, social and culture objectives

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 (DDYCA) 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 2006, is £12,000. The Council is represented on the management board of DDYCA.

15 Local Management of Schools & Delegated Budgets

Under the Education Reform Act 1988, any underspending of budgets delegated to schools can be carried forward by the school and do not accrue to the Council's balances. The value of schools balances are shown below:-

	2004/05 £000	2005/06 £000
Schools balances	(2,784)	(2,894)
Schools IT loans	165	274
Total (as shown in note 17 to the balance sheet)	<u>(2,619)</u>	<u>(2,620)</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

16 Long Term Contracts- Private Finance Initiative (PFI)

The Council's first PFI scheme, the Education Village and Harrowgate Hill Primary School became operational in March 2006 and August 2005 respectively. The SORP requires the Council to provide details about the contract and committed revenue resources for future financial years. The Authority accounts for the net amount of the unitary charge for the PFI contract but reduced by the effect of the PFI Credit Government Grant support received in the financial year to which it relates and is included on the Children's Services Line within the Consolidated Revenue Account

The Council is also committed to make further payments estimated at £106.196m over the remaining term of the 25 year contract but this figure is reduced by the impact of the PFI credits which has been estimated as totalling £78.544m worth of central government grant support over the same contract period. This then leaves an estimated remaining cost of the PFI scheme for future years to the Council of £27.652m as at 31st March 2006. It is also important to note that the costs of the scheme will also take into account budgets which previously covered the facilities now provided by both the Education Village and Harrowgate Hill Primary School.

Period	Unitary Payments £000's	PFI Credits £000's	Net Cost £000's
2006/07	4,752	3,200	1,552
2007/2008 - 2011/2012	22,745	16,002	6,743
2012/2013 - 2016/2017	21,545	16,002	5,543
2017/2018 - 2021/2022	20,961	16,002	4,959
2022/2023 -2026/2007	20,932	16,002	4,930
2027/2028 - 2030/2031	15,261	11,336	3,925
Totals	106,196	78,544	27,652

HOUSING REVENUE ACCOUNT

2004/05		2005/06	Notes
£000		£000	
	<u>Income</u>		
(13,042)	Dwelling rents (gross)	(13,223)	
(315)	Non-dwelling rents (gross)	(297)	
(1,051)	Charges for services & facilities	(1,277)	
(115)	Contribution towards Expenditure	(106)	
0	HRA subsidy receivable (including MRA)	0	
0	Housing benefit transfers from general fund	0	
(14,523)	Total Income	(14,903)	
	<u>Expenditure</u>		
4,507	Repairs and maintenance	2,629	
3,792	Supervision and management	4,103	
31	Rent, rates, taxes and other charges	14	
251	Rent rebate subsidy limitation	(161)	
0	Rent rebates	0	
1,200	HRA Subsidy Payable (including MRA)	223	7
123	Increased provision for bad and doubtful debts	96	8
3,177	Cost of Capital Charge	2,885	5
	Depreciation of fixed assets		
3,355	On dwellings (= MRA)	3,414	6
4	On other assets	8	6
6	Debt management costs	13	
16,446	Total Expenditure	13,224	
1,923	Net Cost of Services	(1,679)	
(1,996)	Net HRA expenditure/(income) on asset management revenue account	(1,673)	5
153	Amortised premiums	137	
	HRA investment income		
(6)	Mortgage interest	(5)	
(65)	Interest on notional cash balances	(60)	
9	Net Operating Expenditure	(3,280)	
0	HRA contribution to Minimum Repayment Provision	0	
0	Revenue Contribution to Capital Expenditure	3,100	
(4)	Transfer from Major Repairs Reserve	(8)	
5	Deficit / (Surplus) for the year	(188)	
(482)	HRA balance brought forward	(477)	
5	Deficit / (Surplus) for the year	(188)	
(477)	HRA balance carried forward	(665)	

NOTES TO THE HOUSING REVENUE ACCOUNT

a 1 Housing Stock

	1st April 2005	31st March 2006
<u>Number and types of dwellings</u>		
Houses	2,981	2,907
Flats	2,359	2,349
Bungalows	340	340
Non HRA	7	7
Total dwellings	<u>5,687</u>	<u>5,603</u>

Balance Sheet values

	£000	£000
Land	204	197
Houses	81,063	72,710
Other property	531	523
Total net Balance Sheet value	<u>81,798</u>	<u>73,430</u>
Operational Assets		
Dwellings	81,064	72,710
Other land & buildings	76	0
	<u>81,140</u>	<u>72,710</u>
Non-operational assets	658	720
Total net Balance Sheet value	<u>81,798</u>	<u>73,430</u>

b 2 Vacant Possession Values

The vacant possession value of dwellings as at 1 April in the financial year is £378.000m (£338.500m in 2004/05).

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 although the Balance Sheet value is as at the last valuation date of 01/04/2001.

NOTES TO THE HOUSING REVENUE ACCOUNT

c 3 Major Repairs Reserve

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

	2004/05 £000	2005/06 £000
Balance as at 1 April	0	0
Transfer to MRR during the financial year		
Depreciation on HRA dwellings	(3,355)	(3,414)
Depreciation on other HRA assets	(4)	(8)
Transfer to HRA during the financial year		
Depreciation on other HRA assets	4	8
Transfer from MRR during the financial year in respect of capital expenditure on		
Land	287	113
Houses	3,068	3,301
Other property	0	0
Balance as at 31 March	<u>0</u>	<u>0</u>

e 4 Capital Expenditure

Capital expenditure within the HRA during 2005/06 was as follows :-

	2004/05 £000	2005/06 £000
Land	292	113
Houses	4,956	8,810
Other property	1,359	1,331
Total capital expenditure	<u>6,607</u>	<u>10,254</u>

Total capital expenditure on land, houses and other property within the HRA during 2005/06 was funded via the following sources :-

	2004/05 £000	2005/06 £000
Borrowing	1,437	1,213
Usable capital receipts	1,640	1,723
Major Repairs Reserve	3,355	3,414
Disabled facilities grant (DFG)	162	218
Other Grant Funding	13	3,686
Total capital expenditure	<u>6,607</u>	<u>10,254</u>

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

	2004/05 £000	2005/06 £000
Land	0	0
Houses	6,084	3,541
Other property	0	0
Total capital receipts	<u>6,084</u>	<u>3,541</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

f 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 :-

	2004/05	2005/06
	£000	£000
Cost of Capital Charge	<u>3,177</u>	<u>2,885</u>
Capital Asset Charges accounting adjustment	(3,177)	(2,885)
HRA contribution towards debt financing and management costs	<u>1,181</u>	<u>1,212</u>
Net HRA income on asset management revenue account	<u>(1,996)</u>	<u>(1,673)</u>

The Cost of Capital Charge is calculated as 3.5% 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.

g 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 :-

	2004/05	2005/06
	£000	£000
Land	0	
Houses (= Major Repairs Allowance)	3,355	3,414
Other property	4	8
Total charge for depreciation	<u>3,359</u>	<u>3,422</u>
Operational Assets		
Dwellings	3,355	3,414
Other land & buildings	<u>4</u>	<u>8</u>
	3,359	3,422
Non-operational assets	0	0
Total charge for depreciation	<u>3,359</u>	<u>3,422</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

j 7 HRA Subsidy

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

	2004/05	2005/06
	£000	£000
Management allowance	2,102	2,495
Maintenance allowance	4,154	4,668
Major Repairs Allowance (MRA)	3,355	3,414
Charges for capital	1,688	1,695
Admissable Allowance	9	6
Rent rebates	0	0
	<hr/> 11,308	<hr/> 12,278
<i>less</i>		
Rent	(12,502)	(12,497)
Interest on receipts	(6)	(4)
	<hr/> (1,200)	<hr/> (223)

k 8 Rent Arrears

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

	2005	2006
	£000	£000
Gross rent arrears as at 31st March	682	704

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

	2004/05	2005/06
	£000	£000
Opening provision for uncollectable debts	200	179
Amounts written off in the year	(144)	(52)
Increase in provision for the year	123	59
Closing provision for uncollectable debts	<hr/> 179	<hr/> 186

