

**DARLINGTON BOROUGH
COUNCIL**

**Statement
of
Accounts**

2010/2011

STATEMENT OF ACCOUNTS 2010/11

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EXPLANATORY FOREWORD OF DARLINGTON BOROUGH COUNCIL

1 Introduction

This Statement of Accounts has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' (the code) which defines proper accounting practices for local authorities in England and also complies with the Accounts and Audit Regulations 2011. The code is based on International Financial Reporting Standards (IFRS). It replaced the 'Statement of Recommended Practice' (SORP), which was based on United Kingdom Generally Accepted Accounting Practice (UK GAAP). Therefore, these accounts differ significantly from those presented in previous years.

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 2010/11 and its financial position as at 31 March 2011.

This Statement of Accounts for 2010/11 has been prepared on an IFRS basis for the first time. The adoption of the Code has resulted in the restatement of various balances and transactions with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

2 Information and Financial Statements

Darlington Borough Council's (the Council) Accounts for the year ended 31st March 2011 are set out in the following pages and a glossary of terms is provided on pages 70 to 78.

The information and financial statements are as follows:

Statement of Responsibilities for the Statement of Accounts (page 7)

Sets out the responsibilities of the Authority and the Chief Financial Officer.

Movement in Reserves Statement (page 8)

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

Comprehensive Income and Expenditure Statement (page 9)

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

Balance Sheet (page 10)

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

Cash Flow Statement (page 11)

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

Notes to the Financial Statements (page 12 - 59)

These notes provide further information on the more significant items in the Core Statements. The Core Statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

Housing Revenue Account (page 60)

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

EXPLANATORY FOREWORD OF DARLINGTON BOROUGH COUNCIL

Collection Fund (page 65)

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

Group Accounts

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

Independent Auditors' Report (page 69)

The Auditors' opinion gives an independent view on the Council's accounts for the year ended 31 March 2011.

3 Comparison of Actual with Budget - Revenue

Net Expenditure 2010/11	Budget £000	Actual £000	Variance £000
Departmental Resources			
Children's Services	147,954	149,912	1,958
Community Services	49,601	47,394	(2,207)
Chief Executive's Office	7,031	6,585	(446)
Corporate Services	11,466	11,676	210
Total Departmental Resources	216,052	215,567	(485)
Corporate Resources			
Joint Bodies & Levies	650	617	(33)
Financing Costs	3,794	2,889	(905)
Restructuring Costs	992	992	0
Mid-year Savings	1,213	0	(1,213)
In-year Grant Reduction	(919)	0	919
Freedom Marches	(11)	0	11
DSG adjustment	51	0	(51)
Pay Award	275	0	(275)
Area Based Grants		(102)	(102)
LAA Reward Grant		(142)	(142)
Insurance Fund		(1,000)	(1,000)
Insurance Claim		(110)	(110)
Net Expenditure	6,045	3,144	(2,901)
Reserves			
Planned Use of General Reserve	179		(179)
Redundancy/Decommissioning Reserve	(4,240)		4,240
Change Fund	(500)		500
Departmental Balances c/fwd	(298)		298
Equal Pay Legal Costs	(380)		380
Balance to / (from) Reserves		(1,853)	(1,853)
Total Reserves	(5,239)	(1,853)	3,386
Less Depreciation	(81,556)	(81,556)	0
Total Resources	135,302	135,302	0

Departments are carrying forward resources of £1.202M which are earmarked for committed projects in 2011-12. Departmental underspends of £0.485M and Corporate underspends of £2.901M are being returned to general reserves. Reserves of £5.239M have been transferred from general reserves and earmarked for specific purposes (including £4.240M for a Redundancy & Decommissioning Reserve). There is a planned use of reserves of £2.095M as set out in the 2011-15 Medium Term Financial Plan.

At 31 March 2011, the Council had general reserves of £10.678M available to fund general revenue expenditure.

EXPLANATORY FOREWORD OF DARLINGTON BOROUGH COUNCIL

4 Where The Money Comes From and How It Was Spent

Where the money comes from:

2009/10 £000	Gross Income	2010/11 £000	%
(15,609)	Gross Council Rents	(15,891)	4.6
(13,874)	General Government Grants	(13,920)	4.1
(30,698)	Non Domestic Rate Grant	(33,908)	9.9
(58,539)	Dedicated Schools Grant	(60,909)	17.7
(39,488)	Demand on Collection Fund	(39,707)	11.6
(65,801)	Specific Government Grants	(79,471)	23.2
(24,041)	Capital Grants	(20,619)	6.0
(76,731)	Income from Fees & Charges	(78,424)	22.9
(324,781)		(342,849)	100.0

How it was spent:

2009/10 £000	Gross Expenditure	2010/11 £000	%
11,518	Central Services to the Public	21,498	5.4
49,440	Cultural Environmental & Planning Services	49,523	12.3
119,246	Children's and Education Services	198,489	49.4
15,190	Highways, Roads & Transport Services	15,059	3.7
85,915	Housing Services	106,929	26.6
39,161	Adult Social Care	41,805	10.4
5,634	Other Services	(31,559)	(7.8)
326,104	Net Cost of Services	401,744	100.0
141	Precepts & Levies	155	
4,231	Interest payable	3,825	
(1,136)	Interest receivable	(475)	
9,329	IAS19 Pension cost adjustment	4,820	
(58)	Other	(748)	
12,507		7,577	
338,611	Total Expenditure	409,321	
13,830	Deficit for year	66,472	

Note:

Central Services to the Public includes such services as Registrars, Customer Services, Local Taxation, Support Services, Democratic, Consultancy Services & Youth Training, Building Control, Economic Regeneration, Community Safety, Library, Railway Museum, Trading Standards, Central Arts & Community Partnerships. This list is not exhaustive.

What it was spent on:

2009/10 £000	Type of Expenditure	2010/11 £000	%
122,421	Employees	121,239	30.2
164,772	Running Expenses	151,822	37.8
38,911	Capital Financing	128,683	32.0
326,104		401,744	100.0

EXPLANATORY FOREWORD OF DARLINGTON BOROUGH COUNCIL

5 Local Government Pension Scheme

Following the implementation of IAS 19 (formerly FRS 17), the accounts show the benefit entitlement earned by employees of the Local Government Pension Scheme in the relevant year rather than the charges to revenue based on employers' contributions payable and payments to pensioners in the year. The effect on the Balance Sheet is to reduce the net worth of the Council by the IAS 19 pension liability of £110.130M from £270.525M to £160.395M (in 2009/10 the restated FRS17 pension liability of £156.950M reduced the net worth from £280.905M to £123.955M). However, from the last full actuarial valuation date of 31 March 2010 the deficit is to be recovered over a period of 19 years, as agreed by the Pension Fund Administering Authority with the Actuary. Further information is available in **Note 42 (page 42)** in the Notes to the Financial Statements.

6 Material and Unusual Charge or Credit in the Accounts

In the current economic climate the Council is facing its most significant financial challenge since becoming a Unitary Council in 1997 due to significant reductions in Government funding. It is estimated that the Council will need to save in the region of £22M over the next four years and in light of this there are redundancy costs that are estimated to be in the region of £5M. The actual costs will not be known until full implementation of the proposed savings. The authority has been given a capitalisation directive for £760,000 which will mean that the other £4.240M will need to be funded from revenue. Approximately £2.374M has been charged to revenue in 2010/11 which will ultimately be funded from the Redundancy and Decommissioning Reserve.

With effect from 1 April 2011, increases to local government pensions in payment and deferred pensions will be linked to annual increases in the Consumer Prices index (CPI), rather than the Retail Prices Index (RPI). Since, over the long term CPI increases are expected to be lower than RPI increases, this gives rise to a reduction in the defined benefit obligation on the Balance Sheet. The reduction of £37M has been recognised as a negative past service cost in the Comprehensive Income and Expenditure Statement and is also shown as an adjustment in the Movement in Reserves Statement.

7 Changes in Accounting Policy

IFRS requires financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Council. Greater emphasis is placed upon the substance of transactions rather than the legal form and qualitative aspects of financial statements. These revised accounting standards have impacted upon the Councils accounts in a number of areas, the most significant of which are as follows:

- the reclassification of certain property and the treatment of revaluation gains as presented through the Comprehensive Income and Expenditure Statement;
- the new term Cash Equivalents is to include cash and certain short term investments;
- accrual of short term accumulated employee benefits such as annual leave or flexitime (it should be noted however, that this accrual is reversed out when determining the General Fund Balance);
- certain leases are now held on Balance Sheet, this arises from a broader consideration of the substance of any lease type transaction;
- the introduction of a category of current asset, 'Assets Held for Sale';
- revenue grants are to be recognised within the Comprehensive Income and Expenditure Statement when the conditions of the grant have been met and not necessarily matched to expenditure; and
- the treatment of government capital grants which are now released to the Comprehensive Income and Expenditure Statement once the conditions of the grant are met rather than deferring the credit to match the life of the asset to which the grant applies.

8 Current Borrowing Facilities and Capital Borrowing

Under the Prudential Code for Capital the Council sets two limits relating to the Prudential Code: the Authorised Limit (which the Council does not have power to borrow above), and the Operational Boundary (which is the Council's expected borrowing position). The limits for 2010/11 were as follows:

- Revised Authorised Limit for External Debt for 2010/11 of £126.717M; and
- Revised Operational Boundary for External Debt for 2010/11 of £116.048M.

As part of the Council's Treasury Management function these two Prudential Indicators are monitored on a regular basis and neither of these limits were breached during 2010/11. The maximum gross borrowing position during 2010/11 was £87.111M with a closing gross borrowing position of £80.861M. This is the same closing position as last year. (**see Note 43 in the Notes to the Financial Statements page 48**).

In order to ensure that borrowing levels are prudent, over the medium term the Council's external borrowing net of investments, must only be for capital purposes. Net borrowing should therefore not exceed the Council's underlying need to borrow (Capital Financing Requirement). The Council has complied with this requirement.

EXPLANATORY FOREWORD OF DARLINGTON BOROUGH COUNCIL

9 Changes to the Statement of Accounts

A number of changes have been made to the format and presentation of the 2010/11 Statement of Accounts.

The adoption of IFRS gives rise to a revised format of the Council's accounts. A new financial statement 'Movement in Reserves Statement' is introduced and combines the prior statement on the Movement on the General Fund Balance with other reserve movements; the Comprehensive Income and Expenditure Statement now incorporates the former Statement of Total Recognised Gains and Losses. Presentational changes have also been applied to the Balance Sheet and Cash Flow Statements.

The notes to the financial statements have been amended to reflect the requirements of IFRS. The main changes are as follows:

- Fixed Assets are now classsified under certain other headings and the supporting notes to these assets have been amended accordingly;
- Segment Reporting, a note is introduced to disclose information in a format that is based upon internal management reporting ;
- Notes to the Movement in Reserves Statement are presented within a different format; providing detail of adjustments between accounting basis and funding basis under regulation;
- Additional information is given on prior year movement comparatives;
- Notes on leasing arrangements have been expanded; and
- Supporting notes on the cash flow statement are no longer required.

10 Sources of Funds to meet Capital Expenditure Plans

Capital expenditure 2010/11	Capital Spend £'000	Planned £'000	Actual £'000	Approved £'000
Children's Services	25,064	18,564	10,792	14,272
Housing	15,362	14,362	10,205	5,157
Transport	5,101	5,101	4,006	1,095
Community Services	3,012	3,012	1,106	1,906
Corporate Services	1,991	1,991	619	1,372
Chief Executive's (Regeneration)	4,580	4,580	1,147	3,433
Adult Services	277	277	79	198
Leased Assets	0	0	708	0
Redundancy Costs	0	0	760	0
Total	55,387	47,887	29,422	27,433
Financed by				
*Supported Borrowing			2,842	
**Corporate Unsupported Borrowing			449	
Departmental Unsupported Borrowing			6,769	
Capital Grants			15,148	
Major Repairs Allowance- Housing Grant			2,336	
Capital Contributions			637	
Housing Revenue Account Capital Receipts			102	
General Fund Capital Receipts			1,139	
Revenue Contributions			0	
Total			29,422	

* Supported Borrowing is supported through the Revenue Support Grant

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

The total resources available for capital schemes during 2010/11 totalled £55.387M; however not all of the resources were planned to be expended during 2010/11. Some schemes have a build life of longer than one year so the actual planned spend for 2010/11 was £47.887M with an actual spend of £29.422M. The majority of the slippage relates to the 14-19 & Primary capital programmes. There is also slippage in respect of the Housing New Build scheme and to the general housing programme. The slippage into 2011/12 will be financed by supported and unsupported borrowing, grants carried forward, Usable Capital Receipts and Revenue and Capital Contributions.

The Council is also committed to make payments estimated at £82.428M over the remaining term of the 25 year contract in respect of it's PFI scheme, (the Education Village and Harrowgate Hill Primary School). These became operational in March 2006 and August 2005 respectively. Both are part of the approved funding of £34.900M by the Department for Education. A recognition of the long-term contract entered into with partners Kajima Darlington Schools Ltd can be found in **Note 33 (page 36)** in the Notes to the Financial Statements and the liability relating to this contract can be found on the Balance Sheet.

11 Material Assets Acquired or Liabilities Incurred

The Council has not made any major acquisitions of either land or property during 2010/11.

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

	£'000
Operational Buildings - Improvements	737
Children's Services Improvements to Schools	10,539
Housing Stock - Improvements	9,595
Highways & Transport Infrastructure	3,995
Community Assets Improvements	371
Development Services	664
Vehicles, Plant & Equipment	1,286
Revenue Expenditure funded from Capital under Statute	2,235
Total	29,422

EXPLANATORY FOREWORD OF DARLINGTON BOROUGH COUNCIL

12 Significant Provisions, Contingencies and Material Write-Off's

Equal Pay

The Council has received, both prior to and during 2010/11, a number of equal pay claims from individuals seeking financial redress in respect of periods when unequal pay is alleged to have been paid by the Council. Following the receipt of legal advice, offers have been made to achieve settlement of those claims where appropriate, and also made to other employees in a similar position who were potential claimants. Whilst the majority of claims have been settled, a number of other claims, where the legal advice is that offers of settlement should not be made, remain outstanding. These claims will be defended and periodically reviewed to ensure the Council takes appropriate and timely action where necessary. Under IAS37 the Council is obliged to create a provision for the potential liability as it does meet all of the necessary criteria and consequently a provision has been included in the accounts but under Regulation 30A of the Capital Finance and Accounting Regulations 2003/3146 the council has elected to defer the charge to the General Fund pending actual payment of the claims. **(Note 22 on page 29 and Note 24 on page 30).**

Impairments

Impairment charges occur where there is a material reduction in the value of a fixed asset during an accounting period. Impairment charges of £115.541M were incurred in 2010/11 of which £112.719M was charged to Income and Expenditure. This represents £2.523M of capital expenditure incurred in the year that did not add value to the current asset valuation and £110.196M following a re-valuation exercise carried out during the year, the other £2.822M was charged to the Revaluation Reserve. The primary factor behind the revaluation loss is the adverse conditions affecting all building assets in the current economic climate. Another reason for the loss is the significant reduction to the Social Housing stock adjustment factor from 51% to 37%, in line with guidance issued by the Department for Communities and Local Government.

