

# **DARLINGTON BOROUGH COUNCIL**

## **Statement of Accounts**

**2013/2014**

# Statement of Accounts 2013/14 of Darlington Borough Council

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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).

The Council has prepared its Statement of Accounts on the basis of a full adoption of IFRS. There are no significant changes to the content of the accounts in 2013/14 so this years accounts will appear in essentially the same format as 2012/13.

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 2013/14 and its financial position as at 31 March 2014.

## 2 Information and Financial Statements

Darlington Borough Council's (the Council) Accounts for the year ended 31 March 2014 are set out in the following pages and a glossary of terms is provided on pages 72 to 81.

The information and financial statements are as follows:

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

Sets out the responsibilities of the Council and the Director of Neighbourhood Services & Resources.

### **Movement in Reserves Statement (page 8)**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Deficit)/Surplus 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 (from)/to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### **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 Council. The net assets/(liabilities) of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the 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 Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

## Explanatory Foreword of Darlington Borough Council

### Notes to the Financial Statements (page 12 - 61)

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 621)

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

### Collection Fund (page 67)

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 70)

The Auditors' opinion gives an independent view on the Council's accounts for the year ended 31 March 2014.

## 3 Comparison of Actual with Budget - Revenue

<b>Net Expenditure 2013/14</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
<b>Departmental Resources</b>			
People Group	50,127	47,434	(2,693)
Place Group	17,620	16,367	(1,253)
Resources Group	16,141	15,018	(1,123)
Council Wide	1,018	8	(1,010)
<b>Total Departmental Resources</b>	<b>84,906</b>	<b>78,827</b>	<b>(6,079)</b>
<b>Corporate Resources</b>			
Financing Costs	3,899	3,688	(211)
Contingencies Budget	635	729	94
Virements approved by Cabinet	(75)	0	75
Mid-year Savings	1,668	0	(1,668)
Youth Offending Service Grant	250	0	(250)
Capitalisation Provision Redistribution Grant	0	(159)	(159)
Small Business Rates Relief S31 Grant	0	(504)	(504)
Unallocated Grant Income	0	(313)	(313)
Collection Fund Deficit Contribution	0	497	497
<b>Net Expenditure</b>	<b>6,377</b>	<b>3,938</b>	<b>(2,439)</b>
<b>Reserves</b>			
Planned Use of General Reserve	(2,914)	(2,914)	0
Departmental Balances b/fwd	(1,198)	(1,198)	0
Departmental Balances c/fwd	0	2,269	2,269
Balance to Reserves	0	6,249	6,249
<b>Total Reserves</b>	<b>(4,112)</b>	<b>4,406</b>	<b>8,518</b>
<b>Total Resources</b>	<b>87,171</b>	<b>87,171</b>	<b>0</b>

Of the £6.079M departmental underspend, £2.269M is being carried forward and £3.810M is being returned to general reserves. The £2.439M corporate underspend is being returned to general reserves. There is a planned use of reserves of £0.160M as set out in the 2014-20 Medium Term Financial Plan.

At 31 March 2014, the Council had general reserves of £18.865M 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:

2012/13 £000	Gross Expenditure	2013/14 £000	%
(18,432)	Gross Council Rents	(19,419)	7.5
0	Revenue Support Grant	(30,079)	11.6
0	Business Rates Income	(14,903)	5.8
(1,802)	General Government Grants	(5,750)	2.2
(38,327)	Non Domestic Rate Grant	0	0.0
(26,117)	Dedicated Schools Grant	(23,937)	9.3
(41,288)	Demand on Collection Fund	(36,353)	14.1
(66,138)	Specific Government Grants	(55,067)	21.3
(9,572)	Capital Grants	(11,754)	4.5
(56,314)	Income from Fees & Charges	(61,303)	23.7
<b>(257,990)</b>		<b>(258,565)</b>	100.0

How it was spent:

2012/13 £000	Gross Expenditure	2013/14 £000	%
55,317	Central Services to the Public	48,759	20.1
14,644	Cultural and Related Services	15,581	6.4
10,076	Environmental and Regulatory Services	12,337	5.1
5,425	Planning Services	4,750	2.0
62,246	Education and Children's Services	63,894	26.4
16,845	Highways and Transport Services	16,010	6.6
31,073	Housing Services	32,079	13.2
39,588	Adult Social Care	38,906	16.0
0	Public Health	4,579	1.9
2,630	Other Services	5,696	2.3
<b>237,844</b>	<b>Net Cost of Services</b>	<b>242,591</b>	100.0
169	Precepts & Levies	194	
4,920	Interest payable	5,434	
(343)	Interest receivable	(221)	
4,330	IAS 19 Pension cost adjustment	6,230	
46,365	Losses on disposal of fixed assets	294	
0	Investment property income and expenditure and change in their fair value	(18,491)	
(348)	Other	562	
<b>55,093</b>		<b>(5,998)</b>	
<b>292,937</b>	<b>Total Expenditure</b>	<b>236,593</b>	
<b>34,947</b>	<b>Deficit/(surplus) for year</b>	<b>(21,972)</b>	

#### 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:

2012/13 £000	Type of Expenditure	2013/14 £000	%
71,175	Employees	63,481	26.2
149,233	Running Expenses	154,617	63.8
17,436	Capital Financing	24,428	10.0
<b>237,844</b>		<b>242,526</b>	100.0