COLLECTION FUND

2004/05		2005/06	NOTES
£000		£000	
	<u>Income</u>		
(30,227)	Income from Council Tax	(31,885)	3
(5,694)	Transfers from General Fund	(5,991)	3
2	Council Tax benefits	1	3
	Transitional relief		
(24,392)	Income collectable from business ratepayers	(24,683)	2
	Contributions		
	Towards previous year's Collection Fund deficit	(118)	5
(60,311)	Total Income	(62,676)	
	<u>Expenditure</u>		
35,211	Precepts and demands	37,522	4
	Business rate		
24,241	Payment to national pool	24,536	
150	Costs of collection	147	
	Bad and doubtful debts		
177	Write offs	308	
376	Movement in net provision	37	
60,155	Total Expenditure	62,550	
156	Collection Fund surplus/(deficit) for the year	126	
(162)	Collection Fund balance brought forward	(6)	
156	Collection Fund surplus/(deficit) for the year	126	
(6)	Collection Fund balance carried forward	120	

NOTES TO THE 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, Police Authority precept and Fire & Rescue 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.

The total national non-domestic rateable value at 31st March 2006 was £73.3m (£62.2m in 2004/05). The non-domestic rating multiplier for 2005/06 is 42.2p per £ (45.6p per £ in 2004/05) and the small business non domestic rating multiplier for 2005/06 is 41.5p per £ (not applicable in 2004/05).

NOTES TO THE 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	12,488	6,180	4,879	4,262	2,992	1,434	699	58
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 £977.50 (£932.73 in 2004/05), 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 £96.03 (£91.53 in 2004/05) for their services.

County Durham and Darlington Fire & Rescue Authority set a Band D council tax of £73.44 (£74.25 in 2004/05) 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 :

	2004/05 £000	2005/06 £000
Council Tax levied	39,598	41,836
Less allowances	(3,679)	(3,961)
	35,919	37,875
Payable from the following sources :		
Billed to Council Tax payers	(30,227)	(31,885)
Council Tax benefits	(5,694)	(5,991)
Transitional relief	2	1
Council Tax benefit subsidy limitation	0	0
	(35,919)	(37,875)

NOTES TO THE COLLECTION FUND

4 Precepts And Demands

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

	2004/05 £000	2005/06 £000
Darlington Borough Council	29,902	31,984
Durham Police Authority	2,931	3,138
County Durham and Darlington Fire & Rescue Authority	2,378	2,400
	35,211	37,522

5 Contribution In Respect Of Previous Year's Deficit

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

	2004/05 £000	2005/06 £000
Darlington Borough Council	0	(100)
Durham Police Authority	0	(10)
County Durham and Darlington Fire & Rescue Authority	0	(8)
	0	(118)

CONSOLIDATED BALANCE SHEET

RESTATED AS AT 31 MARCH 2005		AS AT 31 MARCH 2006			NOTES
£000		£000	£000	£000	
	Fixed Assets				
81,798	Council Dwellings		73,430		
118,327	Other Land and Buildings		177,623		
5,222	Vehicles, Plant and Equipment		5,012		
17,315	Infrastructure Assets		16,771		
5,989	Community Assets		5,998		
	Non Operational Assets				
8,057	Investment Properties		8,057		
1,003	Assets Under Construction		262		
2,896	Surplus Assets held for Disposal		7,290		
240,607	Total Fixed Assets			294,443	1a
3,527	Long Term Investments		3,527		2
	Long Term Debtors				4
143	Mortgages	122			
-	Residual Interest in PFI Schemes	139			
264	Other	249	510	4,037	
244,541	Total Long-Term Assets			298,480	
	Current Assets				
546	Stocks and Work in Progress	771			3
13,863	Debtors and Prepayments	14,398			5
0	Landfill Allowance Trading Scheme	923			
34,949	Investments (Short Term)	46,023			
49,358			62,115		
	Less : Current Liabilities				
(27,820)	Creditors & Income in Advance	(30,363)			6
(1,125)	Short-term Loans	0			
0	Landfill Allowance Trading Scheme	(795)			
(1,133)	Bank Overdraft	(1,055)			
(30,078)			(32,213)		
19,280	Net Current Assets			29,902	
(71,103)	Long Term Borrowing		(86,603)		7
(287)	Deferred Liabilities		(244)		9
1,419	Deferred Assets		1,253		8
(86,840)	Liability related to defined benefit pension scheme		(80,330)		24
(1,994)	Provisions		(4,268)		12
(158,805)				(170,192)	
105,016	Total Assets less Liabilities			158,190	
	Financed By :				
115	Deferred Capital Receipts			98	11
109,358	Fixed Asset Restatement Account			144,424	13
29,506	Capital Financing Account			27,734	14
31,130	Government Grants Deferred			42,534	10
787	Usable Capital Receipts Reserve			1,414	15
(86,840)	Pensions Reserve			(80,330)	24
20,960	Reserves			22,316	17
105,016	Total Net Worth			158,190	

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
Gross Value							
Gross book value as at 31st March 2005	97,827	147,129	10,134	21,671	5,989	11,956	294,706
Adjustment to Balance b/f	0	0	0	0	0	0	0
Accumulated Depreciation as at 31st March 2005	(16,029)	(28,802)	(4,912)	(4,356)	0	0	(54,099)
Net Book Value as at 1 April 2005	81,798	118,327	5,222	17,315	5,989	11,956	240,607
Revaluations & restatements	0	46,386	0	0	0	192	46,578
Additions	0	0	0	0	0	0	0
Enhancements	8,910	13,067	1,271	7,511	9	1,788	32,556
Disposals	(4,946)	(10,433)	0	0	0	(405)	(15,784)
Transfers	0	(2,078)	0	0	0	2,078	0
Expenditure not increasing Gross Book Value	(8,910)	(10,005)	(147)	(7,511)	0	0	(26,573)
Depreciation for year	(3,422)	(7,735)	(1,334)	(544)	0	0	(13,035)
Impairment	0	(1,175)	0	0	0	0	(1,175)
Depreciation on assets sold	0	6622	0	0	0	0	6,622
Write off of Accum. Depreciation	0	24,647	0	0	0	0	24,647
Net book value as at 31st March 2005	73,430	177,623	5,012	16,771	5,998	15,609	294,443

(b) Valuation disclosure for Fixed Assets

The effective date for valuations of 20% of the Authority's assets was 1st April 2000. Revaluation of the Authority's assets has been completed as part of a 5 yearly revaluation programme. An impairment review has been undertaken in accordance with FRS 11.