13 Material Events after the Reporting Date

There are no material events that have happened after the reporting date that need to be reflected in the Statement of Accounts.

14 Current Economic Climate

The Council has a business model that has an agreed approach to delivering a sustainable Council. The business model sets out the key objectives for the Council:

- a) Championing the interests of citizens and business;
- b) Supporting strong partnership to set a vision and direction for the Borough and its services;
- c) Promoting the Borough to secure investment and support; and
- d) Ensuring the provision of good quality services.

In agreeing this the future Council was described as:

- a) Strongly focussed on ensuring good overall outcomes for the public and the place rather than managing day to day service issued;
- b) Providing clear and acknowledged leadership of 'Place' and facilitator of partnerships concerned with delivering the Sustainable Community Strategy - One Darlington: Perfectly Placed;
- c) significantly smaller in terms of directly employed staff; and
- d) Many of its big budgets linked to contracts, or service level agreements or partnership delivery vehicles.

Whilst embracing the Business Model the following principles were applied in the development of the proposals to ensure the Council had a sustainable 4 year Medium Term Financial Plan:

- a) Support the vulnerable as far as possible;
- b) Continue to promote Darlington as a good place to invest and live as far as possible;
- c) Look to deliver the same outcomes by different means;
- d) Look at ways to save money quickly - this is key to match the level and speed of grant reductions; and
- e) Be fair.

In terms of implementing the new business model, the authority will need to operate in different ways to enable the transformation to happen. Strategically the Council is moving to expand the commissioning of services. This will mean that services will be provided by a variety of providers as well as the Council including the voluntary sector, the private sector and partnerships with other Councils. The proposed savings over the next 4 years amount to approximately £22M.

15 Further Information

The Statement of Accounts is intended to provide readers with useful detail on the Council's affairs. If you require further information please contact Peter Carrick of the Finance Division on (01325) 388326.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS OF DARLINGTON BOROUGH COUNCIL

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 Resources;
- 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 Resources Responsibilities

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

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

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

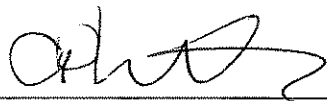
The Director of Resources has also:

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

Director's Statement

I certify that this Statement of Accounts has been prepared in accordance with the statutory requirements and proper accounting practices. It presents a true and fair view of the Council's financial position as at 31 March 2011 and the income and expenditure for the year ended 31st March 2011.

Paul Wildsmith



Dated:

30/9/2011

Director of Resources

Certification of the Statement of Accounts

As Chair of the Audit Committee meeting held on 30th September 2011, I hereby acknowledge receipt of the Statement of Accounts for 2010/11 by this Committee, in accordance with the Accounts and Audit Regulations 2011, Regulation 8(3)(c).

Chair



Dated:

30/9/11

MOVEMENT IN RESERVES STATEMENT OF DARLINGTON BOROUGH COUNCIL

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2009	(9,685)	(8,699)	(777)	0	(1,029)	0	(8,235)	(28,425)	(228,991)	(257,416)
Movement in reserves during 2009/10										
(Surplus) or deficit on the Provision of Services	(6,853)	0	20,683	0	0	0	0	13,830	0	13,830
Other Comprehensive Income and Expenditure (page 9)	0	0	0	0	0	0	0	0	37,264	37,264
Total Comprehensive Income and Expenditure	(6,853)	0	20,683	0	0	0	0	13,830	37,264	51,094
Adjustments between accounting basis and funding basis under regulations (Note 7)	3,138	0	(20,748)	0	348	0	(4,253)	(21,515)	21,515	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(3,715)	0	(65)	0	348	0	(4,253)	(7,685)	58,779	51,094
Transfers to/from Earmarked Reserves (Note 2)	510	158	0	0	0	0	0	668	(666)	2
Increase/(Decrease) in 2009/10	(3,205)	158	(65)	0	348	0	(4,253)	(7,017)	58,113	51,096
Balance at 31 March 2010 carried forward	(12,890)	(8,541)	(842)	0	(681)	0	(12,488)	(35,442)	(170,878)	(206,320)
Movement in reserves during 2010/11										
Deficit on the Provision of Services	25,790	0	40,682	0	0	0	0	66,472	0	66,472
Other Comprehensive Income and Expenditure (page 9)	0	0	0	0	0	0	0	0	(20,547)	(20,547)
Total Comprehensive Income and Expenditure	25,790	0	40,682	0	0	0	0	66,472	(20,547)	45,925
Adjustments between accounting basis and funding basis under regulations (Note 7)	(26,219)	0	(44,423)	0	587	0	(4,837)	(74,892)	74,892	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(429)	0	(3,741)	0	587	0	(4,837)	(8,420)	54,345	45,925
Transfers to/from Earmarked Reserves (Note 2)	2,641	(1,800)	0	0	0	0	0	841	(841)	0
Increase/(Decrease) in 2010/11	2,212	(1,800)	(3,741)	0	587	0	(4,837)	(7,579)	53,504	45,925
Balance at 31 March 2011 carried forward	(10,678)	(10,341)	(4,583)	0	(94)	0	(17,325)	(43,021)	(117,374)	(160,395)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT OF DARLINGTON BOROUGH COUNCIL

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

2009/10				2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		* Gross Expenditure £000	Gross Income £000	Net Expenditure £000
11,518	(8,101)	3,417	Central services to the public	21,498	(14,941)	6,557
49,440	(30,180)	19,260	Cultural, environmental, regulatory and planning services	49,523	(27,783)	21,740
119,246	(93,879)	25,367	Education and children's services	198,489	(107,350)	91,139
15,190	(7,501)	7,689	Highways and transport services	15,059	(8,731)	6,328
37,860	(18,281)	19,579	Local authority housing (HRA)	58,485	(18,674)	39,811
48,055	(47,289)	766	Other housing services	48,444	(43,763)	4,681
39,161	(11,423)	27,738	Adult social care	41,805	(13,449)	28,356
5,034	(2)	5,032	Corporate and democratic core	4,449	(4)	4,445
600	0	600	Past service cost (Note 42)	(37,000)		(37,000)
0	(24)	(24)	Non distributed costs	992	0	992
326,104	(216,680)	109,424	Cost of Services	401,744	(234,695)	167,049
702	0	702	Other operating expenditure (Note 13)	428	(26)	402
21,461	(9,656)	11,805	Financing and investment income and expenditure (Note 15)	22,055	(14,881)	7,174
	(108,101)	(108,101)	Taxation and non-specific grant income (Note 16)	0	(108,153)	(108,153)
348,267	(334,437)	13,830	Deficit on Provision of Services	424,227	(357,755)	66,472
		(847)	Surplus on revaluation of Property, Plant and Equipment assets (Note 5)			(7,367)
		675	Deficit on revaluation of available-for-sale financial assets (Note 8)			720
		37,436	Actuarial gains/losses on pensions assets/liabilities (Note 42)			(13,900)
		37,264	Other Comprehensive Income and Expenditure			(20,547)
348,267	(334,437)	51,094	Total Comprehensive Income and Expenditure	424,227	(357,755)	45,925

* The increase in gross expenditure is predominantly down to the impairment and subsequent downward revaluation of council dwellings and other land and buildings. More information is given in note 39.

BALANCE SHEET OF DARLINGTON BOROUGH COUNCIL AS AT 31 MARCH 2011

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

As at 31			As at 31 March 2011		
As at 01	March		£000	£000	Notes
April 2009	2010				
£000	£000		£000	£000	
		Property, Plant & Equipment			
173,862	153,745	Council Dwellings	109,841		
233,059	240,051	Other Land and Buildings	182,538		
6,567	7,395	Vehicles, Plant, Furniture & Equipment	6,634		
35,639	38,560	Infrastructure Assets	41,730		
7,761	7,823	Community Assets	8,005		
582	441	Assets under Construction	3,931		
<u>457,470</u>	<u>448,015</u>	Total Property, Plant & Equipment		<u>352,679</u>	5
14,843	17,097	Investment Properties		18,134	17
2,982	2,306	Long Term Investments		1,587	8
366	356	Long Term Debtors		299	8
<u>475,661</u>	<u>467,774</u>	Total Long Term Assets		<u>372,699</u>	
24,945	5,859	Short Term Investments		9,612	8
1,837	1,837	Assets Held for Sale		0	20
634	569	Inventories		408	4
13,366	14,764	Short Term Debtors		14,338	18
17,857	7,612	Cash and Cash Equivalents		8,825	19
<u>58,639</u>	<u>30,641</u>	Total Current Assets		<u>33,183</u>	
(13,764)	(14,646)	Short Term Borrowing		(7,513)	8
(31,620)	(27,999)	Short Term Creditors		(28,541)	21
(71)	(81)	Short Term Provisions		4	
<u>(45,455)</u>	<u>(42,726)</u>	Total Current Liabilities		<u>(36,050)</u>	
(23,332)	(22,354)	Long Term Creditors		(22,262)	8
(1,257)	(1,672)	Long Term Provisions		(1,887)	22
(92,088)	(67,166)	Long Term Borrowing		(74,059)	8
(113,040)	(156,950)	Other Long Term Liabilities		(110,130)	42
(1,712)	(1,227)	Capital Grants Receipts In Advance		(1,099)	34
<u>(231,429)</u>	<u>(249,369)</u>	Total Long Term Liabilities		<u>(209,437)</u>	
<u>257,416</u>	<u>206,320</u>	Net Assets		<u>160,395</u>	
28,425	35,442	Usable Reserves		43,021	23
228,991	170,878	Unusable Reserves		117,374	24
<u>257,416</u>	<u>206,320</u>	Total Reserves		<u>160,395</u>	

CASH FLOW STATEMENT

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

2009/10 £000	2010/11 £000
(13,830) Deficit on the provision of services	(66,472)
Adjustments to net surplus or deficit on the provision of services for non-cash 48,438 movements	100,093
Adjustments for items included in the net surplus or deficit on the provision of (24,027) services that are investing and financing activities	(22,751)
<hr/> 10,581 Net cash flows from Operating Activities (Note 25)	<hr/> 10,870
5,655 Investing Activities (Note 26)	(7,371)
(26,481) Financing Activities (Note 27)	(2,286)
<hr/> (10,245) Net increase or decrease in cash and cash equivalents	<hr/> 1,213
17,857 Cash and cash equivalents at the beginning of the reporting period	7,612
<hr/> 7,612 Cash and cash equivalents at the end of the reporting period (Note 19)	<hr/> 8,825

1 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Following the changes in accounting policies arising from the adoption of International Financial Reporting Standards (IFRS) there have been significant changes to the prior period values as presented in the 2009/10 accounts. To ensure comparatives are properly presented both the 2009/10 and 2008/09 accounts have been restated to apply the current IFRS policies.

The presentation and format of the primary financial statements have also been revised under IFRS policies; this may result in no direct comparative between previously reported financial statements and those presented for this financial year.

The following tables explain the differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Extract from Balance Sheet

	IFRS Transition Adjustments							IFRS As at 01 April 2009 £000
	UK GAAP		Grant Income £000	Leases £000	Cash & Cash Equivalents £000	Non Current Assets £000	Other £000	
	As at 01 April 2009 £000	Accumulated Absences £000						
Property, Plant & Equipment								
Council Dwellings	173,862							173,862
Other Land and Buildings	230,110					2,949		233,059
Vehicles, Plant, Furniture & Equipment	5,954			613				6,567
Infrastructure Assets	35,639							35,639
Community Assets	7,761							7,761
Assets under Construction	582							582
Surplus Assets not Held For Sale	4,472					(4,472)		0
Total Property, Plant & Equipment	458,380	0	0	613	0	(1,523)	0	457,470
Investment Property	14,936					(93)		14,843
Assets Held for Sale	0							0
Long Term Investments	2,982							2,982
Long Term Debtors								
Mortgages	69							69
Residual Interest in PFI Schemes	0							0
Other Long Term Debtors	297							297
Total Long Term Assets	476,664	0	0	613	0	(1,616)	0	475,661
Short Term Investments	40,605				(15,660)			24,945
Assets Held for Sale	0					1,837		1,837
Inventories	634							634
Short Term Debtors	13,366							13,366
Cash and Cash Equivalents	2,197				15,660			17,857
Total Current Assets	56,802	0	0	0	0	1,837	0	58,639
Short Term Borrowing	(13,764)							(13,764)
Short Term Creditors	(33,216)	(2,028)	3,624					(31,620)
Short Term Provisions	0						(71)	(71)
Total Current Liabilities	(46,980)	(2,028)	3,624	0	0	0	(71)	(45,455)
Long Term Creditors	(22,294)			(1,038)				(23,332)
Long Term Provisions	(1,328)						71	(1,257)
Long Term Borrowing	(92,088)							(92,088)
Other Long Term Liabilities	(113,040)							(113,040)
Capital Grants In Advance	0		(1,712)					(1,712)
Total Long Term Liabilities	(228,750)	0	(1,712)	(1,038)	0	0	71	(231,429)
Net Assets	257,736	(2,028)	1,912	(425)	0	221	0	257,416
Usable Reserves								
Capital Receipts Reserve	1,029							1,029
Capital Grants Unapplied	0		8,235					8,235
Revenue Grants Unapplied	0		3,624					3,624
Housing Revenue Account	777							777
School Revenue Balances	1,742							1,742
Earmarked Reserves	3,333							3,333
General Fund Balance	9,685							9,685
Unusable Reserves								
Revaluation Reserve	16,208					(617)		15,591
Capital Adjustment Account	336,453		(9,946)	(425)		838		326,920
Available-for-Sale Financial Reserve	2,982							2,982
Financial Instruments Adjustment Account	(787)							(787)
Deferred Capital Receipts Reserve	69							69
Pensions Reserve	(113,040)							(113,040)
Collection Fund Adjustment Account	(468)							(468)
Unequal Pay Back Pay Account	(248)							(248)
Accumulated Absences Account	0	(2,028)						(2,028)
Total Reserves	257,735	(2,028)	1,913	(425)	0	221	0	257,416