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 assets 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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

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 :

	31st March 2005	31st March 2006
	£000s	£000s
Revenue Contributions	12	3,108
Grants and Contributions	14,132	17,853
Capital Receipts	3,824	5,212
Loans	11,896	11,103
	29,864	37,276

At the 31st March 2006 the Authority has ongoing major capital commitments in relation to the redevelopment of the Dolphin Centre (£4.734m) and Darlington Town Centre Pedestrian Heart (£4.368m)

Capital Investment

The total capital investment was as follows:

	31st March 2005	31st March 2006
	£000s	£000s
Operational Assets	22,330	31,788
Non-Operational Assets	3,770	1,056
Intangible Assets	3,764	4,432
	29,864	37,276

NOTES TO THE CONSOLIDATED BALANCE SHEET

(d) Analysis of Fixed Assets

	31st March 2005	31st March 2006
Schools - Nursery	3	1
- Primary (excluding Aided schools)	27	22
- Secondary (excluding Aided schools)	6	5
- Special	1	0
- Pupil Referral Unit	1	2
- PFI	0	2
Children's homes	1	1
Homes for Older People	0	0
Adult Residential Homes	0	0
Adult Day Centres	2	2
Other Social Services Properties	3	3
Council Dwellings	5,686	5,603
Highways - Principal roads	50.4km	59.0km
- 'B' roads	28.4km	29.5km
- 'C' roads	105.9km	108.7km
- Unclassified roads	329.3km	335.3km
Town Hall	1	1
Other Administrative Buildings	1	1
Depots and Workshops	4	3
Off-Street Car Parks/Lorry Park	21	21
Arts Centre	1	1
Leisure Centre	1	1
Eastbourne Sports Complex	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 Out : Shops, Offices Workshops etc.	44	44
	74,200 sq ft	74,200 sq ft
Ground Leases	147	147
	79.1 hectares	79.1 hectares
Short Term Tenancies & Licences of Land	76	75
Agricultural Tenancies including Farm Business Tenancies	17	17
	296.68 hectares	268.38 hectares

NOTES TO THE CONSOLIDATED BALANCE SHEET

(e) Capital Expenditure and financing

	31st March 2005	31st March 2006
	£000's	£000's
Opening Capital Financing Requirement	59,860	70,641
Capital Investment		
Operational Assets	22,899	31,788
Non-Operational Assets	2,851	1,056
Deferred Charges	3,764	4,244
Debtor Adjustments	447	0
De-minimis Expenditure	351	188
Sources of Finances		
Capital Receipts	(3,824)	(5,212)
Revenue	(202)	(3,108)
Grants & Contributions	(14,132)	(17,853)
Revenue Provision	(1,174)	(1,607)
Set Aside	(190)	(302)
Deferred Liabilities Movement	(9)	17
	70,641	79,852
Increase in underlying need to borrowing (Supported by Government financial assistance)	6,850	6,974
Increase in underlying need to borrowing (Unsupported by Government financial assistance)	3,931	2,237
	10,781	9,211

2 Long Term Investments

As a result of the Local Government Re-organisation Appeal Judgement the council were awarded the following investments, all of which are included in the balance sheet.

	31st March 2005	31st March 2006
	£000's	£000's
Durham Tees Valley Airport	1,767	1,767
Premier Waste Management Ltd	220	220
Newcastle International Airport	1,540	1,540
Total	3,527	3,527

NOTES TO THE CONSOLIDATED BALANCE SHEET

Durham Tees Valley Airport

The Council holds 6.66% of the shares in Durham Tees Valley Airport. 1,766,667 B Ordinary Shares are held, with a balance sheet value of £1,766,667, and 174,900,100 Deferred Shares. The latest audited accounts are for the year ended 31st March 2005 and shows net assets of £23,223,486 (previous year restated £23,453,648), a loss before tax of £1,050,955 (previous year loss before tax restated £1,269,280) and a loss after tax of £801,962 (previous year loss after tax restated £980,244). Further information regarding the company's accounts are available from the Registered Office, Durham Tees Valley Airport Ltd, Darlington, County Durham, DL2 1LU.

Premier Waste Management Ltd

The Council holds 16% of the shares in Premier Waste Management Ltd. 220,480 £1 shares are held. The latest audited accounts are for the year ended 31st March 2005 and show net assets of £4,683,486 (previous year £3,602,053), a profit before tax of £1,605,998 (previous year profit before tax £1,422,250), and a profit after tax of £1,081,433 (previous year profit after tax £1,191,138). Further information regarding the company's accounts can be obtained from the Registered Office, Premier Waste Management Ltd, Prospect Houses, Aykley Heads Business Centre, Aykley Heads, Durham, DH1 5TS

Newcastle International Airport

The council has been awarded a proportion of the shares in Newcastle International Airport, however, these have not yet been transferred to the Council, the reason being that the current owners require various approvals to transfer under the Company's rules and regulations. Those approvals continue to be sought so that the shares can be transferred and registered in the Council's name but in the meantime an asset has been shown on the balance sheet equivalent to the face value of the shares currently held by Durham County Council on our behalf.

3 Stocks And Work In Progress

	31st March 2005	31st March 2006
	£000	£000
Work in Progress	56	96
Stocks		
DLO	52	43
Other	438	632
	546	771

4 Long term Debtors

	31st March 2005	31st March 2006
	£000	£000
Car loans to employees	79	60
Council House Mortgages	88	71
Housing Act Advances	55	51
Other	185	189
Residual Interest in PFI Schemes	0	139
	407	510

NOTES TO THE CONSOLIDATED BALANCE SHEET

5 Debtors And Prepayments

	31st March 2005	31st March 2006
	£000	£000
Government Departments	3,520	3,036
Other Local Authorities	700	182
Council Tax and NDR	2,356	2,652
Housing Rents	502	538
Sundry Debtors	7,471	9,493
Collection Fund Balance	6	0
Prepayments	985	376
	15,540	16,277
Less Provision for Doubtful Debts	(1,677)	(1,879)
	13,863	14,398

6 Creditors And Income In Advance

	31st March 2005	31st March 2006
	£000	£000
Income in Advance	8,092	9,925
Government Departments	5,680	4,900
Other Local Authorities	1,525	1,922
Collection Fund Balance	0	120
Sundry Creditors	12,523	13,496
	27,820	30,363

7 Long Term Borrowing And Creditors

Source Of Loan	Range Of Interest Rates Payable	Total Outstanding at 31st March	
		2005	2006
	%	£000	£000
Public Works Loans Board	4.603 - 4.901	61,503	77,003
Money Market	3.250 - 4.990	9,600	9,600
		71,103	86,603
Analysis of Loans by Maturity			
Maturing in 1-2 years		0	0
Maturing in 2-5 years		0	0
Maturing in 5-10 years		5,835	5,000
Maturing in more than 10 years		65,268	81,603
		71,103	86,603

NOTES TO THE CONSOLIDATED BALANCE SHEET

8 Deferred Assets

	31st March 2005	31st March 2006
	£000	£000
Balance as at 1 April 2004	1,600	1,419
Debt Rescheduling Equalisation	(181)	(166)
Balance as at 31 March 2005	1,419	1,253

9 Deferred Liabilities

The Authority uses operating and finance leases to finance various plant and equipment, including refuse collection vehicles, computer equipment and other miscellaneous items. The amount paid under operating leases for these items in 2005/2006 was £0.774 million (£0.981m in 2004/05).

The Council is committed to making payments of £0.549m under these leases in 2006/07, comprising the following elements:-

	£000s
Leases expiring 1 year	91
Leases expiring between 2 -5 years	445
Leases expiring after 5 years	13

The Authority has entered into a finance lease, that is classified as a de-minimis finance lease and as the cost of this lease does not exceed £0.012m it is excluded from the definition of a credit arrangement and is therefore classified as an operating lease.

No leases entered into during 2005/06, in accordance with SSAP 21, have qualified as finance leases. Plant and Equipment leased in this manner totalled £0.326m and includes various vehicles and gym equipment. The amount paid under finance leases for these items in 2005/06 was £0.058m, split between principal repayments of £0.043m and interest of £0.015m. An outstanding liability of £0.244m existed relating to finance leases as at 31st March 2006.