Extract from Balance Sheet

	UK GAAP		IFRS Transition Adjustments					IFRS
	As at 31	Accumulated	Grant Income	Leases	Cash &	Non Current	Other	As at 31
	March 2010	Absences			Equivalents			Assets
	£000	£000	£000	£000	£000	£000	£000	£000
Property, Plant & Equipment								
Council Dwellings	153,745							153,745
Other Land and Buildings	237,181					2,870		240,051
Vehicles, Plant, Furniture & Equipment	6,300			1,095				7,395
Infrastructure Assets	38,560							38,560
Community Assets	7,823							7,823
Assets under Construction	441							441
Surplus Assets not Held For Sale	4,448					(4,448)		0
Total Property, Plant & Equipment	448,498	0	0	1,095	0	(1,578)	0	448,015
Investment Property	17,989					(892)		17,097
Assets Held for Sale	0							0
Long Term Investments	2,306							2,306
Long Term Debtors								
Mortgages	59							59
Residual Interest in PFI Schemes	0							0
Other Long Term Debtors	297							297
Total Long Term Assets	469,149	0	0	1,095	0	(2,470)	0	467,774
Short Term Investments	15,162					(9,303)		5,859
Assets Held for Sale	0						1,837	1,837
Inventories	569							569
Short Term Debtors	14,764							14,764
Cash and Cash Equivalents	(1,691)					9,303		7,612
Total Current Assets	28,804	0	0	0	0	1,837	0	30,641
Short Term Borrowing	(14,646)							(14,646)
Short Term Creditors	(29,411)	(2,106)	3,518					(27,999)
Short Term Provisions	0						(81)	(81)
Total Current Liabilities	(44,057)	(2,106)	3,518	0	0	0	(81)	(42,726)
Long Term Creditors	(20,810)			(1,544)				(22,354)
Long Term Provisions	(1,753)						81	(1,672)
Long Term Borrowing	(67,166)							(67,166)
Other Long Term Liabilities	(156,950)							(156,950)
Capital Grants In Advance	0		(1,227)					(1,227)
Total Long Term Liabilities	(246,679)	0	(1,227)	(1,544)	0	0	81	(249,369)
Net Assets	207,217	(2,106)	2,291	(449)	0	(633)	0	206,320
Usable Reserves								
Capital Receipts Reserve	681							681
Capital Grants Unapplied	0		12,488					12,488
Revenue Grants Unapplied	0		3,518					3,518
Housing Revenue Account	842							842
School Revenue Balances	2,132							2,132
Earmarked Reserves	2,891							2,891
General Fund Balance	12,890							12,890
Unusable Reserves								
Revaluation Reserve	18,367					(2,049)		16,318
Capital Adjustment Account	325,756		(13,715)	(449)		1,417		313,009
Available-for-Sale Financial Reserve	2,306							2,306
Financial Instruments Adjustment Account	(518)							(518)
Deferred Capital Receipts Reserve	69							69
Pensions Reserve	(156,950)							(156,950)
Collection Fund Adjustment Account	(675)							(675)
Unequal Pay Back Pay Account	(575)							(575)
Accumulated Absences Account	0	(2,106)						(2,106)
Total Reserves	207,216	(2,106)	2,291	(449)	0	(632)	0	206,320

Extract from Income and Expenditure Account

	IFRS Transition Adjustments							
	UK GAAP Net Expenditure 2009/10 £000	Accumulated Absences £000	Grant Income £000	Leases £000	Assets Held for Sale £000	Investment Properties £000	Other £000	IFRS Net Expenditure 2009/10 £000
Cost of Services	100,667	78	8,869	(37)	(24)	(50)	(79)	109,424
Other operating expenditure	623						79	702
Financing and Investment income & expenditure	12,364			61		(620)		11,805
Taxation and no-specific grant income	(84,060)		(24,041)					(108,101)
(Surplus)/Deficit on Provision of Services	29,594	78	(15,172)	24	(24)	(670)	0	13,830
(Surplus)/Deficit on revaluation of Property, Plant and Equipment	(2,395)					1,548		(847)
(Surplus)/Deficit on revaluation of Available-for-sale assets	675							675
Actuarial gains/losses on pension assets / liabilities	37,436							37,436
Total Comprehensive Income and Expenditure	65,310	78	(15,172)	24	(24)	878	0	51,094

Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is the lessee) will be unchanged. Where the Authority is the lessor, the regulations allow the Authority to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account, which was the accumulated balance of capital grants received that had funded assets held on the Balance Sheet and by applying the matching principle, recognised as income over the life of the assets which were used to fund and match the depreciation charge.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

Accounting for Non-Current Assets

IFRS introduces a number of new accounting treatments in respect of non-current assets.

Investment properties are now a distinct category of asset and separately identified on the face of the Balance Sheet. Movements in the valuation of investment properties should now be recorded through the surplus or deficit of provision of services rather than recognised within the Revaluation Reserve.

There is a new balance sheet category of Assets Held for Sale, which is for those properties that are marketed and anticipated to be sold within a twelve month period of the reporting date. As at the 31 March 2011 the Council does not have any assets that meet the strict criteria of Assets Held for Sale.

Cash and Cash Equivalents

Cash Equivalents is a new IFRS balance sheet heading to include both cash and highly liquid short term investments. Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition, are held for the purpose of liquidity rather than investment, and are readily convertible to known amounts of cash with insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

2 TRANSFERS TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back to earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
General Fund	9,685	(77,579)	80,784	12,890	(89,929)	87,717	10,678
	9,685	(77,579)	80,784	12,890	(89,929)	87,717	10,678
Earmarked Reserves							
Earmarked Departmental Reserves	1,131	(1,131)	298	298	(298)	1,202	1,202
Balances held by schools under a scheme of delegation	1,742	(2,087)	2,477	2,132	(2,317)	2,790	2,605
Faverdale Maintenance Fund	16	(5)	0	11	(5)	0	6
Revenue Contribution to Capital Outlay	267	(37)	253	483	(483)	501	501
PFI Reserve	225	(267)	1	(41)	0	(181)	(222)
Absence Supply Insurance	300	(300)	0	0	0	0	0
Insurance Fund	1,259	0	254	1,513	(1,000)	265	778
Mercury Abatement Fund	0	0	79	79	(21)	95	153
Crematorium Refurbishment Fund	57	0	17	74	0	3	77
Building Control	(28)	(105)	0	(133)	0	(26)	(159)
LPSA Reserve	0	0	362	362	0	142	504
Redundancy & Decommissioning Reserve	106	0	139	245	(2,374)	4,240	2,111
Land Charges Reserve	0	0	0	0	0	105	105
Revenue Grants Unapplied	3,624	(3,624)	3,518	3,518	(3,518)	2,680	2,680
	8,699	(7,556)	7,398	8,541	(10,016)	11,816	10,341
Housing Revenue Account	777	0	65	842	0	3,741	4,583
	777	0	65	842	0	3,741	4,583

3 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

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

Directorate Income and Expenditure 2010/11	Children's Services £000	Community Services £000	Corporate Services £000	Chief Exec's Office £000	Total £000
Fees, charges and other service income	(6,640)	(73,677)	(8,336)	(1,703)	(90,356)
Government Grants	(37,857)	(46,852)	(258)	(2,861)	(87,828)
Total Income	(44,497)	(120,529)	(8,594)	(4,564)	(178,184)
Employee Expenses	70,711	34,635	9,054	4,581	118,981
Other service expenses	43,780	123,802	10,091	5,867	183,540
Support service recharges	3,220	5,056	237	55	8,568
Total Expenditure	117,711	163,493	19,382	10,503	311,089
Net expenditure	73,214	42,964	10,788	5,939	132,905

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

Directorate Income and Expenditure 2009/10 Comparative Figures	Children's Services	Community Services	Corporate Services	Chief Exec's Office	Total £000
	£000	£000	£000	£000	
Fees, charges and other service income	(23,024)	(72,654)	(8,114)	(998)	(104,790)
Government Grants	421	(45,032)	(333)	(1,445)	(46,389)
Total Income	(22,603)	(117,686)	(8,447)	(2,443)	(151,179)
Employee Expenses	20,160	35,672	9,217	3,814	68,863
Other service expenses	71,779	119,735	9,234	5,451	206,199
Support service recharges	994	5,804	246	60	7,104
Total Expenditure	92,933	161,211	18,697	9,325	282,166
Net expenditure	70,330	43,525	10,250	6,882	130,987

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

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

	2009/10 £000	2010/11 £000
Net expenditure in the Directorate Analysis	130,987	132,905
Net expenditure of services and support services not included in the Analysis	3,284	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	16,363	81,578
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(41,210)	(47,434)
Cost of Services in the Comprehensive Income and Expenditure Statement	109,424	167,049

Reconciliation to Subjective Analysis

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

2010/11	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(90,356)	0	(13,691)	0	(104,047)	0	(104,047)
Interest and investment income	0	0	0	321	321	(1,485)	(1,164)
Income from Council Tax	0	0	0	0	0	(39,707)	(39,707)
Government grants and contributions	(87,828)	0	0	(52,185)	(140,013)	(68,446)	(208,459)
Total Income	(178,184)	0	(13,691)	(51,864)	(243,739)	(109,638)	(353,377)
Employee Expenses	118,981	0	(35,713)	0	83,268	4,820	88,088
Other service expenses	183,540	0	793	4,470	188,803	14	188,817
Support service recharges	8,568	0	943	0	9,511	0	9,511
Depreciation, amortisation and impairment	0	0	129,246	0	129,246	0	129,246
Interest Payments	0	0	0	(40)	(40)	3,825	3,785
Precepts and Levies	0	0	0	0	0	155	155
Payments to Housing Capital Receipts Pool	0	0	0	0	0	274	274
Gain or loss on disposal of Non-Current Assets	0	0	0	0	0	(27)	(27)
Total Expenditure	311,089	0	95,269	4,430	410,788	9,061	419,849
Surplus or Deficit on the Provision of Services	132,905	0	81,578	(47,434)	167,049	(100,577)	66,472

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

2009/10 Comparative Figures	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(104,790)	0	(3,286)	(18,748)	(126,824)	0	(126,824)
Interest and investment income	0	0	0	(1,403)	(1,403)	(1,756)	(3,159)
Income from Council Tax	0	0	0	0	0	(39,488)	(39,488)
Government grants and contributions	(46,389)	0	0	(52,311)	(98,700)	(68,612)	(167,312)
Total Income	(151,179)	0	(3,286)	(72,462)	(226,927)	(109,856)	(336,783)
Employee Expenses	68,863	0	0	(345)	68,518	9,329	77,847
Other service expenses	206,199	3,284	0	2,979	212,462	0	212,462
Support service recharges	7,104	0	(3)	0	7,101	0	7,101
Depreciation, amortisation and impairment	0	0	19,652	28,618	48,270	0	48,270
Interest Payments	0	0	0	0	0	4,231	4,231
Precepts and Levies	0	0	0	0	0	141	141
Payments to Housing Capital Receipts Pool	0	0	0	0	0	204	204
Gain or loss on disposal of Non-Current Assets	0	0	0	0	0	357	357
Total Expenditure	282,166	3,284	19,649	31,252	336,351	14,262	350,613
Surplus or Deficit on the Provision of Services	130,987	3,284	16,363	(41,210)	109,424	(95,594)	13,830

4 INVENTORIES

	Consumable Stores		Maintenance Materials		Client Services Work In Progress		Total	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	112	136	250	264	207	234	569	634
Purchases	1,176	1,176	1,043	1,064	0	167	2,219	2,407
Recognised as an expense in the year	(1,158)	(1,200)	(1,026)	(1,078)	(196)	(194)	(2,380)	(2,472)
Balance outstanding at year-end	130	112	267	250	11	207	408	569

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

5 PROPERTY, PLANT AND EQUIPMENT

Movement on Balances

Movements in 2010/11:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2010	175,270	270,797	20,730	46,671	7,971	441	521,880	29,142
Additions	6,096	10,192	1,460	4,395	298	3,490	25,931	307
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,631)	10,107	0	0	0	0	7,476	0
Revaluation increases/(decreases) recognised in the Deficit on the Provision of Services	(51,273)	(99,584)	0	0	0	0	(150,857)	(5,196)
Derecognition - disposals	(362)	(211)	(3,039)	0	0	0	(3,612)	0
Other movements in cost or valuation	0	(88)	0	57	(58)	0	(89)	0
At 31 March 2011	127,100	191,213	19,151	51,123	8,211	3,931	400,729	24,253
Accumulated Depreciation and Impairment								
At 1 April 2010	21,525	30,746	13,335	8,111	148	0	73,865	3,101
Depreciation charge	3,857	8,067	2,221	1,282	10	0	15,437	651
Depreciation written out to the Deficit on the Provision of Services	(2)	(23,255)	(3,039)	0	(1)	0	(26,297)	(3,544)
Impairment losses/(reversals) recognised in the Deficit on the Provision of Services	(8,121)	(6,883)	0	0	49	0	(14,955)	(169)
At 31 March 2011	17,259	8,675	12,517	9,393	206	0	48,050	39
Net book value								
at 31 March 2011	109,841	182,538	6,634	41,730	8,005	3,931	352,679	24,214
at 31 March 2010	153,745	240,051	7,395	38,560	7,823	441	448,015	26,041
at 31 March 2009	173,862	233,059	6,567	35,639	7,761	582	457,470	26,764

Comparative Movements in 2009/10

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2009	190,117	255,282	18,550	42,562	7,822	602	514,935	28,934
Additions	10,239	18,674	3,173	4,109	135	310	36,640	208
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,170	(2,901)	0	0	0	0	(731)	0
Revaluation increases/(decreases) recognised in the Deficit on the Provision of Services	(27,001)	711	0	0	0	0	(26,290)	0
Derecognition - disposals	(255)	(624)	(993)	0	0	0	(1,872)	0
Other movements in cost or valuation	0	(345)	0	0	14	(471)	(802)	0
At 31 March 2010	175,270	270,797	20,730	46,671	7,971	441	521,880	29,142

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

Accumulated Depreciation and Impairment

At 1 April 2009	16,256	22,223	11,982	6,924	62	19	57,466	2,170
Depreciation charge	3,787	7,574	2,346	1,187	10	0	14,904	723
Depreciation written out to the Deficit on the Provision of Services	(3)	(1,099)	(993)	0	0	0	(2,095)	0
Impairment losses/(reversals) recognised in the Deficit on the Provision of Services	1,485	2,203	0	0	60	0	3,748	208
Derecognition - disposals	0	(131)	0	0	0	0	(131)	0
Derecognition - other							0	
Other movements in depreciation and impairment	0	(24)	0	0	16	(19)	(27)	0
At 31 March 2010	21,525	30,746	13,335	8,111	148	0	73,865	3,101

Depreciation

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

- Council Dwellings - the Major Repairs Allowance is used as a proxy for depreciation
- Other Land and Buildings - over the life of the property as estimated by the valuer
- Vehicles, Plant, Furniture & Equipment - between 3 and 12 years
- Infrastructure - 40 years

There are no major capital commitments in future years.

Revaluations

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

The significant assumptions applied in estimating the fair values are:

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	263	6,634	41,730	8,005	0	3,931	60,563	0
valued at fair value as at:									
31 March 2011	109,841	106,822	0	0	0	0	0	216,663	24,214
31 March 2010	0	5,506	0	0	0	0	0	5,506	0
31 March 2009	0	47,279	0	0	0	0	0	47,279	0
31 March 2008	0	20,284	0	0	0	0	0	20,284	0
31 March 2007	0	2,384	0	0	0	0	0	2,384	0
Total Cost or Valuation	109,841	182,538	6,634	41,730	8,005	0	3,931	352,679	24,214

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

6 OFFICERS' REMUNERATION

The number of employees whose remuneration was £50,000 or more (excluding employer's pension contributions):-

Remuneration band	2009/10			2010/11			No. of redundancies included in total
	Schools	Non-schools	Total	Schools	Non-schools	Total	
£50,000 - £54,999	30	10	40	42	8	50	1
£55,000 - £59,999	14	3	17	7	6	13	4
£60,000 - £64,999	14	1	15	15	6	21	6
£65,000 - £69,999	6	7	13	13	10	23	4
£70,000 - £74,999	1	3	4	3	5	8	1
£75,000 - £79,999	2	8	10	0	3	3	2
£80,000 - £84,999	2	3	5	1	8	9	2
£85,000 - £89,999	0	0	0	0	0	0	0
£90,000 - £94,999	2	1	3	1	3	4	5
£95,000 - £99,999	2	0	2	4	2	6	1
£100,000 - £104,999	0	0	0	1	0	1	0
£105,000 - £109,999	0	0	0	0	0	0	0
£110,000 - £114,999	1	0	1	0	0	0	0
£115,000 - £119,999	1	2	3	0	3	3	1
£120,000 - £124,999	0	0	0	1	0	1	0
£125,000 - £129,999	0	1	1	0	0	0	0
£130,000 - £134,999	0	0	0	0	0	0	0
£135,000 - £139,999	0	0	0	0	0	0	0
£140,000 - £144,999	0	0	0	0	0	0	0
£145,000 - £149,999	0	0	0	0	0	0	0
£150,000 +	0	1	1	0	2	2	1
	75	40	115	88	56	144	28

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

Disclosure of Remuneration for Senior Employees 2010/11

Post Title	Post Holder (Required if salary exceeds £150,000)	Salary	Expenses Allowances	Redundancy Pay	Total Remuneration (excl. pension contributions)	Employer pension contributions	Total Remuneration (incl. pension contributions)
Chief Executive	Ada Burns	£ 156,720	£ 1,860	0	£ 158,580	£ 28,993	£ 187,573
Director of Community Services (1)	Cliff Brown	96,014	1,356	156,639	254,009	17,762	271,771
Director of Children's Services		115,725	1,159	0	116,884	21,409	138,293
Director of Corporate Services		115,725	1,465	0	117,190	21,409	138,599
Assistant Chief Exec - Regeneration		97,369	0	0	97,369	18,013	115,382
Assistant Chief Exec - Policy & Performance		80,000	1,396	0	81,396	14,800	96,196

(1) The Director of Community Services left the Authority on 31 December 2010. As part of the Council's senior management restructure this post was deleted from the establishment from 1 January 2011.

Disclosure of Remuneration for Senior Employees 2009/10

Post Title	Post Holder (Required if salary exceeds £150,000)	Salary	Expenses Allowances	Total Remuneration (excl. pension contributions)	Employer pension contributions	Total Remuneration (incl. pension contributions)
Chief Executive	Ada Burns	£ 156,720	£ 2,347	£ 159,067	£ 28,993	£ 188,060
Director of Community Services		128,313	2,425	130,738	23,738	154,476
Director of Children's Services		115,725	2,347	118,072	21,409	139,481
Director of Corporate Services		115,725	2,710	118,435	21,409	139,844
Assistant Chief Exec - Regeneration		92,607	906	93,513	17,132	110,645
Assistant Chief Exec - Policy & Performance (1)		41,167	558	41,725	7,616	49,341

(1) The Assistant Chief Executive - Policy & Performance joined the authority on 21st September 2009 on an annualised salary of £78,000. The post was vacant for the first part of 2009/10.

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	General Fund £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
2010/11						
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation of non-current assets	(11,610)	(3,872)	0	0	0	15,482
Charges for impairment of non-current assets	(481)	(2,098)	0	0	0	2,579
Revaluation losses on Property, Plant and Equipment	(69,224)	(40,971)	0	0	0	110,195
Movements in the market value of Investment Properties	715	0	0	0	0	(715)
Amortisation of Intangible Assets	0	0	0	0	0	0
Capital Grants and Contributions Applied	1,945	611	0	0	0	(2,556)
Movement in the Donated Assets Account	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(2,806)	(604)	0	0	0	3,410
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,848)	(525)	0	0	0	2,373
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	5,041	333	0	0	0	(5,374)
Capital expenditure charged against the General Fund and HRA balances	0	0	0	0	0	0
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	18,063	0	0	0	(18,063)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	13,226	(13,226)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,917	378	(2,295)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	2,241	0	0	(2,241)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	(280)	280	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	12	0	(12)	0	0	0
Other adjustments involving the Capital Receipts Reserve	(373)	0	373	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(36)	0	0	0	0	36
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	2,336	0	(2,336)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	2,336	0	(2,336)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	120	0	0	0	0	(120)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (See Note 42)	22,310	0	0	0	0	(22,310)
Employer's pension contributions and direct payments to pensioners payable in the year	10,341	269	0	0	0	(10,610)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(118)	0	0	0	0	118
Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(140)	0	0	0	0	140
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(47)	0	0	0	0	47
Total Adjustments	(26,219)	(44,423)	587	0	(4,837)	74,892

	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
2009/10 Comparative Figures						
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation of non-current assets	(11,098)	(3,802)	0	0	0	14,900
Charges for impairment of non-current assets	(2,572)	(10,219)	0	0	0	12,791
Revaluation losses on Property, Plant and Equipment	(4,169)	(14,649)	0	0	0	18,818
Movements in the market value of Investment Properties	616	0	0	0	0	(616)
Amortisation of Intangible Assets	0	0	0	0	0	0
Capital Grants and Contributions Applied	4,337	0	0	0	0	(4,337)
Movement in the Donated Assets Account	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(1,729)	(727)	0	0	0	2,456
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(504)	(263)	0	0	0	767
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	5,094	271	0	0	0	(5,365)
Capital expenditure charged against the General Fund and HRA balances	38	3,300	0	0	0	(3,338)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	19,704	0	0	0	(19,704)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	15,450	(15,450)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	231	263	(494)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	630	0	0	(630)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(212)	0	212	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	5,263	0	(5,263)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	5,263	0	(5,263)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	312	(43)	0	0	0	(269)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (See Note 42)	(16,606)	(414)	0	0	0	17,020
Employer's pension contributions and direct payments to pensioners payable in the year	10,308	272	0	0	0	(10,580)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(207)	0	0	0	0	207
Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(326)	0	0	0	0	326
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(78)	0	0	0	0	78
Total Adjustments	3,139	(20,748)	348	0	(4,254)	21,515

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

8 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term			Current		
	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Cash Equivalents Short Term Deposits (See Note 19)	0	0	0	9,390	9,303	15,660
Short Term Investments (Per Balance Sheet)	0	0	0	9,612	5,859	24,945
Loans and Receivables at amortised costs	0	0	0	19,002	15,162	40,605
Available for Sale assets	1,587	2,306	2,982	0	0	0
Total Investments	1,587	2,306	2,982	19,002	15,162	40,605
Debtors						
Loans and Receivables	299	356	366	0	0	0
Financial assets carried at contract amounts (Debtors)	0	0	0	6,368	4,776	6,366
Total Debtors	299	356	366	6,368	4,776	6,366
Borrowing						
Financial liabilities(principal amount)	74,111	67,111	91,147	6,750	13,750	13,474
+ Accrued Interest			941	716	780	0
+/- Other accounting adjustments	(52)	55		47	116	290
Financial Liabilities at amortised cost	74,059	67,166	92,088	7,513	14,646	13,764
Financial Liabilities at fair value through profit and loss	0	0	0	0	0	0
Total Borrowings (Per Balance Sheet)	74,059	67,166	92,088	7,513	14,646	13,764
PFI and finance lease liabilities	22,262	22,354	23,332	1,827	1,963	1,909
Total other long term creditors Per Balance Sheet)	22,262	22,354	23,332	1,827	1,963	1,909
Financial liabilities carried at contract amount	0	0	0	1,553	2,014	1,260
Total Creditors	0	0	0	1,553	2,014	1,260

Income, Expense, Gains and Losses

	2010/11				
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available-for-sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
Interest expense	3,825	0	0	0	3,825
Total expense in Deficit on the Provision of Services	3,825	0	0	0	3,825
Interest income	0	(475)	0	0	(475)
Total income in Deficit on the Provision of Services	0	(475)	0	0	(475)
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	(720)	0	(720)
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	(720)	0	(720)
Net gain/(loss) for the year	3,825	(475)	(720)	0	2,630

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

	2009/10				Total £000
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	
Interest expense	4,231	0	0	0	4,231
Total expense in Deficit on the Provision of Services	4,231	0	0	0	4,231
Interest income	0	(1,136)	0	0	(1,136)
Total income in Deficit on the Provision of Services	0	(1,136)	0	0	(1,136)
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	(675)	0	(675)
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	(675)	0	(675)
Net gain/(loss) for the year	4,231	(1,136)	(675)	0	2,420

	2008/09				Total £000
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	
Interest expense	4,500	0	0	0	4,500
Total expense in Deficit on the Provision of Services	4,500	0	0	0	4,500
Interest income	0	(2,470)	0	0	(2,470)
Total income in Deficit on the Provision of Services	0	(2,470)	0	0	(2,470)
Gains on revaluation	0	0	368	0	368
Losses on revaluation	0	0	(1,423)	0	(1,423)
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	(1,055)	0	(1,055)
Net gain/(loss) for the year	4,500	(2,470)	(1,055)	0	975

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

	Balance Sheet Value 2010/11 £	Balance Sheet Value 2009/10 £	Reduction in Value £
Premier Waste Management	894,350	1,112,073	217,723
Durham Tees Valley Airport	595,458	1,097,272	501,814
Newcastle International Airport	97,000	97,000	0
	<u>1,586,808</u>	<u>2,306,345</u>	<u>719,537</u>

The Council holds 16% of the shares in Premier Waste Management Limited. 220,480 £1 shares are held with a balance sheet value of £894,350. The latest audited accounts are for the year ended 31st March 2010 and show net assets including pensions liability of £5,589,688 (previous year £6,950,457), a profit before tax of £339,238 (previous year loss before tax £265,756) and a profit after tax of £219,631 (previous year loss after tax of £204,291). Further information regarding the company's accounts can be obtained from the Registered Office, Premier Waste Management Limited, Prospect House, Aykley Heads Business Centre, Aykley Heads, Durham DH1 5TS.

The Council holds 6.66% of the shares in Durham Tees Valley Airport Limited. 1,766,667 B Ordinary Shares are held with a balance sheet value of £595,458 and 174,900, 100 Deferred Shares. The latest audited accounts are for the year ended 31st March 2010 and show net assets of £8,940,806 (previous year £16,475,555) a loss before tax of £8,003,184 (previous year loss before tax of £3,903,704) and a loss after tax of £6,465,549 (previous year loss after tax of £2,653,411). Further information regarding the company's accounts can be obtained from the Registered Office, Durham Tees Valley Airport Ltd, Darlington County Durham, DL2 1LU.

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

The Council has been awarded a proportion of the shares in Newcastle International Airport (NIAL), 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. Due to current trading conditions the Council's value of its shareholding in NIAL is £97,000 (previously valued at £97,000).

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the

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

The fair values calculated are as follows:

	31 March 2011			31 March 2010		
	Carrying amount £000	Fair Value £000	Value £000	Carrying amount £000	Fair Value £000	Value £000
Financial Liabilities						
PWLB Debt	41,011		43,665	55,480		56,889
Non PWLB debt	40,565		42,220	26,332		21,502
Total Debt	81,576		85,885	81,812		78,391
Creditors	1,553		1,553	2,014		2,014

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

	31 March 2011			31 March 2010		
	Carrying amount £000	Fair Value £000	Value £000	Carrying amount £000	Fair Value £000	Value £000
Money Market Loans less than 1 year	19,390		19,390	13,290		13,290
Money market loans more than 1 year	0		0	2,000		2,000
Debtors	6,368		6,368	4,776		4,776

The fair value of the assets is equal to the carrying amount. The fair value assumes no difference in interest rates to comparable market rates.

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

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

9 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 44, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events:

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

- A number of schools are transferring to academy status in 2011/12. It is the Council's policy to exclude academy schools from its Balance Sheet as it does not retain sufficient control over the schools service provision to warrant recognition of the school as an asset. As at 31 March 2011, however, the land and building assets relating to these schools have not been removed from the Council's Balance Sheet.

- In the June 2010 budget statement it was announced that public service pensions would be increased in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) from 1 April 2011. This change has implications for local government 2010/11 financial statements by reducing the calculated value of employers liabilities for accounting purposes. The Council has decided that the treatment for this adjustment should be applied as a negative Past Service Cost and therefore recognised within the Deficit on Provision of Services, rather than as an Actuarial Gain in the Other Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

- The Council is deemed to control the education services provided under the agreement in the schools and also to control the residual value of the schools at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the Education Village and Harrowgate Hill Primary School which became operational in March 2006 and August 2005 respectively. They are valued at £26.375M and are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

10 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Council, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are the collections of assets and artefacts either exhibited or stored in the Head of Steam museum, paintings that form the Borough Arts Collection and certain items of Civic Regalia.