The Council is committed to making payments of £0.058m under these leases in 2006/07, comprising the following elements:-

	£000s
Leases expiring 1 year	0
Leases expiring between 2 -5 years	58
Leases expiring after 5 years	0

10 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 £42.534m (£31.130m in 2004/05) relates principally to European Regional Development Fund, Single Regeneration Budget/Single Programme, Sure Start Standards Fund and National Lottery.

11 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

12 Provisions (General Fund)

	31st March 2005	Receipts In Year	Payments In Year	31st March 2005
	£000	£000	£000	£000
Land Reclamation	381	0	0	381
Trading Operations	55	39	(55)	39
Insurance Provision	1,054	0	(142)	912
Frozen Holiday Pay	7	0	(1)	6
Social Services s117	261	0	0	261
Single Status	116	2,500	(116)	2,500
Constant Rate Debt Provision	120	49	0	169
	1,994	2,588	(314)	4,268

Land Reclamation

- A provision for the repayment of reclamation grant has been made in the accounts in the sum of £381,000 at 31st March 2006. This is at variance with SSAP 4. Repayment of the full balance is expected to be made during 2006-07. Future receipts are dependent on the timing of future disposals, the exact timing of which cannot be predicted.

Trading Operations

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

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 2006 which are within these excesses. The Council expects to commence payments during 2006-07 and payments will continue over the next 5 to 10 years.

Frozen Holiday Pay

- To meet the cost of accrued holiday entitlement in respect of certain groups of employees transferred from Durham County Council. The entitlement is paid when employees leave, the timing of which cannot be known in advance.

Social Services s117

- Provision for potential repayment of charges made under s117 of the Mental Health Act 1983. The Council expects to start to make payments in 2006-07 and they are likely to continue to be made for a number of years.

Single Status

- A provision has been created for costs related to single status settlement payments due in 2005/06 as a result of the job evaluation exercise that has a backdated start date of 1st July 2005. These payments will be paid in 2006/07.

Constant Rate Debt Provision

- This provision has been created to smooth out the increase in interest rates in future years for money market debt. It relates to Lenders option/Borrowers option loans which were taken out during 2002/03. New accounting treatment of such loans requires the revenue account to include a constant rate of interest over the life of the loan which the Council has estimated at 10 years.

NOTES TO THE CONSOLIDATED BALANCE SHEET

13 Fixed Asset Restatement Account

Capital accounting requires the establishment of a Fixed Asset Restatement Account. 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 account 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.

	31st March 2005	31st March 2006
	£000	£000
Balance brought forward	129,413	109,358
Disposal of fixed assets	(6,705)	(9,162)
Capital Expenditure not increasing gross book value	(14,156)	(26,808)
Revaluation of Fixed Assets	1,322	71,225
Impairment of Fixed Assets	(165)	0
Write Down of De-minimis capital expenditure	(351)	(189)
	109,358	144,424

14 Capital Financing Account

The capital financing account 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.

	31st March 2005	31st March 2006
	£000	£000
Balance as at 1 April 2005	34,577	29,506
2005/2006 capital receipts set aside	0	0
Voluntary Set Aside	190	302
2005/2006 capital financing		
capital receipts - 2005/2006	3,824	5,212
capital grants	1,812	0
revenue	12	3,108
2005/2006 MRP (less depreciation provision)	(7,361)	(6,745)
Less		
write down of deferred charges	0	0
write down of Intangible Assets	(3,542)	(2,609)
Impairment	0	(1,175)
redemptions by borrowers	(6)	(4)
deferred PFI debtor (Harrowgate Hill Primary)	0	139
Premiums Charged to PCL	0	0
	29,506	27,734

NOTES TO THE CONSOLIDATED BALANCE SHEET

15 Usable Capital Receipts Reserve

The usable 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.

	31st March 2005	31st March 2006
	£000	£000
Opening balance	261	787
Capital receipts 2005/2006	4,350	5,839
Less		
2005/2006 capital receipts set aside	0	0
2005/2006 capital receipts used for financing	(3,824)	(5,212)
	787	1,414

16 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 are companies that are jointly controlled by a group of entities rather than individual entities. The interests in the following companies have been reviewed as required by FRS9 and are not considered material, as the degree of control/ownership or the sums involved are minimal apart from Tees Valley Connexions.

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

The Local Government Information Unit as well as Durham Tees Valley Airport are authorised exempted companies and do 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 Tees Valley Connexions Partnership Ltd 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.

The Council also holds 16% of the shares in Premier Waste Management Ltd. 220,480 £1 shares are held. The latest audited accounts are for the year ended 31st March 2005 and show net assets of £4,683,486 (previous year £3,602,053), a profit before tax of £1,605,998 (previous year profit before tax £1,422,250), and a profit after tax of £1,081,433 (previous year profit after tax £1,191,138). Further information regarding the company's accounts can be obtained from the Registered Office, Premier Waste Management Ltd, Prospect Houses, Aykley Heads Business Centre, Aykley Heads, Durham, DH1 5TS.

B) Minority Interest Companies

Companies that fall into this heading are Northern Arts, Darlington Business Venture, Darlington Partnership, Business Link Tees Valley, Tees Valley Urban Regeneration Company, Shopmobility, Age Concern, Safe in Tees Valley, Tomorrow Tees Valley, North East Museums, Libraries and Archives Council, North East Transport Information Service and Northern Grid for Learning.

In accordance with the Accounting Code of Practice 1996, the Council is required to identify interests in subsidiary companies and where appropriate prepare consolidated accounts. The above companies do not fall within these requirements as the Authority holds a minority of the share values, and the investments are below the required threshold. Therefore the Authority has not prepared group accounts in relation to the above companies.

NOTES TO THE CONSOLIDATED BALANCE SHEET

17 Reserves (General)

	1st April 2005	Receipts In Year	Payments In Year	31st March 2006
	£000	£000	£000	£000
General Fund	11,054	945	0	11,999
Earmarked Departmental Balances	940	0	(102)	838
Faverdale Maintenance Fund	36	0	(5)	31
Housing Revenue Account	477	188	0	665
Revenue Contribution to Capital Outlay	22	0	0	22
Schools Revenue Balances	2,619	110	(109)	2,620
PFI Reserve	1,000	545	(139)	1,406
Absence Supply Insurance	153	100	(153)	100
Investments	3,527	0	0	3,527
Insurance Fund	860	0	(316)	544
Crematorium Refurbishment Fund	65	16	(10)	71
Building Control	207	0	(28)	179
Development Fund	0	187	0	187
Single Status Reserve	0	2,500	(2,500)	0
Pensions Contribution Reserve	0	127	0	127
	20,960	4,718	(3,362)	22,316

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 £0.022m to finance future capital expenditure.

Absence Supply Insurance

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

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 2006 includes a deficit totalling £25,281.35 in respect of 1 school (£11,415 for 1 school in 2004/05).

PFI Reserve

- This reserve has been created to enable the Council to manage the cash flow over the life of the concession.

Investments

- This covers the value of investments held by the authority in Durham Tees Valley International Airport, Premier Waste Management Ltd and Newcastle International Airport (see Note 2 Long Term Investments for further details).

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.

Development Fund

- This Fund was established to enable the change programme to be delivered including a strategic review of services.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Single status Reserve

- This reserve was created to fund the backdated job evaluation payments in 2005/06. It has been appropriated into a provision as the payments have not yet been paid.

Pensions Contribution Reserve

- This reserve has been established in response to the latest actuarial valuation from the Council's Actuary.

18 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 2005-06 the contingent liabilities were as follows:-

During 1992/93 Municipal Mutual Insurance ceased accepting new business. At 31st March 2006, the Council only had three outstanding claims with MMI amounting to £22,250 and arrangements are in place to try to ensure an orderly settlement of the sums due.

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 was divided between this Council and the residual County authority. There are some outstanding issues yet to be resolved with regard to Newcastle Airport Shares (see Note 2 to the Balance Sheet for further information).

20 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 nor is it committed to any significant expenditure.

21 Analysis Of Net Assets Employed

	31st March 2005	31st March 2006
	£000	£000
General Fund	52,122	77,750
Housing Revenue Account	53,521	79,839
Trading Operations	403	601
	106,046	158,190

22 Long Term Debtor - Residual Interest in PFI Scheme

The Council entered into a PFI scheme for the provision of the Education Village and Harrowgate Hill Primary School

The contract expires in September 2030

A long term debtor has been established which will be used to build up the residual interest in the facilities at Harrowgate Hill Primary so that by the end of the contract term the residual interest is recorded as an asset at its expected fair value

	New Provision £'000	Less Repayments £'000	Amounts as at 31/03/06 £'000
PFI Scheme residual interest			
Harrowgate Hill Primary	139	0	139

NOTES TO THE CONSOLIDATED BALANCE SHEET

23 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 is sole or custodian trustee.

	Cash Balance at 1st April £000's	Receipts £000's	Payments £000's	Cash Balance at 31st March £000's	Assets £000's	Liabilities £000's
James Barningham Fellowship	14	2	0	16	67	0
Lady Dale Scholarship	8	1	0	9	37	0
Darlington Education Fund	17	16	(10)	23	520	0
W.Draffon Scholarship	3	1	(1)	3	28	0
Others	13	2	0	15	72	0
	<u>55</u>	<u>22</u>	<u>(11)</u>	<u>66</u>	<u>724</u>	<u>0</u>

All of the above investments are held by the Charities Official Investment Fund (COIF). The COIF share holdings are valued at £657,945 as per valuation date 31/03/06 (£543,719 as per valuation date 31/03/05).

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 :

	Cash Balance at 1st April £000's	Receipts £000's	Payments £000's	Cash Balance at 31st March £000's
Stainsby Murray Fund	41	49	(4)	86
Middleton Greathead SP	44	3	0	47
Stainsby Murray Trust	45	0	(45)	0
E.M.Corner Bequest	69	3	(7)	65
Criminal Injuries Compensation	35	2	0	37
BAT Legacy	249	286	(232)	303
Other	62	28	(25)	65
	<u>545</u>	<u>371</u>	<u>(313)</u>	<u>603</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". The value of Middleton Greathead Printers Scholarship shares as at 31/03/06 is £32,996.

Stainsby Murray Trust

Provision of christmas comforts for aged persons in Darlington.

E.M.Corner Bequest

Provision for the purchase of books on the Arts and Music at Edward Pease Library, Crown Street, Darlington.

Criminal Injuries Compensation

Provision of funds for compensation to minors.

BAT Legacy

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

24 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 2005-06 accounts have been derived by suitable approximate methods from the full actuarial valuation carried out by the actuary as at 31st March 2004.

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

	31st March 2005 £m	31st March 2006 £m
Funded benefits under the LGPS regulations	(183.08)	(216.32)
Estimated enhanced Teachers pensions unfunded liability	(4.53)	(4.56)
Unfunded discretionary benefits awarded by means of additional benefits under the LGPS regulations	(8.71)	(6.36)
Actuarial value of Fund Liabilities	<u>(196.32)</u>	<u>(227.24)</u>
Market value of Fund assets	109.48	146.91
Deficit in the Fund	<u>(86.84)</u>	<u>(80.33)</u>

The main financial assumptions used are as follows :-

	2004/05	2005/06
Rate of Price Inflation	2.90%	3.00%
Future escalation of pensionable pay	4.40%	4.50%
Future increases in pensions	2.90%	3.00%
Rates used to discount scheme liabilities	5.30%	4.90%
Expected return on assets	7.30%	7.00%

NOTES TO THE CONSOLIDATED BALANCE SHEET

The fair value of Darlington's attributable assets held by the Durham County Council Pension Fund as at 31st March 2006 is estimated to be £146.91m (£109.48m as at 31st March 2005), in the following classes of investment :-

	31st March 2005			31st March 2006		
	£m	Proportion %	Expected Rate of Return	£m	Proportion %	Expected Rate of Return
Equities	848.04	83.7%	7.70%	1144.10	86.5%	7.30%
Government Bonds	90.17	8.9%	4.70%	97.36	7.4%	4.30%
Corporate Bonds	4.56	0.4%	5.30%	5.59	0.4%	4.90%
Other :-						
Cash & Net Current Assets	41.63	4.1%	4.80%	42.98	3.3%	4.60%
Property	29.11	2.9%	6.70%	31.82	2.4%	6.30%
	<u>1013.51</u>			<u>1321.85</u>		

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

	2005/06 £m
Deficit in the Fund at beginning of period	(86.84)
Contributions paid	8.07
Current service cost	(7.34)
Past service cost	(0.10)
Settlement cost	0.00
Curtailment cost	0.00
Expected return on pension fund assets	8.22
Interest on pension liabilities	(10.58)
Actuarial gain	8.24
Deficit in the Fund at end of the period	<u>(80.33)</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

The components of the Defined Benefit Cost are as follows :

Analysis of amounts charged to Service Accounts: £m

a	Current service cost	7.34
b	Past service costs	0.10
c	Total charged to operating profit	7.44

Analysis of other amounts charged to Consolidated Revenue Account

d	Gain (loss) due to settlements	0.00
e	(Gain) loss due to curtailments	0.00
f	Net (gain) loss charged to profit and loss account	0.00

Analysis of amount credited to other income :

g	Interest on pension scheme liabilities	10.58
h	Expected return on assets in the pension scheme	(8.22)
i	Net charge to other income	2.36
j	Total profit and loss charge before deduction for tax (c + f + i)	9.80

Analysis of amounts recognised in Statement of Total Movement in Reserves

k	(Gain) loss on assets	(22.18)
l	Experience (gain) loss on liabilities	(2.85)
m	(Gain) loss on change of assumptions (financial and demographic)	16.79
n	Total Loss recognised in Statement of Total Movement of Reserves	(8.24)

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.

Teachers Pension Scheme

With regard to the Teachers' Pension Scheme, there were no contributions remaining payable at the year end. The scheme is a defined benefit scheme, administered by the Teachers Pensions Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employers' contributions rate paid by local education authorities (LEAS's). However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' scheme. In the past this has given rise to an estimated future liability using an approximate method of calculating the discretionary element of the pensions payable to the recipient. The liability is now part of the actuarial valuation which is why the 2004/05 Pension Reserve figure on the Balance Sheet has been restated as this was the estimated valuation of £85.810m not the actuarial valuation of £86.840m.

STATEMENT OF TOTAL MOVEMENT IN RESERVES

	2004/05		2005/06	
	£000	£000	£000	£000
Surplus/(deficit) for the year:				
-General Fund	7,078		843	
-Housing Revenue Account	(5)		188	
Add back Movements on earmarked revenue reserves	2,074		325	
Appropriation from pensions reserve	(3,610)		(1,730)	
Actuarial gains & losses relating to pensions - note 1	(5,120)		8,240	
Total increase/(decrease) in revenue resources (note 2)		417		7,866
Increase in useable capital receipts	526		627	
Total increase in realised capital resources (note 3)		526		627
Gains on revaluation of fixed assets	1,157		71,225	
Total increase in unrealised value of fixed assets (note 4)		1,157		71,225
Amounts written off fixed asset balances for disposals	(6,705)		0	
Expenditure not increasing Gross Book Value	(14,507)		(36,159)	
Total Value of assets sold, disposed of or decommissioned (note 4)		(21,212)		(36,159)
Capital receipts set aside	3,824		5,212	
Revenue resources set aside	(8,895)		(6,984)	
Movement on Government Grant Deferred	7,106		11,404	
Movement on Deferred Capital Receipt	(22)		(17)	
Total increase/(decrease) in amounts set aside to finance capital investment (note 5)		2,013		9,615
Increase/(decrease) on the pension reserve		8,730		(6,510)
Total recognised gains and losses		(8,369)		46,664

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

measured as

absolute amounts and as a percentage of assets or liabilities as at 31st March 2006.