The collections are not currently recognised in the financial statements as no recent information is available on the value of the assets, however detailed records are kept on each asset by the curators of the collections, this includes (for the arts collection and the civic regalia) insurance valuation information.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The Council anticipates that it will be able to recognise its arts collection and civic regalia on the Balance Sheet using as its base the insurance valuations held by the Council. The Council will also obtain valuations for several exhibits at the Head of Steam and, should they prove to be materially significant, may also be recognised on the Balance Sheet.

The Council estimates that the value of the arts collection and civic regalia from its insurance records is £1.1 million as at 1 April 2010. As these assets have not yet been recognised in the Balance Sheet this will require a corresponding increase in the Revaluation Reserve of £1.1 million, i.e. a revaluation gain.

The Council considers that the heritage assets held will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation for the assets. There will therefore be no depreciation charged in the financial statements in relation to the Council's heritage assets.

11 MATERIAL ITEMS OF INCOME AND EXPENSE

The only material items of expense which are not disclosed on the face of the Comprehensive Income and Expenditure Statement are as follows:

In the current economic climate the Council is facing its most significant financial challenge since becoming a Unitary Council in 1997 due to significant reductions in Government funding. It is estimated that the Council will need to save in the region of £22M over the next four years and in light of this there are redundancy costs that are estimated to be in the region of £5M. The actual costs will not be known until full implementation of the proposed savings. The authority has been given a capitalisation directive for £760,000 which will mean that the other £4.240M will need to be funded from revenue. Approximately £2.374M has been charged to revenue in 2010/11 which will ultimately be funded from the Redundancy and Decommissioning Reserve.

With effect from 1 April 2011, increases to local government pensions in payment and deferred pensions will be linked to annual increases in the Consumer Prices index (CPI), rather than the Retail Prices Index (RPI). Since, over the long term CPI increases are expected to be lower than RPI increases, this gives rise to a reduction in the defined benefit obligation on the Balance Sheet. The reduction of £37M has been recognised as a negative past service cost in the Comprehensive Income and Expenditure Statement and is also shown as an adjustment in the Movement in Reserves Statement.

12 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Resources on 24 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no significant post balance sheet events to be disclosed

13 OTHER OPERATING EXPENDITURE

2009/10 £000	2010/11 £000
62 Parish Council precepts	73
79 Levies	82
204 Payments to the Government Housing Capital Receipts Pool	274
357 (Gains)/losses on the disposal of non-current assets	(27)
<hr/> 702 Total	<hr/> 402

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

14 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.311M for every year that useful lives had to be reduced.
Provisions	The Council has made a provision of £0.714M for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.069M to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £27.610M for funded LGPS benefits. However, the assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pensions liability had decreased by £11.110M as a result of estimates being corrected as a result of experience and decreased by £3.630M attributable to updating of these assumptions.
Arrears	At 31 March 2011, the Council had a balance of sundry debtors for £6.368M. A review of significant balances suggested that an impairment of doubtful debts of 10.8% (£0.688M) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts wouldn't require a substantial additional amount to be set aside as an allowance due to the current policy in place.

15 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10 £000		2010/11 £000
4,231	Interest payable and similar charges	3,825
9,330	Pensions interest cost and expected return on pensions assets (Note 42)	4,820
(1,136)	Interest receivable and similar income	(475)
(620)	Income and expenditure in relation to investment properties and changes in their fair value (Note 17)	(996)
11,805	Total	7,174

16 TAXATION AND NON SPECIFIC GRANT INCOMES

2009/10 £000		2010/11 £000
(39,488)	Council tax income	(39,707)
(30,698)	Non domestic rates	(33,907)
(13,874)	Non-ringfenced government grants	(13,920)
(24,041)	Capital grants and contributions	(20,619)
(108,101)	Total	(108,153)

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

17 INVESTMENT PROPERTIES

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

2009/10 £000	2010/11 £000
394 Rental income from investment property	321
(87) Direct operating expenses arising from investment property	(40)
307 Net gain	281

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

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

2009/10 £000	2010/11 £000
14,843 Balance at start of the year	17,097
Additions:	
589 Purchases	0
527 Subsequent Expenditure	270
0 Disposals	(8)
308 Net gains/losses from fair value adjustments	715
Transfers:	
830 to/from Property, Plant and Equipment	0
0 Other changes	60
17,097 Balance at end of the year	18,134

18 DEBTORS

As at 01 April 2009 £000	As at 31 March 2010 £000		As at 31 March 2011 £000
3,252	6,062	Central government bodies	6,074
561	416	Other local authorities	1,329
58	(17)	NHS bodies	46
8,114	7,017	General Debtors	5,676
1,381	1,286	Payments in Advance	1,213
13,366	14,764		14,338

19 CASH AND CASH EQUIVALENTS

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

As at 01 April 2009 £000	As at 31 March 2010 £000		As at 31 March 2011 £000
201	205	Cash held by the Authority	212
1,996	(1,896)	Bank current accounts	(777)
15,660	9,303	Short-term deposits	9,390
17,857	7,612	Total cash and cash equivalents	8,825

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

20 ASSETS HELD FOR SALE

	Current		Non-Current	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
Balance outstanding at start of year	1,837	1,837	0	0
Assets sold	0	(1,837)	0	0
Balance outstanding at year-end	1,837	0	0	0

21 CREDITORS

As at 01 April 2009 £000	As at 31 March 2010 £000		As at 31 March 2011 £000
3,747	3,267	Central government bodies	2,599
2,397	2,725	Other local authorities	3,683
51	90	NHS bodies	5
25,425	21,917	Other entities and individuals	22,254
31,620	27,999	Total	28,541

22 PROVISIONS

	Other Provisions £000	Total £000
Balance at 1 April 2010	(1,672)	(1,672)
Additional provisions made in 2010/11	(236)	(236)
Amounts used in 2010/11	15	15
Unused amounts reversed in 2010/11	6	6
Balance at 31 March 2011	(1,887)	(1,887)

Equal Pay - A provision of £714,000 has been created for potential costs related to payments due as a result of the job evaluation exercise that had a start date of 1 July 2005.

Land Reclamation - A provision of £300,000 has been made in the accounts as at 31 March 2011 for the repayment of reclamation grant. Part of the balance has been repaid and the remainder is under review.

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

Insurance Provision - The Council insures against the risk of claims in respect of personal injury and property loss. These risks are insured externally, however there is a £5,000 excess in respect of each and every claim on the liability policy. The balance of £689,000 on this account represents claims made and still outstanding as at 31 March 2011 which are within these excesses.

23 USABLE RESERVES

2008/09 £000	2009/10 £000		2010/11 £000
9,686	12,890	General Fund (Note 2)	10,678
3,333	2,891	Earmarked Reserves (Note 2)	5,056
777	842	Housing Revenue Account (Note 2)	4,583
1,742	2,132	Schools Revenue Balances (Note 2)	2,605
3,624	3,518	Revenue Grant Unapplied (Note 2)	2,680
1,029	681	Capital Receipts Reserve	94
8,234	12,488	Capital Grants Unapplied	17,325
28,425	35,442	Total Usable Reserves	43,021

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

24 UNUSABLE RESERVES

2008/09 £000	2009/10 £000	2010/11 £000
15,591	16,318	23,191
	Revaluation Reserve	
326,920	313,009	206,076
	Capital Adjustment Account	
2,982	2,306	1,587
	Available for Sale Financial Instruments Reserve	
(787)	(518)	(398)
	Financial Instruments Adjustment Account	
69	69	33
	Deferred Capital Receipts Reserve	
(113,040)	(156,950)	(110,130)
	Pensions Reserve	
(468)	(675)	(118)
	Collection Fund Adjustment Account	
(248)	(575)	(714)
	Unequal Pay Back Pay Account	
(2,028)	(2,106)	(2,153)
	Accumulated Absences Account	
228,991	170,878	117,374
	Total Unusable Reserves	

Revaluation Reserve

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

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

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

2008/09 £000	2009/10 £000	2010/11 £000
(284)	(15,591)	(16,318)
	Balance at 1st April	
(15,810)	(3,868)	(10,134)
	Upward revaluation of assets	
338	3,137	2,658
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	
(15,472)	(731)	(7,476)
	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	
0	0	440
	Difference between fair value depreciation and historical cost depreciation	
165	4	163
	Accumulated gains on assets sold or scrapped	
165	4	603
	Amount written off to the CAA	
(15,591)	(16,318)	(23,191)
	Balance at 31st March	

Capital Adjustment Account (CAA)

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets for financing and acquisition, construction or enhancement of those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The CAA is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The CAA contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The CAA also contains revaluation gains on accumulated Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all transactions posted to the CAA, apart from those involving the Revaluation Reserve.

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

2008/09 £000	2009/10 £000		2010/11 £000
(324,146)	(326,920)	Balance at 1st April	(313,009)
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
24,372	27,691	Charges for depreciation and impairment of non-current assets	18,061
13,848	18,095	Revaluation losses on Property, Plant and Equipment	110,141
1,838	2,456	Revenue expenditure funded from capital under statute	3,410
		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	
508	767		2,373
<hr/> 40,566	<hr/> 49,009		<hr/> 133,985
(165)	(99)	Adjusting amount written out of the Revaluation Reserve	(603)
<hr/> 40,401	<hr/> 48,910	Net written out amount of the cost of non-current assets consumed in the year.	<hr/> 133,382
		Capital financing applied in the year:	
(909)	(630)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,241)
(3,859)	(5,263)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,336)
(3,088)	(4,337)	Capital grants and contributions credited to the Comprehensive Income and Expenditure that have been applied to capital financing	(2,556)
(27,380)	(15,450)	Application of grants to capital financing from the Capital Grants Unapplied Account	(13,227)
(5,035)	(5,365)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(5,374)
(3,220)	(3,338)	Capital expenditure charged against the General Fund and HRA balances	0
<hr/> (43,491)	<hr/> (34,383)		<hr/> (25,734)
316	(616)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure	(715)
<hr/> (326,920)	<hr/> (313,009)	Balance at 31st March	<hr/> (206,076)

Available-for-Sale Financial Instruments Reserve

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

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

2008/09 £000	2009/10 £001		2010/11 £000
4,037	2,982	Balance at 1st April	2,306
(1,055)	(676)	Downward revaluation of investments not charged to the surplus/deficit on the Provision of Services	(719)
<hr/> 2,982	<hr/> 2,306	Balance at 31st March	<hr/> 1,587

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that is outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 13 years.

2008/09 £000	2009/11 £001	2010/11 £000
(924)	(787) Balance at 1st April	(518)
0	138 Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
137	131 Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements	120
(787)	(518) Balance at 31st March	(398)

Pensions Reserve

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

2008/09 £000	2009/10 £000	2010/11 £000
(65,990)	(113,040) Balance at 1st April	(156,950)
(45,290)	(37,470) Actuarial gains or losses on pensions assets and liabilities	13,900
(12,020)	(17,020) Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	22,310
10,260	10,580 Employer's pension contributions and direct payments to pensioners payable in the year	10,610
(113,040)	(156,950) Balance at 31st March	(110,130)

Deferred Capital Receipts Reserve

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

2008/09 £000	2009/10 £000	2010/11 £000
(69)	(69) Balance at 1st April	(69)
0	0 Transfer to the Capital Receipts Reserve upon receipt of cash	36
(69)	(69) Balance at 31st March	(33)

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across the the General Fund from the Collection Fund.

2008/09 £000	2009/10 £000	2010/11 £000
0	(468) Balance at 1st April	(675)
	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with	
(468)	(207) statutory requirements	557
(468)	(675) Balance at 31st March	(118)

Unequal Pay Back Pay Account

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

2008/09 £000	2009/10 £000	2010/11 £000
0	(248) Balance at 1st April	(574)
(248)	(326) Increase in provision for back pay in relation to Equal Pay cases	(140)
(248)	(574) Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(714)
(248)	(574) Balance at 31st March	(714)

Accumulated Absences Account

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

2008/09 £000	2009/10 £000	2010/11 £000
0	(2,028) Balance at 1st April	(2,106)
0	2,028 Settlement or cancellation of accrual made at the end of the preceding year	2,106
(2,028)	(2,106) Amounts accrued at the end of the current year	(2,153)
(2,028)	(2,106) Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2,153)
(2,028)	(2,106) Balance at 31st March	(2,153)

25 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2009/10 £000	2010/11 £000
1,136 Interest received	475
(4,231) Interest paid	(3,825)
0 Dividends received	0

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

26 CASH FLOW STATEMENT - INVESTING ACTIVITIES

2009/10 £000	2010/11 £000
(36,641) Purchase of property, plant and equipment, investment property and intangible assets	(26,199)
(226,630) Purchase of short term and long term investments	(213,446)
0 Other payments for investing activities	
494 Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,331
244,876 Proceeds from short term and long term investments	209,440
23,556 Other receipts from investing activities	20,503
5,655 Net cash flows from investing activities	(7,371)

27 CASH FLOW STATEMENT - FINANCING ACTIVITIES

2009/10 £000	2010/11 £000
20,002 Cash receipts of short and long term borrowing	13,575
0 Other receipts from financing activities	0
Cash payments for the reduction of the outstanding liabilities (1,885) relating to finance leases and on-Balance Sheet PFI contracts	(1,837)
(43,882) Repayments of short and long term borrowing	(13,750)
(716) Other payments for financing activities	(274)
(26,481) Net cash flows from financing activities	(2,286)

28 MEMBERS' ALLOWANCES

Details of the amounts paid to each Member of the Council are published annually and can be viewed on the Darlington Borough Council website. The total amount paid to Members in respect of basic, special responsibility and travel and subsistence allowance was £645,998 (2009/10 £648,407)

29 TRADING OPERATIONS

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

	2009/10		2010/11	
	Turnover £000	Surplus / (Deficit) £000	Turnover £000	Surplus / (Deficit) £000
Building Cleaning	1,552	(4)	1,500	96
Construction	10,306	630	10,261	249
Catering	1,773	(113)	1,611	(64)
Grounds Maintenance	372	5	383	6
Highways and Sewerage	4,435	288	4,276	197
Maintenance	7,739	(55)	6,692	489
School Meals-Best Value	1,665	(257)	1,522	(125)
	27,842	494	26,245	848
Adjustments:-				
IAS 19		344		(25)
Other		421		(112)
Prudential Borrowing		80		15
Surplus on Trading Accounts	27,842	1,339	26,245	726

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

30 EXTERNAL AUDIT COSTS

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

2009/10 £000		2010/11 £000
	Fees payable to Pricewaterhouse Coopers LLP (PWC) with regard to external audit services carried out by the appointed auditor for the year	210
	31 Fees payable to PWC for the certification of grant claims and returns for the year	35
	28 Fees payable in respect of other services provided by PWC during the year	34
248	Total	279
	17 Fees payable to the Audit Commission in respect of statutory inspection	0
265	Total	279

31 CONTINGENT LIABILITIES

At 31 March 2011, the Authority had two material contingent liabilities:

During 1992/93 Municipal Mutual Insurance (MMI) ceased accepting new business. MMI and its policyholders, including local authorities, have established a Scheme of Arrangement for the orderly run down of the company. MMI's future liabilities under its old policies cannot be fully quantified until all of the claims, current and yet to be made, have been settled. There is the possibility that, at some time in the future, MMI will not have enough assets to meet the claims and liabilities. The Scheme of Arrangement provides that, if there is a likelihood of a shortfall, MMI can clawback from the major policy holders part of the claims paid from October 1993. As at the 31 March 2011, the total amount of the Council's claims to date subject to clawback is £0.795M.