Note 1 - Actuarial Gains and Losses

	2002/2003		2003/2004		2004/2005		2005/2006	
	£000's	%	£000's	%	£000's	%	£000's	%
Actual return less expected return on assets	35.80	38.33	16.02	13.30	2.22	0.22	22.18	1.68
Expected gain/losses on pension liabilities	0.00	0.00	2.07	1.10	22.24	11.60	2.85	1.25
Changes in assumptions underlying the present value of pension liabilities	0.00	0.00	(2.85)	1.50	(29.58)	15.40	(16.79)	7.39
Total actuarial gain/(loss) recognised in STMR	35.80	19.94	15.24	7.90	(5.12)	2.70	8.24	3.63

Note 2 - Movements in Revenue Resources

	General Fund Balances £000's	HRA Balances £000's	Earmarked Revenue Reserves £000's	Pensions Reserve £000's
Surplus/(deficit) for 2005/06	843	188	325	
Appropriations to/from revenue				(1,730)
Actuarial gains and losses relating to pensions				8,240
	843	188	325	6,510
Balance b/fwd at 1st April 2005	11,994	477	8,489	(86,840)
Balance c/fwd at 31st March 2006	12,837	665	8,814	(80,330)

Note 3 - Useable capital receipts

Movements in realised capital resources	
Amounts receivable in 2005/06	5,839
Amounts applied to finance new capital investment in 2005/06	(5,212)
Total increase in realised capital resources in 2005/06	627
Balance brought forward at 1st April 2005	787
Balance carried forward at 31st March 2006	1,414

These are the movements in reserves that represent an increase or decrease in the Authority's ability to finance capital investment in future years. The usable capital receipts represent capital receipts which the Authority could use to finance new capital expenditure, but which it has chosen not to yet do so.

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

Note 4 - Fixed Asset Restatement Account

Movements in unrealised value of fixed assets		
Gains on revaluation of fixed assets in 2005/06	71,225	
Impairment losses on fixed assets due to general changes in prices in 2005/06	<u>0</u>	
Total increase in unrealised capital resources in 2005/06		71,225
Value of assets sold, disposed of or decommissioned		
Amounts written off fixed asset balances for disposals in 2005/06	(9,162)	
De-minimis Capital Expenditure written off	(189)	
Expenditure not increasing Gross Book Value	<u>(26,808)</u>	<u>(36,159)</u>
Total movement on reserve in 2005/06		35,066
Balance brought forward at 1st April 2005		<u>109,358</u>
Balance carried forward at 31st March 2006		<u><u>144,424</u></u>

Note 5 - Capital Financing Account / Government Grants Deferred

	Capital Financing Account £000's	Government Grants Deferred £000's	Deferred Capital Receipts £000's
Movements in amounts set aside to finance capital investment			
Capital receipts set aside in 2005/06			
-reserved receipts	0		
-useable receipts applied	<u>5,212</u>		
Total capital receipts set aside in 2005/06	5,212		
Revenue resources set aside in 2005/06			
-capital expenditure financed from revenue	3,108		
-capital expenditure financed from grant	0		
-reconciling amount for provision for loan repayments	<u>(10,092)</u>		
Total revenue resources set aside in 2005/06	(6,984)		
Grants applied to Capital investment in 2005/06		17,655	
Amounts credited to the asset management revenue account in 2005/06		<u>(6,251)</u>	
Movement of Government Grants Deferred/Deferred Capital Receipts		11,404	(17)
Total increase/(decrease) in amounts set aside to finance capital investment			
Total movement on reserve in 2005/06	(1,772)	11,404	(17)
Balance brought forward at 1st April 2005	<u>29,506</u>	<u>31,130</u>	<u>115</u>
Balance carried forward at 31st March 2006	<u><u>27,734</u></u>	<u><u>42,534</u></u>	<u><u>98</u></u>

CONSOLIDATED CASH FLOW STATEMENT

2004/05	DESCRIPTION	2005/06		
£000		£000	£000	£000
	<u>Revenue Activities</u>			
	<u>Cash Outflows</u>			
93,173	Cash Paid To Employees	100,105		
109,323	Other Operating Cash Payments	122,427		
12,142	Housing Benefit Paid Out	12,877		
23,798	Payment To Non-Domestic Rates Pool	24,914		
2,931	Precept Paid To Durham Police Authority	3,129		
2,378	Precept Paid To Durham Fire and Rescue Authority	2,392		
3,040	Payments to the Capital Receipts Pool	2,612	268,456	
246,785				
	<u>Cash Inflows</u>			
(5,143)	Rents (After Rebates)	(5,543)		
(30,414)	Council Tax Collected	(32,399)		
(24,785)	Non-Domestic Rates Collected	(26,711)		
(27,345)	Share Of Non-Domestic Rates Pool	(32,571)		
(48,347)	Revenue Support Grant	(47,451)		
(26,408)	DWP Grants For Rebates	(27,648)		
(28,850)	Other Government Grants	(35,184)		
(55,097)	Cash Received For Goods And Services	(57,485)		
0	Other Cash Receipts	0	(264,992)	3,464
(246,389)				
396	<u>Returns On Investments And Servicing Of Finance</u>			
	<u>Cash Outflows</u>			
3,341	Interest Paid	3,853		
18	Interest Element of Finance Leasing Payments	14	3,867	
	<u>Cash Inflows</u>			
	Dividends received	(41)		
(1,696)	Interest Received	(2,242)	(2,283)	1,584
1,663				
	<u>Capital Activities</u>			
	<u>Cash Outflows</u>			
18,961	Payments For Capital Schemes	26,290	26,290	
	<u>Cash Inflows</u>			
(7,965)	Sale Of Fixed Assets	(7,983)		
(13,379)	Capital Grants Received	(17,052)	(25,035)	1,255
(2,383)				
(324)	Net Cash Outflow/(Inflow) Before Financing			6,303
	<u>Management of Liquid Resources</u>			
9,819	Net Increase/(Decrease) In Short Term Deposits	7,951	7,951	
	<u>Financing</u>			
	<u>Cash Outflows</u>			
215	Repayment of Loans	7,099		
40	Capital Element Of Finance Leasing Payments	43	7,142	
	<u>Cash Inflows</u>			
(10,000)	New Long-Term Loans Raised	(21,474)		
0	New Short-Term Loans Raised		(21,474)	
(9,745)				
74	Total Financing			(6,381)
(250)	Net (Increase) Decrease in Cash			(78)

NOTES TO THE 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 SURPLUS</u>		
	£000	£000
Consolidated Revenue Account Deficit/(Surplus)		(843)
Accrual adjustment		366
Items Included in CFS Revenue Activities, Not Included in CRA :-		
Precept Paid To Durham Police/Fire & Rescue Authorities	5,521	
Payment To Non Domestic Rates Pool	24,914	
Council Tax Collected	(32,399)	
Non Domestic Rates Collected	(26,711)	
Payments to the Capital Receipts Pool	2,612	
		<u>(26,063)</u>
Items Excluded from CFS Revenue Activities, Included in CRA :-		
Borough Council Demand On Collection Fund	31,984	
Local Authority Business Growth Initiative	653	
Headroom	(1,600)	
Transfer to Single Status Reserve	(900)	
Insurance reserve transfer	1,000	
Net transfer to other earmarked reserves	(187)	
Transfer from PFI Reserve to General Reserve	800	
Deficit on collection fund	(100)	
Interest paid/received	(1,646)	
		<u>30,004</u>
Net Cash Outflow From Revenue Activities		<u><u>3,464</u></u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