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

32 DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

Notes		Central Expenditure £000's	ISB £000's	Total £000's
A	Final DSG for 2010/11			60,909
B	Plus Brought Forward from 2009/10			(67)
C	Less Carry Forward to 2011/12 agreed in advance			0
D	Agreed budgeted distribution in 2010/11	7,736	53,106	60,842
E	Less Actual Central Expenditure	7,683	0	7,683
F	Less Actual ISB deployed to Schools	0	53,106	53,106
G	Plus Local Authority contribution for 2010/11	0	0	0
H	Carry Forward to 2011/12	53	0	53

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

33 PRIVATE FINANCE INITIATIVES

Education PFI Scheme

2010/11 was the sixth year of the Council's 25 year PFI scheme for the construction, maintenance and operation of two schools, the Education Village and Harrowgate Hill Primary School, which became operational in March 2006 and August 2005 respectively.

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

Property, Plant and Equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 5.

Payments

The Council makes an agreed payment each year part of which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2011 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2011/12	1,995	1,355	1,084	4,434
Payable within two to five years	8,486	5,113	3,703	17,302
Payable within six to ten years	11,856	5,871	3,305	21,032
Payable within eleven to fifteen years	13,414	5,542	1,940	20,896
Payable within sixteen to twenty years	13,318	4,817	629	18,764
Total	49,069	22,698	10,661	82,428

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

2009/10 £000	2010/11 £000
25,515 Balance outstanding at start of year	24,088
(1,427) Payments during the year	(1,390)
24,088 Balance outstanding at year end	22,698

34 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and expenditure Statement in 2010/11:

2009/10 £000	2010/11 £000
Credited to Taxation and Non Specific Grant Income	
7,086 Revenue Support Grant	4,924
6,310 Area Based Grant	8,854
433 Housing & Planning Delivery Grant	0
30,698 Non Domestic Rates	33,907
45 Local Authority Business Growth Incentive	0
0 LAA Reward Grant	142
44,572 Sub-total	47,827

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

Credited to Services

58,539	Dedicated Schools Grant (DSG)	60,909
20,475	Rent Allowance	22,695
11,208	Rent Rebates	11,613
1,757	Sixth forms funding from Learning and Skills Council	9,306
8,366	Council tax benefit	8,724
7,662	Standards Fund (excluding elements now in ABG)	8,127
3,522	Sure Start, Early Years and Childcare Grant	4,276
3,200	The Private Finance Initiative (PFI)	3,200
2,933	School Standards Grant (including Personalisation)	2,985
494	Concessionary Fares	1,354
1,124	Housing Benefit Admin	1,088
436	Further Education funding from Learning and Skills Council - 16-18 funding	577
507	Adult and Community Learning from Learning and Skills Council (LSC)	443
100	NEETS Skills for Me funding from Learning and Skills Council (LSC)	409
379	Tackling Youth Crime Action Plan	392
0	Exceptional Funding for Highways Maintenance - Winter Damage 2010/11	376
0	Youth Justice Board	363
43	Future Jobs Fund	294
215	Consortia Support Grant / LDSG	270
93	Social Reform Grant	240
0	TAMHS Targeted Mental Health in Schools	223
200	Housing & Planning Delivery	206
194	Cycle England	180
150	Alternative Provision Programme	150
42	Stroke Grant	142
128	Core Funding Grant	131
143	Parenting Early Intervention Programme	120
0	Training Schools funding from Training & Development Agency	120
69	LD Campus Grant	117
2,360	Other	1,350
<hr/> 124,339 Sub-total		<hr/> 140,380
<hr/> 168,911 Total		<hr/> 188,207

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

2008/09 £000	2009/10 £000	2010/11 £000
Capital Grants Receipts in Advance		
0	0	23
1,235	664	649
86	86	86
2	10	50
7	7	7
169	157	142
42	42	42
100	100	100
0	52	0
71	109	0
<hr/> 1,712		<hr/> 1,099
<hr/> 1,227		

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

35 TRUST FUNDS

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 Balance Sheet.

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

	Balance at 1st April £000's	Receipts £000's	Payments £000's	Balance at 31st March £000's	Assets £000's	Liabilities £000's
James Barningham Fellowship	26	2	0	28	75	0
Lady Dale Scholarship	13	0	(1)	12	39	0
Darlington Education Fund	111	22	(15)	118	604	0
W.Draffon Scholarship	7	1	(1)	7	29	0
Others	24	4	(1)	27	79	0
	<u>181</u>	<u>29</u>	<u>(18)</u>	<u>192</u>	<u>826</u>	<u>0</u>

All of the above investments are held by the Charities Official Investment Fund (COIF) and the latest COIF Charity Fund shares are valued at £633,793.19 as per valuation date 31/03/11 (£615,495.82 as per valuation date 31/03/10).

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 to the best essay 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.

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

	Balance at 1st April £000's	Receipts £000's	Payments £000's	Balance at 31st March £000's
Stainsby Murray Fund	85	0	0	85
E.M.Corner Bequest	66	0	0	66
Criminal Injuries Compensation	34	0	(5)	29
BAT Legacy	272	0	(30)	242
Other	75	0	0	75
	<u>532</u>	<u>0</u>	<u>(35)</u>	<u>497</u>

Purpose of the Trust Funds:

Stainsby Murray Fund

Provision of christmas comforts for aged persons in Darlington.

E.M.Corner Bequest

Provision of the Arts by Darlington Library.

Criminal Injuries Compensation

Provision of funds for compensation to minors.

BAT Legacy

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

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

36 RELATED PARTIES

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

Central Government

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 3 on amounts reported for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 34.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 28. During 2010/11, the Council had transactions totalling approximately £1,297,585 (£1,054,992 in 2009/10) with charitable bodies and companies in which Members or close members of the families of 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 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 Employee Code of Conduct and professional bodies' standards. There are no related party transactions between the Council and its senior managers that require disclosure in 2010/11.

Other Organisations

The Council paid £2.103M to 21 other organisations (£1.735M to 18 in 2009/10) on which it has Member representation and which share educational, economic development, social and culture objectives, those being:

2009/10 £000's	Organisation	2010/11 £000's
308.97	Groundwork North East Board	657.07
349.28	Darlington College Board	519.85
185.62	Evolution	249.54
203.91	YMCA Darlington	189.02
179.78	Darlington & District Youth and Community Association	159.68
110.45	Darlington Citizens Advice Bureau	104.98
67.73	Durham Police Authority	55.04
68.93	Firthmoor & District Community Association	48.77
48.75	Local Government Association	39.66
42.58	Association of North East Councils (ANEC)	0.00
21.38	North East Regional Employers Organisation	21.82
19.01	North East Purchasing Organisation (NEPO)	0.00
10.21	Darlington Community Carnival Committee	13.59
	0 Willow Road Community Centre	14.05
7.54	Cruse Bereavement	7.54
98.29	Family Help Organisation	6.32
	0 Maidendale House	5.00
4.75	Skerne Park Youth & Community Centre	4.75
6.35	Northern Housing Consortium	3.53
1.62	Darlington Town Twinning Association	2.26
	0 National Society for Clean Air	0.57
	0 Museum Libraries Archives North East	0.25
	0 Sadberge Village Hall Association	0.18
1735.15		2,103.47

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

37 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2009/10 £000		2010/11 £000
131,170	Opening Capital Financing Requirement	137,613
	Capital Investment	
36,792	Property, Plant and Equipment	25,960
1,116	Investment Properties	270
2,456	Revenue Expenditure Funded from Capital Under Statute	3,410
	Sources of Finance	
(630)	Capital receipts	(1,241)
(25,047)	Government grants and other contributions	(18,120)
	Sums set aside from revenue:	
(3,338)	Direct revenue contributions	0
(3,479)	MRP/loans fund principal	(4,584)
(1,427)	Deferred liabilities movement	(1,789)
137,613	Closing Capital Financing Requirement	141,519
	Explanation of movements in year	
(4,906)	Minimum Revenue Provision (MRP)	(6,373)
3,870	Increase in underlying need to borrowing (supported by government financial assistance)	2,843
6,515	Increase in underlying need to borrowing (unsupported by government financial assistance)	7,218
964	Assets acquired under finance leases	218
6,443	Increase in Capital Financing Requirement	3,906

38 LEASES

Authority as Lessee

Finance Leases

The Council has acquired vehicles, furniture and equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
613	1,142	Vehicles, Plant and Equipment	947

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
		Finance lease	
519	573	• current	472
635	1,046	• non-current	919
86	130	Finance costs payable in future years	71
1,240	1,749	Minimum lease payments	1,462

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments			Finance Lease Liabilities		
	31 March 2011	31 March 2010	31 March 2009	31 March 2011	31 March 2010	31 March 2009
	£000	£000	£000	£000	£000	£000
Not later than one year	520	635	566	472	573	519
Later than one year and not later than five years	942	1,114	674	919	1,046	635
	1,462	1,749	1,240	1,391	1,619	1,154

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

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

Operating Leases

The Council has also acquired vehicles, furniture and equipment under operating leases. Payments made during the year in respect of these leases amount to £0.846M (£0.763M in 2009/10).

The Council has also acquired vehicles, furniture and equipment under operating leases.

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

31 March 2010 £000		31 March 2011 £000
846	Not later than one year	696
1,623	Later than one year and not later than five years	929
4	Later than five years	2
2,473		1,627

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

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

Authority as Lessor

Finance Leases

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

Operating Leases

The Council leases various Land and Buildings to third parties under operating leases. The leases are primarily to provide suitable affordable accommodation for local businesses but also includes the lease of buildings that enable the delivery of community services such as Community Centres. During 2010/11 £0.783M (0.952M in 2009/10) was received by the Council in relation to these leases.

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

31 March 2010 £000		31 March 2011 £000
604	Not later than one year	604
972	Later than one year and not later than five years	972
7,093	Later than five years	6,489
8,669		8,065

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

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

39 IMPAIRMENT LOSSES

During 2010/11, the Council has recognised revaluation and impairment losses of £115.541M in relation to its land and buildings, mainly due to a reduction in value following the revaluation of the Council's Schools and Housing Dwellings.

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

Impairments have been charged as follows:-

31 March 2010 £000	31 March 2011 £000
Comprehensive Income and Expenditure Statement	
208 - Central Services to the public	67
121 - cultural, environmental, regulatory and planning services	856
3,816 - Education and children's services	68,701
13,926 - Local authority housing	43,069
25 - Adult Social Care	0
0 - financing and investment income and expenditure (for investment properties)	26
3,136 Revaluation Reserve	2,822
21,232	115,541

40 TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £4.216M (£0.139M in 2009/10). Of this total, £156,639 is payable to the Director of Community Services in the form of compensation for loss of office and enhanced pension benefits of £13,286. The remaining £4.046M is payable to 153 officers who were made redundant as part of the Authority's restructure.

41 PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

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

In 2010/11, the Council paid £3.968M to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £3.9M and 14.1%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 42.

42 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Durham County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

Transactions Relating to Post-Employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	£000 2010/11	£000 2009/10	£000 2010/11	£000 2009/10
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service cost	(9,870)	(7,090)	0	0
• past service costs	36,110	(600)	890	0
Financing and Investment Income and Expenditure				
• interest cost	(17,540)	(16,440)	(650)	(790)
• expected return on scheme assets	13,370	7,900	-	-
Total Post Employment Benefit Charged to the Deficit on the Provision of Services	22,070	(16,230)	240	(790)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• actuarial gains and losses	13,860	(36,670)	40	(800)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	35,930	(52,900)	280	(1,590)
Movement in Reserves Statement				
• reversal of net charges made to the Deficit on the Provision of Services for post employment benefits in accordance with the Code	(22,070)	16,230	(240)	790
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to the scheme	9,600	9,540		
• retirement benefits payable to pensioners			1,010	1,040

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £13.900M (2009/10 a gain of £37.470M).

Assets and Liabilities in Relation to Post Employment Benefits

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Opening balance at 1 April	(345,130)	(247,340)	(13,100)	(12,550)
Current service cost	(9,870)	(7,090)	0	0
Interest cost	(17,540)	(16,440)	(650)	(790)
Contributions by scheme participants	(3,400)	(3,350)	0	0
Actuarial gains and losses	14,740	(77,780)	40	(800)
Benefits paid	9,780	7,470	1,010	1,040
Past service costs	36,110	(600)	890	0
Closing balance at 31 March	(315,310)	(345,130)	(11,810)	(13,100)

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

With effect from 1 April 2011, increases to local government pensions in payment and deferred pensions will be linked to annual increases in the Consumer Prices Index (CPI), rather than the Retail Prices Index (RPI). Since, over the long term CPI increases are expected to be lower than RPI increases, this gives rise to a reduction in the defined benefit obligation on the Balance Sheet. The change also reduces this periods' current service cost and interest cost.

The impact of the change to CPI indexation of pension increases as a benefit change and is therefore recognised as a (negative) past service cost reflecting the reduction in the constructive obligation. The past service cost appears in the cost of services in the Comprehensive Income and Expenditure Statement.

Reconciliation of fair value of the scheme (plan) assets:

Local Government Pension Scheme	Local Government Pension Scheme
2009/10 £000	2010/11 £000
146,850 Opening balance at 1 April	201,280
7,900 Expected rate of return	13,370
41,110 Actuarial gains and losses	(880)
9,540 Employer contributions	9,600
3,350 Contributions by scheme participants	3,400
(7,470) Benefits paid	(9,780)
201,280 Closing balance at 31 March	216,990

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

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

The actual return on scheme assets in the year was £12.490M (2009/10: £49.010M).

Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities:					
Local Government Pension Scheme	(231,520)	(219,010)	(247,340)	(345,130)	(315,310)
Discretionary Benefits	(14,370)	(13,650)	(12,550)	(13,100)	(11,810)
Sub-total Liabilities	(245,890)	(232,660)	(259,890)	(358,230)	(327,120)
Fair value of assets in the Local Government Pension Scheme	163,070	166,670	146,850	201,280	216,990
Deficit in the scheme	(82,820)	(65,990)	(113,040)	(156,950)	(110,130)
Split of Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(68,450)	(52,340)	(100,490)	(143,850)	(98,320)
Discretionary Benefits	(14,370)	(13,650)	(12,550)	(13,100)	(11,810)
Total	(82,820)	(65,990)	(113,040)	(156,950)	(110,130)

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £110.130M has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a reduction in the net worth from £270.525M to £160.395M. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £9.590M. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £0.660M.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by AonHewitt Limited, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Long term expected rate of return on assets in the scheme:				
Equity Investments	8.40%	8.0%	0%	0%
Government Bonds	4.40%	4.5%	0%	0%
Corporate Bonds	5.10%	5.5%	0%	0%
Property	7.90%	8.5%	0%	0%
Cash	1.50%	0.7%	0%	0%
Other	8.40%	8.0%	0%	0%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	21.9	21.2	21.9	21.2
• Women	24.0	23.3	24.0	23.3
Longevity at 65 for future pensioners:				
• Men	23.7	23.5	23.7	23.5
• Women	26.0	25.4	26.0	25.4
Rate of inflation (RPI)	3.7%	3.9%	3.6%	3.8%
Rate of Inflation (CPI)	2.8%	N/A	2.7%	N/A
Rate of increase in salaries	5.2%	5.4%	0%	0%
Rate of increase in pensions	2.8%	3.9%	2.7%	3.8%
Rate for discounting scheme liabilities	5.4%	5.5%	5.5%	5.5%
Take up of option to convert annual pension into retirement lump sum - Pre 1 April 2008	60%	50%	0%	0%
Take up of option to convert annual pension into retirement lump sum - Post 1 April 2008	80%	75%	0%	0%

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

31 March 2010 %	31 March 2011 %
57.1 Equity investments	55.9
35.0 Debt Instruments	35.6
7.9 Other assets	8.5
<hr style="width: 100%; border: 1px solid black;"/> 100.0	<hr style="width: 100%; border: 1px solid black;"/> 100.0

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets	0.80	(8.57)	(24.32)	20.42	(0.40)
Experience (gains) / losses on liabilities	(1.60)	(1.30)	0.25	0.76	3.41

43 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

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

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

Overall Procedures for Managing Risk

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

by formally adopting the requirements of the code of Practice;

by the adoption of a treasury policy statement and treasury management clauses within the Constitution;

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

it's maximum and minimum exposures to fixed and variable rates;

it's maximum annual exposure to investments maturing beyond 1 year

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 25/02/2010, also available on the councils website. The key issues within the strategy were;

The Authorised Limit for 2010/11 was set at £127.653M. This was the maximum amount of external borrowings and other long term liabilities allowed

The operational Boundary was expected to be £116.048M. This is the expected level of borrowing and other long term liabilities during the year.

The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40% based on the councils net debt.

The maximum and minimum exposure to the maturity structure of debt are shown in the note relating to refinancing and maturity risk.

These written policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk credit risk, and the investment of surplus cash through Treasury Management Practices (TMP's). These TMP's are a requirement of the Code of practice and are reviewed regularly.

Credit Risk

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

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

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

UK Institutions only

Credit ratings of Short term F1, Long Term A, Support C and Individual 3 (Fitch or equivalent rating), with the lowest rating being applied to the criteria.

UK institutions provided with support from the UK Government

The full Investment Strategy for 2010/11 was approved by full Council on 25/02/2010 and is available on the Council's website.

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

	Amount at 31 March 2011	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2010	Estimated maximum exposure to default and uncollectability at 31 March 2010	Estimated maximum exposure at 31 March 2011
	£000	%	%	£000	£000
Deposits with banks and Financial Institutions					
AAA rated counterparties	2,390	0.000	0	0	0
AA Rated Counterparties					
Less than 1 year	17,000	0.006	0.006	1	3
1 to 2 years					1
A rated counterparties	0				13
Trade debtors	6,368	12.5	12.50	796	599

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

The Council does not generally allow credit for customers, such that £4.752M of the £6.368M balance shown in the balance sheet as part of short term debtors is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
2,037	2,083	Debts on Payment plans	3,330
584	507	Less than three months	393
601	259	Three to six months	193
254	233	Six months to one year	196
391	570	More than one year	640
3,867	3,652		4,752

Liquidity Risk

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

The maturity analysis of financial assets is as follows

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
35,900	13,290	Less than one year	19,390
4,000	2,000	Between one and two years	0
39,900	15,290		19,390

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

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

Refinancing and Maturity Risk

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cashflow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs

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

	Approved Maximum Limits	Actual 31/03/11	Actual 31/03/11 £'000	Actual 31/03/10 £'000	Actual 31/03/09 £'000
Less than 1 year	25%	8%	6,750	13,750	13,474
Between 1 and 2 years	40%	7%	5,500	6,750	13,750
Between 2 and 5 years	60%	4%	3,500	9,000	8,750
Between 5 and 10 years	80%	0%		0	0
More than 10 years	100%	81%	65,111	51,361	68,268
Total			80,861	80,861	104,242

Market Risk

Interest Rate Risk

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

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

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

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

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs for the Housing Revenue Account

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be

	£000
Increase in interest payable on variable rate borrowings	70
Increase in interest receivable on variable rate investments	(141)
Impact on Surplus or Deficit on the Provision of Services	(71)
Share of overall impact debited to the HRA	22

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)

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

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £1,586,808 in two airports and a local waste management company. These holdings are not liquid and the Council is exposed to losses arising from movements in prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for 'open book' arrangements with the company concerned so that the authority can monitor factors that might cause a fall in the value of specific shareholdings.

The £1,586,808 shares are all classified as 'available-for-sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £79,000 gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2010/11.

Foreign Exchange Risk

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

44 STATEMENT OF ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the *Best Value Accounting Code of Practice 2010/11*, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

b) Accruals of Income and Expenditure

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

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

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

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

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

c) Cash and cash equivalents

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

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

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

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

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

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

e) Charges to Revenue for Non-Current Assets

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

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

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

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

f) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end.

They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority

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

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

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

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

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

The Local Government Pension Scheme

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

- The liabilities of the Durham County Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.4% (based on the indicative rate of return on high quality corporate bond).

- The assets of Durham County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unlisted securities – current bid price
- Property – market value.

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

- Current service cost - the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

- Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

- Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- Expected return on assets - the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- Gains or losses on settlements and curtailments - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

- Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve; and

- Contributions paid to the Durham County Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

g) Events After the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events; and

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

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

h) Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

Available-for-Sale Assets

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

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

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

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

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

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

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

Instruments entered into before 1st April 2006

The Council has one financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts to the extent that there is a contingent liability note on page 35.

i) Government Grants and Contributions

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

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

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

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

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

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

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

j) Interests in Companies and Other Entities

In accordance with the Code of Practice on Local Authority Accounting 2010/11, the Council is required to identify interests in subsidiaries, associates and joint ventures and, if that interest is considered material, prepare consolidated Group Accounts. The Council does not have any interests that are classed as material. The Council holds a minority of the share values in the following companies but does not have the ability to exert control over those companies and therefore no Group accounts have been prepared.

The Council holds the following investments and they are included in the Balance Sheet as Long Term Investments.

The Council holds 16% of the shares in Premier Waste Management Limited. 220,480 £1 shares are held with a balance sheet value of £894,350. The latest audited accounts are for the year ended 31st March 2010 and show net assets including pensions liability of £5,589,688 (previous year £6,950,457), a profit before tax of £339,238 (previous year loss before tax £265,756) and a profit after tax of £219,631 (previous year loss after tax of £204,291). Further information regarding the company's accounts can be obtained from the Registered Office, Premier Waste Management Limited, Prospect House, Aykley Heads Business Centre, Aykley Heads, Durham, DH1 5TS.

The Council holds 6.66% of the shares in Durham Tees Valley Airport Limited. 1,766,667 B Ordinary Shares are held with a balance sheet value of £595,458 and 174,900,100 Deferred Shares. The latest audited accounts are for the year ended 31st March 2010 and show net assets of £8,940,806 (previous year £16,475,555), a loss before tax of £8,003,184 (previous year loss before tax of £3,903,704) and a loss after tax of £6,465,549 (previous year loss after tax of £2,653,411). Further information regarding the company's accounts can be obtained from the Registered Office, Durham Tees Valley Airport Ltd, Darlington, County Durham, DL2 1LU.

The Council has been awarded a proportion of the shares in Newcastle International Airport (NIAL), 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. Due to current trading conditions the Council's value of its shareholding in NIAL to £97,000 (previously valued at £97,000).

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

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

k) Inventories and Long Term Contracts

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

l) Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

m) Leases

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

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

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

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

n) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of :

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

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

o) Property, Plant and Equipment

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

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- infrastructure, community assets and assets under construction - depreciated historical cost
- dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

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

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

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

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure - straight-line allocation over 40 years.

The 2010/11 IFRS based Code requires that component accounting principles are followed from 01/04/2010. The Codes prospective requirements are applicable to all items of PPE acquired, enhanced or revalued with effect from 01/04/2010. Authorities are not required to apply these principles retrospectively. Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Assets valued higher than £200,000 that are made up from different components and whose cost is significant in relation to the total cost of the item are depreciated on a component by component basis. The components used are structure & externals, internal finishes, fixtures & fittings and services. Once separated, depreciation is charged across each components useful life as appropriate.

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

Disposal and Non-current Assets Held for Sale

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

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

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

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

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

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

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

p) Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

q) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Provision for Back Pay Arising from Unequal Pay Claims

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Authority implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made.

NOTES TO THE FINANCIAL STATEMENTS OF DARLINGTON BOROUGH COUNCIL

Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Contingent Liabilities

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

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

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

r) Reserves

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

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

s) Revenue Expenditure Funded from Capital under Statute

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

t) Value Added Tax (VAT)

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

HOUSING REVENUE ACCOUNT OF DARLINGTON BOROUGH COUNCIL

INCOME AND EXPENDITURE STATEMENT

AS AT 31 MARCH 2010		AS AT 31 MARCH 2011	Notes
£000		£000	
	<u>Expenditure</u>		
(3,525)	Repairs and maintenance	(3,223)	
(4,996)	Supervision and management	(4,998)	
(6)	Rent, rates, taxes and other charges	(19)	
134	HRA Subsidy Payable (including MRA)	(3,046)	8
(141)	Increased provision for bad and doubtful debts	(107)	9
	Depreciation of fixed assets		
(3,763)	On dwellings (= MRA)	(3,836)	7
(37)	On other assets	(36)	7
(25,596)	Impairment of Fixed Assets	(43,240)	3
(23)	Debt management costs	(4)	
(37,953)	Total Expenditure	(58,509)	
	<u>Income</u>		
15,388	Dwelling rents	15,672	
371	Non-dwelling rents	372	
1,991	Charges for services & facilities	2,077	
531	Contribution towards Expenditure	553	
18,281	Total Income	18,674	
(19,672)	Net Cost of HRA Services as included in the Comprehensive Income & Expenditure Statement	(39,835)	
0	HRA Services Share of Corporate and Democratic Core	0	
93	HRA Share of other amounts included in the whole Authority net costs of services but not allocated to specific services	24	
(19,579)	Net cost for HRA Services	(39,811)	
	HRA Share of Operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
0	(Gain) / Loss on Sale of HRA Fixed Assets	10	
(892)	Interest Payable and Similar Charges	(800)	
24	Interest and Investment Income	36	
(235)	Pension Interest Cost and Expected Return on Pension Assets	(117)	
(20,683)	Deficit for the Year on HRA Services	(40,682)	

HOUSING REVENUE ACCOUNT OF DARLINGTON BOROUGH COUNCIL

MOVEMENT ON THE HRA STATEMENT

AS AT 31 MARCH 2010		AS AT 31 MARCH 2011	AS AT 31 MARCH 2011
£000		£000	£000
777	Balance on the HRA at the end of the previous year		842
(20,683)	Deficit for the year on the HRA Income and Expenditure Statement	(40,682)	
	Adjustments between accounting basis and funding basis under statute:		
43	Difference between amounts charged to Income and Expenditure for amortisations of premiums and discounts and the charge for the year determined in accordance with statute.	(103)	
25,595	Difference between any other item of income and expenditure determined in accordance with the CODE and determined in accordance with statutory HRA requirements.	43,239	
(271)	Voluntary set aside for debt repayment	(333)	
(3,300)	Capital expenditure funded by the HRA	0	
1,384	Net Increase before transfers to or from reserves	2,121	
	Transfers (to) or from reserves:		
414	Net charges made for retirement benefits in accordance with IAS 19	356	
0	(Gain) or loss on sale of HRA fixed assets	(10)	
(1,461)	Transfer from Major Repairs Reserve	1,537	
(272)	Employer's contributions payable to the Durham County Council Pension Fund and retirement benefits payable direct	(263)	
(1,319)	Transfers (to) / from reserves	1,620	
65	Increase in year on the HRA		3,741
842	Balance on the HRA at the end of the current year		4,583

NOTES TO THE HOUSING REVENUE ACCOUNT OF DARLINGTON BOROUGH COUNCIL

1 Housing Stock

1st April 2010		31st March 2011
	<u>Number and types of dwellings</u>	
2,809	Houses	2,797
2,301	Flats	2,329
343	Bungalows	343
6	Non HRA	6
5,459	Total dwellings	5,475
	<u>Balance Sheet values</u>	
£000		£000
132	Land	132
152,947	Houses	108,332
666	Other property	1,377
153,745	Total net Balance Sheet value	109,841
	<u>Operational Assets</u>	
152,947	Dwellings	108,332
0	Other land & buildings	0
152,947		108,332
798	Non-operational assets	1,509
153,745	Total net Balance Sheet value	109,841

2 Vacant Possession Values

The vacant possession value of dwellings as at 1 April in the financial year is £323M (£320M in 2009/10)

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

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

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

3 Impairment of fixed assets

These charges occur where there is a material reduction in the value of a fixed asset during an accounting period. Impairment charges of £43.240M (£25.596M in 2009/10) were charged to the HRA Income and Expenditure in 2010-11. This represents £2.103M (£10.946M in 2009/10) of capital expenditure incurred in the year that did not add value to the current housing stock valuation and £41.137M (£14.649M in 2009/10) following a re-valuation exercise carried out during the year.