2 Increase/(Decrease) in Cash

	Balance 31/3/05 £000	Balance 31/3/06 £000	Movement £000
Net Increase in Cash	<u>(1,133)</u>	<u>(1,055)</u>	<u>78</u>

3 Reconciliation of Movement in Cash to Movement in Net Debt

	2005/06 £000
Increase in Cash	78
Cash flow from increase in borrowing	<u>(3,301)</u>
Change in Net Debt	<u>(3,223)</u>

Analysis of Debt

	Balance 1st April 2005 £000	Balance 31st March 2006 £000	Movement £000
Increase in cash	(1,133)	(1,055)	78
Decrease in Short term loans	(1,125)	0	1,125
Long Term borrowing	(71,103)	(86,603)	(15,500)
Investments (short term)	<u>34,949</u>	<u>46,023</u>	<u>11,074</u>
	<u>(38,412)</u>	<u>(41,635)</u>	<u>(3,223)</u>

5 Increase in Liquid Resources

	Balance 31/3/05 £000	Balance 31/3/06 £000	Movement £000
Movement in Short Term Deposits			
Short Term Deposits	<u>34,949</u>	<u>46,023</u>	11,074
Less Accruals			<u>(3,139)</u>
Cash Movement			<u>7,935</u>

6 Movement in Long Term Borrowing

	Balance 31/3/05 £000	Balance 31/3/06 £000	Movement £000
Long Term Borrowing & Creditors	<u>71,103</u>	<u>86,603</u>	<u>15,500</u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

7 Other Government Grants

"Other Government Grants" shown under Revenue Activities Cash Inflows (page 51) are comprised of :-

	£000
Education	
DFeSGrant	(3,937)
GEST/Standards Fund	(6,608)
Standards Fund	(4,756)
DFEE Threshold/Performance Grant	(1,866)
PFI Grant	(867)
School Threshold Income	(1,831)
Learning Skills Council	(1,582)
Other education grants	(1,705)
Sure Start	(356)
Community & Adult Services	(4,286)
Transport	(377)
Planning delivery grant	(218)
Other	(6,795)
	(35,184)

8 Capital Grants

"Capital Grants Received" in the Capital Activities section of the statement (page 51) are :-

	£000
Schools NDS	4,274
New Opportunities Fund	680
Single Programme	2,742
Housing MRA	3,414
Disabled Facility Grant	218
Sure Start	762
Drinkfield Amenity Site	654
Skerne Park Preparatory Cost	1,126
Cycling for England	215
South Park Restoration	1,486
Sus-Tran	35
Other	1,446
	17,052

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

1. Darlington Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
2. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
3. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

The Purpose of the System of Internal Control

4. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
5. The system of internal control has been in place in the Council for the year ended 31st March 2006 and up to the date of approval of the annual report and accounts and accords with proper practice.

The Internal Control Environment

6. The key elements of the Council's internal control environment are tabulated in Appendix A to this statement which also indicates their relevance to the following areas:-
 - (a) Establishing and monitoring the achievement of the Council's objectives.
 - (b) Facilitation of policy and decision-making.
 - (c) Compliance with established policies, procedures, laws and regulations.
 - (d) Economical, effective and efficient use of resources and continuous improvement.
 - (e) Financial Management.
 - (f) Performance Management.

Review of Effectiveness

Background

7. The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of the internal auditors and the executive managers within the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their Annual Audit Letter and other reports.

STATEMENT ON INTERNAL CONTROL

8. The Statement has been drafted by a management group who have responsibility for evaluating assurances and the supporting evidence. The group comprises:-
 - (a) Director of Corporate Services (S151 Officer)
 - (b) Legal Services Manager (Acting Monitoring Officer)
 - (c) Assistant Chief Executive
 - (d) Assistant Director –Accounting Services and Local Taxation
 - (e) Assistant Director – Financial Services
 - (f) Chief Internal Auditor

Risk Management

9. Risk is one of the pieces of information incorporated into the development of departmental service plans and Corporate and Best Value Performance Plan. Risk management is, therefore, an essential element in establishing policy, developing plans and enhancing operational management.
10. The risk management process involves identifying, analysing, managing and monitoring risks. The identification of risks is derived from a ‘top down’ (corporate) and a ‘bottom up’ (departmental) process of risk assessment and analysis resulting in coverage of the whole Council. The process prioritises the risks resulting in a focus upon the key risks and priorities. The risks are managed through the development of appropriate action plans, allocated to responsible officers.
11. The approach to and outcomes from the Council’s risk management processes was reported to Cabinet in March 2006. The report detailed positive progress upon delivery of action plans to mitigate key risks and outlined advances in the management of operational risks through the Council’s Corporate Risk Management Group.

Performance Management

12. The Council’s performance management framework (PMF) is a formal process that monitors outturn against the underpinning performance indicators and involves regular reports to Departmental Management Teams, Corporate Management Team, Cabinet and Scrutiny Committees.
13. The Performance Management Framework is reviewed on a regular basis and improvements are made as necessary.
14. That outcomes from this process were positive in 2005/06 is evidenced by the fact that all corporate objectives were on target or better as published in the 2006/07 Corporate and Best Value Performance Plan.
15. In the external audit of the 2004/05 BVPIs none were qualified and only a handful were amended.
16. After each external audit a ‘lessons learnt’ report is produced and agreed with both external and internal audit. This report is circulated to departments and the contents discussed at a meeting of the PMF Coordination Group.

STATEMENT ON INTERNAL CONTROL

Internal Audit

17. The Council's Internal Audit Division operates to the standard defined in the CIPFA Code of Practice for Internal Audit in Local Government issued in 2003. The Annual Internal Audit Plan is risk-based and sets the foundation for an objective review of key controls and procedures operating within the Council.
18. Internal Audit report to Cabinet to approve 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.
19. Internal Audit concluded in their Annual Report for 2005/06 that, overall, the Council continues to operate within a control environment that is generally sound.

Local Code of Corporate Governance

20. In 2002 the Council adopted a Local Code of Corporate Governance in accordance with the CIPFA/SOLACE framework document and supplementary guidance note entitled Corporate Governance in Local Government – a keystone for Community Governance.
21. Resources Scrutiny receive six-monthly monitoring reports to ensure that Members are satisfied that the management processes defined in the Local Code are actually being adhered to throughout the organisation. The monitoring reports of August 2005 and February 2006 concluded that, generally, the position was positive in this regard.

Annual Audit and Inspection Letter

22. The Annual Audit and Inspection Letter, produced jointly by the Council's external auditors PricewaterhouseCoopers LLP (PwC) and the Audit Commission, was presented to Cabinet in February 2006. The Letter highlighted that the Council retained the highest Comprehensive Performance Assessment (CPA) rating, was now classed a 'four-star' council and under 'direction of travel', to describe improvement progress, was 'improving well'. In terms of Use of Resources, comprising financial reporting, management and standing as well as internal control and value for money, the Council was considered to be delivering 'consistently above minimum requirements – performing well'.
23. The Letter commented specifically that 'corporate governance arrangements are strong, systems of risk management are well embedded and internal controls operate effectively'. In addition, the conclusions of an Audit Commission inspection of Supporting People in the spring of 2005 included as a strength 'good governance and budget monitoring mechanisms'.

Significant Internal Control Issues

24. An issue occurred late in the financial year concerning a major capital scheme, the Pedestrian Heart.

STATEMENT ON INTERNAL CONTROL

25. A Review Group of Members from Resources and Environment Scrutiny Committees were asked to scrutinise the circumstances of an element of the scheme whereby an unexpectedly shallow gas main was required to be diverted which significantly increased costs as a result of both the gas main diversion itself and consequential scheme reprogramming. The Chief Executive, Director of Development and Environment and Director of Corporate Services are committed to taking forward any issues arising from this review to improve the Council's arrangements.

Future Improvements

26. The Leader of the Council and Chief Executive are aware of the result of the review of the effectiveness of the system of internal control by the Council and are committed to ensure continuous improvement of the system in place.
27. Specific future improvements include the establishment of an Audit Committee from the start of the 2006/07 Municipal Year to help raise the profile of internal control, risk management and financial reporting issues and provide a forum for discussion of issues raised by internal and external auditors; the formal completion by senior managers of assurance statements to support the SIC; and formal adoption and implementation of a Council partnership toolkit to address the issue of partnership governance arrangements.

Signed
Leader of the Council

Date

Signed
Chief Executive

Date

THE COUNCIL'S INTERNAL CONTROL ENVIRONMENT

APPENDIX A

Key Elements of Internal Control Environment	Establishing and Monitoring Achievement of the Council's Objectives	Facilitation of Policy and Decision-Making	Compliance with established policies, procedures, laws and regulations	Economical, effective and efficient use of resources and continuous improvement	Financial Management	Performance Management
Community Strategy						
Corporate and Best Value Performance Plans						
Service Planning Framework						
Code of Conduct for Members						
Code of Conduct for Employees						
Financial Procedure Rules						
Performance Management Framework						
Consultation Framework						
Partnership Framework						
Constitution						
Council Procedure Rules						
Scheme of Delegation to Officers						
Risk Management Strategy						
Local Code of Corporate Governance Reporting Framework						
Internal Audit						
Confidential Reporting Policy						
Communications Framework						
Complaints Procedure						
Standards Committee						
Protocol for Councillors and Officers dealing with planning matters						
Standard Committee Report format						
Fundamental Service Reviews						
Financial Management and Reporting Framework						
Procurement Framework						
Contract Procedure Rules						
Medium Term Financial Plan/Budgets						
Annual Statement of Accounts						
Treasury Management Framework						
People Management Framework						
Serutiny/Review Groups						

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 the responsibility for the administration of those affairs. In this authority that officer is the Director of Corporate Services.
- 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 of Corporate Services is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Director of Corporate Services has:

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

The Director of Corporate Services 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 31st March 2006 and the income and expenditure for 2005/2006.

Paul Wildsmith_____

Dated: _____

Director of Corporate Services

Certification of the Statement of Accounts

As Chair of the Council meeting held on 26th June, 2006, I hereby acknowledge receipt of the Statement of Accounts for 2005/2006 by this Committee, in accordance with the Accounts and Audit Regulations 2003 Regulation 7(1), and confirm that the Statement of Accounts was approved at the Council meeting of 26th June, 2006 in accordance with sub-paragraph 10 (3) (a) with regard to the aforementioned Regulations.

Mayor

Legal Services Manager

Dated: _____

Dated: _____

AUDITORS REPORT TO DARLINGTON BOROUGH COUNCIL

Opinion on the Financial Statements

We have audited the financial statements for the year ended 31 March 2006 under the Audit Commission Act 1998. The financial statements comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Director of Corporate Services and Auditors

The Director of Corporate Services' responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities for the Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Council and its income and expenditure for the year.

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Council and its income and expenditure for the year.

We review whether the Statement on Internal Control reflects the Council's compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

AUDITORS REPORT TO DARLINGTON BOROUGH COUNCIL

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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of Darlington Borough Council as at 31 March 2006 and its income and expenditure and cash flows for the year then ended.

Signature: _____ Date: _____

PricewaterhouseCoopers LLP
89 Sandyford Road
Newcastle upon Tyne
NE1 8HW

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Council is required to prepare and publish a best value performance plan summarizing the Council's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention, which prevent us from concluding that the Council has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Council's best value performance plan and issue a report:

- Certifying that we have done so;
- Stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- Where relevant, making any recommendations under section 7 of the Local Govt Act 1999.

AUDITORS REPORT TO DARLINGTON BOROUGH COUNCIL

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Darlington Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Best Value Performance Plan

We issued our statutory report on the audit of the Council's best value performance plan for the financial year 2005/06 in November 2005. We did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Certificate

We have carried out the audit of financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. The audit cannot be formally concluded and an audit certificate issued until investigations into the validity of charges made by the Council to the Hackney carriage licensing account arising from an objection by an elector has been formally completed. We are satisfied that the amount, which is the subject of the objection, will not have a material effect on the financial statements

Signature: _____

Date:

PricewaterhouseCoopers LLP
89 Sandyford Road
Newcastle upon Tyne
NE1 8HW

GLOSSARY

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1st 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.

AGENCY

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

ASSET

An item owned by the authority, which has a monetary value. Assets are defined as current or fixed

- Current assets will be consumed or cease to have value within the next financial year, e.g. stocks and debtors
- Fixed assets provide benefits to the authority and to services it provides for a period of more than one year, for example, land, buildings, vehicles and equipment.

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

BVACOP

CIPFA's Best Value Accounting Code of Practice

CAPITAL CHARGES

A charge to services for the use of fixed assets, which comprises:

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

CAPITAL EXPENDITURE

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

CARRY-FORWARDS

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

CIPFA

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

GLOSSARY

COLLECTION FUND

The Collection Fund records transactions in respect of council tax, community charge, non-domestic rates and illustrates the way in which these have been distributed.

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 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 (CDC)

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

COUNCIL TAX

This is a banded property tax which is levied on domestic properties throughout the Borough. The banding is based on estimated property values as at 1st 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 of a capital nature, met from borrowing, but where there is no tangible asset, e.g. improvement grants. This includes loans outstanding on assets sold in cases where the sale proceeds were used for new capital investment.

DEPRECIATION

The amount charged to revenue accounts to represent the reducing value of fixed assets.

FIXED ASSETS

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

FIXED ASSET RESTATEMENT RESERVE

A reserve showing the surpluses and deficits achieved when revaluing fixed assets. This reserve is not available for general use in the financing of capital expenditure.

GOVERNMENT GRANTS

Grants made by the Government towards either revenue or capital expenditure to support the cost of the provision of the Authority's 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.

GLOSSARY

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

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

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

A class of fixed assets belonging to the Authority whose life is of indefinite length and which are not usually capable of being sold. Examples include roads and highway works.

LIABILITY

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

A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.

A deferred liability is an amount which, by arrangement is payable beyond the next year at some point in the future, or to be paid off by an annual sum over a period of time.

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET CURRENT REPLACEMENT COST

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

NET REALISABLE VALUE

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

NATIONAL NON-DOMESTIC RATE (NNDR)

NNDR Poundage is set annually by Central Government based on the assessed value of properties used for business purposes and is collected by charging authorities. The proceeds are redistributed by the Government between local authorities based on population.

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

GLOSSARY

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.

PRUDENCE

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

PUBLIC WORKS LOAN BOARD (PWLb)

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

RATEABLE VALUE

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

RELATED PARTIES

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

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

RELATED PARTY TRANSACTIONS

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

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

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

REMUNERATION

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

GLOSSARY

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.

REVENUE EXPENDITURE

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

REVENUE SUPPORT GRANT

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

SORP – A STATEMENT OF RECOMMENDED PRACTICE

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

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/INVESTMENT

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

TOTAL COST

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

TRUST FUNDS

Funds administered by the 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.