4 Revenue Expenditure funded from Capital under Statute

Capital expenditure in 2010/11 included expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets and has been charged as expenditure to the HRA Income and Expenditure Account. Grants received towards the cost of this expenditure can be regarded as revenue grants despite their classification as capital. In 2010/11 Revenue Expenditure funded from Capital under Statute totalled £0.604M (£0.727M in 2009/10), capital grants treated as revenue totalled £0.604M (£0.727M in 2009/10).

NOTES TO THE HOUSING REVENUE ACCOUNT OF DARLINGTON BOROUGH COUNCIL

5 Major Repairs Reserve

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

2009/10 £000		2010/11 £000
0	Balance as at 1 April	0
	Transfer to MRR during the financial year	
(3,763)	Depreciation on HRA dwellings	(3,836)
(37)	Depreciation on other HRA assets	(36)
(1,500)	2010/2011 MRA b/fwd	1,500
	Transfer to HRA during the financial year	
37	Depreciation on other HRA assets	36
	Transfer from MRR during the financial year in respect of capital expenditure on	
554	Land	228
4,709	Houses	2,108
0	Balance as at 31 March	0

6 Capital Expenditure

Capital expenditure within the HRA during 2010/11 was as follows :-

2009/10 £000		2010/11 £000
554	Land	252
9,610	Houses	6,792
1,141	Other property	3,159
11,305	Total capital expenditure	10,203

Total capital expenditure on land, houses and other property within the HRA during 2010/11 was funded via the following sources:

2009/10 £000		2010/11 £000
1,626	Borrowing	5,419
89	Usable capital receipts	102
5,263	Major Repairs Reserve	2,336
3,300	Revenue	0
1,027	Other Grant Funding	2,346
11,305	Total capital expenditure	10,203

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

2009/10 £000		2010/11 £000
0	Land	0
263	Houses	362
263	Total capital receipts	362

NOTES TO THE HOUSING REVENUE ACCOUNT OF DARLINGTON BOROUGH COUNCIL

7 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:

2009/10 £000		2010/11 £000
0	Land	0
3,763	Houses (= Major Repairs Allowance)	3,836
37	Other property	36
<u>3,800</u>	Total charge for depreciation	<u>3,872</u>
	Operational Assets	
3,763	Dwellings	3,836
<u>37</u>	Other land & buildings	<u>36</u>
3,800		3,872
0	Non-operational assets	0
<u>3,800</u>	Total charge for depreciation	<u>3,872</u>

8 HRA Subsidy

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

2009/10 £000		2010/11 £000
2,964	Management allowance	3,049
5,789	Maintenance allowance	5,894
3,763	Major Repairs Allowance (MRA)	3,836
936	Charges for capital	909
1,500	MRA b/fwd	(1,500)
<u>14,952</u>		<u>12,188</u>
	<i>less</i>	
(14,816)	Rent	(15,233)
(2)	Interest on receipts	(1)
<u>134</u>	Total HRA subsidy receivable / (Transfer to Communities)	<u>(3,046)</u>

9 Rent Arrears

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

2009/10 £000		2010/11 £000
1,077	Gross rent arrears as at 31st March	1,090

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

Year Ended 31 March 2010 £000		Year Ended 31 March 2011 £000
324	Opening provision for uncollectable debts	309
(156)	Amounts written off in the year	(101)
141	Increase in provision for the year	107
<u>309</u>	Closing provision for uncollectable debts	<u>315</u>

COLLECTION FUND OF DARLINGTON BOROUGH COUNCIL

2009/10		2010/11	NOTES
£000		£000	
	<u>Income</u>		
(39,388)	Income from Council Tax	(39,611)	3
(8,308)	Transfers from General Fund	(8,659)	3
1	Council Tax benefits	0	3
	Transitional relief		
(30,603)	Income collectable from business ratepayers	(29,140)	2
0	Contributions		
	Towards previous year's Collection Fund deficit	(770)	5
(78,298)	Total Income	(78,180)	
	<u>Expenditure</u>		
47,716	Precepts and demands	48,156	4
30,453	Business rate		
	Payment to national pool	28,991	
149	Costs of collection	149	
33	Bad and doubtful debts		
	Write offs	91	
200	Movement in net provision	165	
78,551	Total Expenditure	77,552	
253	Collection Fund (surplus)/deficit for the year	(628)	
562	Collection Fund balance brought forward	815	
253	Collection Fund (surplus)/deficit for the year	(628)	
815	Collection Fund deficit balance c/forward	187	5

NOTES TO THE COLLECTION FUND OF DARLINGTON BOROUGH COUNCIL

1 Collection Fund

In order to comply with the terms of the Local Government and Housing Act 1989 (as amended by the Local Government and Housing 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 Balance sheet

2 Income Collectable From Business Rate payers

Under the national system for non-domestic rates, the Council collects from local businesses an amount equal to the rateable value of their property multiplied by a uniform rate set by the Government.

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 adult local population

The total national non-domestic rateable value at 31st March 2011 was £87.287M (£74.87M in 2009/10). The non-domestic rating multiplier for 2010/11 was 41.4p per £ (48.5p per £ in 2009/10) and the small business non-domestic rating multiplier for 2010/11 was 40.7p per £ (48.1p per £ in 2009/10).

3 Income From Council Tax

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

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

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

Band	A	B	C	D	E	F	G	H
Chargeable Dwellings	12,711	6,733	5,305	4,552	3,139	1,537	767	55
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 £1,151.03 (£1,151.03 in 2009/10), 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 £153.41 (£147.51 in 2009/10) for their services.

County Durham and Darlington Fire & Rescue Authority set a Band D council tax of £87.84 (£85.41 in 2009/10) 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:

2009/10 £000		2010/11 £000
52,608	Council Tax levied	53,263
(4,913)	Less allowances	(4,993)
<u>47,695</u>		<u>48,270</u>
Payable from the following sources:		
(39,388)	Billed to Council Tax payers	(39,611)
(8,308)	Council Tax benefits	(8,659)
1	Transitional relief	0
0	Council Tax benefit subsidy limitation	0
<u>(47,695)</u>		<u>(48,270)</u>

NOTES TO THE COLLECTION FUND OF DARLINGTON BOROUGH COUNCIL

4 Precepts And Demands

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

2009/10 £000		2010/11 £000
39,695	Darlington Borough Council	39,825
5,080	Durham Police Authority	5,298
2,941	County Durham and Darlington Fire & Rescue Authority	3,033
<u>47,716</u>		<u>48,156</u>

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:

2009/10 £000		2010/11 £000
675	Darlington Borough Council	118
89	Durham Police Authority	44
51	County Durham and Darlington Fire & Rescue Authority	25
<u>815</u>		<u>187</u>

INDEPENDENT AUDITOR'S REPORT TO DARLINGTON BOROUGH COUNCIL

Independent Auditor's report to the Members of Darlington Borough Council

We have audited the financial statements of Darlington Borough Council (the "Council") for the year ended 31 March 2011, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet as at the end of the period, the Cash Flow Statement, the Housing Revenue Account (HRA) Income and Expenditure Account, the Movement on the HRA Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom supported by the Best Value Accounting Code of Practice 2010/11.

Respective responsibilities of the Director of Resources and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 7, the Director of Resources is responsible for the preparation of the the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2010/11 and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for Darlington Borough Council's Members as a body in accordance with the Audit Commission Act 1998 and for no other purpose as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Council's affairs as at 31 March 2011 and of the Council's income and expenditure and cash flows for the year then ended; and
- have been prepared in accordance in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting code of Practice 2010/11.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the governance statement on which we report to you if, in our opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Council's Responsibilities

The Authority 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.

INDEPENDENT AUDITOR'S REPORT TO DARLINGTON BOROUGH COUNCIL

Auditor's Responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements 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 my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010 as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.


We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant aspects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Darlington Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

Certificate

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



Neil Austin (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Newcastle upon Tyne

30th September 2011

Notes:

- a) The maintenance and integrity of the Darlington Borough Council website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

GLOSSARY OF DARLINGTON BOROUGH COUNCIL

ACCOUNTING PERIOD

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

ACCRUALS

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

ACCOUNTING POLICIES

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

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

Accounting policies do not include estimation techniques.

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

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

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

AGENCY

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

ASSET

An item owned by the 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.
- Intangible assets are non-financial fixed assets, such as software licences, that do not have physical substance but are identifiable and are controlled through custody or legal rights.

ASSOCIATE

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

AUDIT

An independent examination of the Authority's activities, either by internal audit or the Authority's external auditor, who are PricewaterhouseCoopers, LLP.

BALANCE SHEET

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

BALANCES

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

BUDGET

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

BVACOP

CIPFA's Best Value Accounting Code of Practice which was developed from the key principles established from the Local Government Act 1999 (sections 5 & 6). It aims to:

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

GLOSSARY OF DARLINGTON BOROUGH COUNCIL

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 FINANCING REQUIREMENT

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

CAPITAL GRANTS

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

CAPITAL RECEIPTS

The proceeds from the disposal of land or other 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.

COLLECTION FUND

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

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONSISTENCY

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

CONTINGENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

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

CORPORATE AND DEMOCRATIC CORE (CDC)

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

GLOSSARY OF DARLINGTON BOROUGH COUNCIL

COUNCIL TAX

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

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.

CURRENT SERVICE COST (PENSIONS)

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

DEBT OUTSTANDING

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

DEBTOR

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

DEFERRED 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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

ENTITY

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

ESTIMATION TECHNIQUES

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

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

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

EXCEPTIONAL ITEMS

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

EXPECTED RETURN ON PENSION ASSETS

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

EXPENDITURE

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

GLOSSARY OF DARLINGTON BOROUGH COUNCIL

EXTRAORDINARY ITEMS

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

EVENTS AFTER THE BALANCE SHEET DATE

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

FAIR VALUE

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

FINANCE LEASE

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

FIXED ASSETS

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

FRS 1 - Cash Flow Statements

Requires the Council to prepare a cash flow statement in a manner prescribed by the Financial Reporting Standard (FRS). Cash flows are increases or decreases of cash, cash being cash in hand and deposits repayable on demand less overdrafts repayable on demand.

FRS 3 - REPORTING FINANCIAL PERFORMANCE

The objective of FRS 3 is to highlight a range of components of financial performance to aid users in understanding financial performance. The aspect of FRS 3 affecting the Council's accounts for 2009/10 is the requirement to restate opening balances for the effects of prior year adjustments to the accounts, where these adjustments are as a result of changes in accounting policies.

FRS 4 - CAPITAL INSTRUMENTS

This standard exists to ensure that financial statements provide a clear, coherent and consistent treatment of capital instruments, particularly the classification of instruments. The standard also seeks to ensure that redeemable instruments are allocated to accounting periods on a fair basis over the period the instrument is in issue, and that the statement of accounts provides relevant information concerning the nature and amount of the council's sources of finance associated costs, commitments and potential commitments.

FRS 8 - RELATED PARTY DISCLOSURES

FRS 8 exists to ensure that accounting statements contain the disclosures necessary to draw attention to the fact that reported performance and results may have been affected by the existence of related parties and by material transactions with them.

FRS 11 - IMPAIRMENT OF FIXED ASSETS

FRS 11 seeks to ensure that fixed assets are recorded in the financial statements at no more than their recoverable amount, that impairment losses are measured and recognised on a consistent basis and that sufficient information is disclosed in the statements to enable users to understand the impact of impairments on the financial position of the Authority.

FRS 12 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The objective of this standard is to ensure that provisions (liabilities of uncertain timing or amount) are recognised only when they actually exist at the balance sheet date. A provision may only be recognised in the Authority's accounts when there is an obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle this obligation and a reliable estimate can be made of the amount of this obligation. A contingent liability or asset is not recognised on the balance sheet, although where these are material they are disclosed in the core Notes to the Accounts.

FRS 15 - TANGIBLE FIXED ASSETS

This standard sets out the principles of accounting for tangible assets. The objective is to ensure that these assets are accounted for on a consistent basis in terms of their carrying amount and depreciation policies.

FRS 17 - RETIREMENT BENEFITS

FRS17 sets out the accounting treatment for retirement benefits such as pensions during retirement. The standard aims to show the value of benefits accrued and the value of assets set aside to meet these costs.

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FRS 18 - ACCOUNTING POLICIES

This standard deals with the selection, application and disclosure of accounting policies. Mainly, that for all material items the reporting body adopts the accounting policies most appropriate to its particular circumstances for the purpose of giving a true and fair view, that accounting policies are reviewed regularly to ensure that they remain appropriate and that sufficient information is disclosed in the financial statements to enable users to understand the accounting policies adopted and how they have been implemented.

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

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

IFRS

International Financial Reporting Standards. Guidelines and rules set by the International Accounting Standards Board (IASB) that companies and organisations can follow when financial statements.

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

INCOME AND EXPENDITURE ACCOUNT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

INVESTMENTS - LONG TERM

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

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INVESTMENT PROPERTIES

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

JOINT VENTURE

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

LIABILITY

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

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

LENDER OPTION BORROWER OPTION LOANS (LOBO)

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

LOANS OUTSTANDING

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

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.

NET WORTH

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

NON-DISTRIBUTED COSTS

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

NON-OPERATIONAL ASSETS

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

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.

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OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

POST BALANCE SHEET EVENTS

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PRIVATE FINANCE INITIATIVES (PFI)

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

PROJECTED UNIT METHOD

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

PROVISION

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

PROVISION FOR CREDIT LIABILITIES

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

PRUDENCE

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

PRUDENTIAL FRAMEWORK

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

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

PUBLIC WORKS LOAN BOARD (PWLb)

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

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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

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- the provision of a guarantee to a third party in relation to a liability or obligation of a related party;

- the provision of services to a related party, including the provision of pension fund administration services;
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and payments of benefits.

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

REMUNERATION

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

RESERVES

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 Council. Some capital reserves such as the fixed asset restatement reserve cannot be used to meet current expenditure.

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVENUE BALANCES

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

REVENUE CONTRIBUTIONS

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

REVENUE EXPENDITURE

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

REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE

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

REVENUE SUPPORT GRANT

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

SCHEME LIABILITIES

GLOSSARY OF DARLINGTON BOROUGH COUNCIL

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

SPECIFIC GRANTS

Government grants to Local Authorities in aid of particular services.

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 Council 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.

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.

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