### 5 Local Government Pension Scheme

Following the implementation of IAS 19, the accounts show the benefit entitlement earned by employees of the Local Government Pension Scheme in the relevant year rather than the charges to revenue based on employers' contributions payable and payments to pensioners in the year. The effect on the Balance Sheet is to reduce the net worth of the Council by the IAS 19 pension liability of £106.770M from £156.992M to £50.222M (in 2012/13 the IAS 19 pension liability of £143.770M reduced the net worth from £133.602M to (£10.168M)). However, from the last full actuarial valuation date of 31 March 2013 the deficit is to be recovered over a period of 18 years, as agreed by the Pension Fund Administering Authority with the Actuary. Further information is available in **Note 35 (page 39)** 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 continuing to face 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 £24M over the next six years.

Revaluation gains on Investment Properties totalling £18.185M have been posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The majority of the gains relate to three parcels of land owned by the Council earmarked for development.

### 7 Changes in Accounting Policy

There are no changes in Accounting Policy that needs to be reflected in the Statement of Accounts.

### 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 2013/14 were as follows:

- Revised Authorised Limit for External Debt for 2013/14 of £173.840M; and
- Revised Operational Boundary for External Debt for 2013/14 of £137.000M.

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 2013/14. The maximum gross borrowing position during 2013/14 was £138.940M with a closing gross borrowing position of £138.940M. This included £18.779M for PFI and Finance Leases. (**see Note 36 in the Notes to the Financial Statements page 43**).

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.

### 9 Changes to the Statement of Accounts

The 2013/14 Code clarifies requirements in a number of areas where uncertainty was identified in the 2012/13 Code.

### 10 Public Health

The Health and Social Care Act 2012 initiated the most radical restructuring of the NHS since its inception. As part of the implementation Primary Care Trusts (PCT's) have been abolished and replaced with Clinical Commissioning Groups (CCG). One of the key outcomes of this move has been to transfer Public Health responsibilities to Local Authorities from 1 April 2013.

This places a responsibility on the Council to secure services to prevent disease, prolong life and promote health. To support the commissioning of Public Health services the Council received £6.989M as a ring-fenced grant in 2013/14, rising to £7.184 in 2014/15.

## Explanatory Foreword of Darlington Borough Council

### 11 Sources of Funds to meet Capital Expenditure Plans

	Capital Spend Available	Planned Spending 2013/14	Actual	Approved Capital Spend C/Fwd
	£'000	£'000	£'000	£'000
<b>Capital expenditure 2013/14</b>				
People	6,550	6,550	5,161	1,389
Place	61,739	23,839	19,616	42,123
Resources	3,355	3,355	2,461	894
Leased Assets	2,100	2,100	2,100	0
<b>Total</b>	<b>73,744</b>	<b>35,844</b>	<b>29,338</b>	<b>44,406</b>
Financed by				
*Supported Borrowing			0	
**Corporate Unsupported Borrowing			6,424	
Departmental Unsupported Borrowing			3,284	
Capital Grants			11,775	
Housing Revenue Contributions			5,480	
Capital Contributions			296	
Housing Revenue Account Capital Receipts			298	
General Fund Capital Receipts			1,638	
General Fund Revenue Contributions			143	
<b>Total</b>			<b>29,338</b>	

\* 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 2013/14 totalled £73.744M; however not all of the resources were planned to be expended during 2013/14. Some schemes have a build life of longer than one year so the actual planned spend for 2013/14 was £35.844M with an actual spend of £29.338M. The main areas of slippage relates to major projects including the building of the DFE Public Sector Hub & the development of a new Multi Storey Car Park. The slippage into 2014/15 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 £69.267M over the remaining term of the 25 year contract in respect of its PFI scheme (the Education Village and Harrowgate Hill Primary School). These became operational in March 2006 and August 2005 respectively. Both are part of the approved funding of £34.900M by the Department for Education. A recognition of the long-term contract entered into with partners Kajima Darlington Schools Limited can be found in **Note 30 (page 36)** in the Notes to the Financial Statements and the liability relating to this contract can be found on the Balance Sheet.

### 12 Material Assets Acquired or Liabilities Incurred

In July 2013 the Council completed the sale of Stressholme Golf Course to Blackwell Grange Golf Club (BGGC), the acquisition of 24 acres of BGGC freehold land for £1.000M and the surrender of BGGC lease on Council land surrounding Blackwell Grange Hotel. The Council has not made any other major acquisitions of either land or property during 2013/14.

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

	£'000
Operational Buildings - Improvements	7,475
Children's Services Improvements to Schools	753
Housing Stock - Improvements	5,900
Highways & Transport Infrastructure	5,370
Community Assets Improvements	26
Investment Properties	3,149
Development Services	96
Vehicles, Plant & Equipment	2,071
Revenue Expenditure funded from Capital under Statute	4,498
Self Financing	0
<b>Total</b>	<b>29,338</b>

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

#### Equal Pay

The Council has received, both prior to and during 2013/14, 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 IAS 37 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 23 on page 28 and Note 27 on page 31).**

#### Impairments

Impairment charges occur where there is a material reduction in the value of a fixed asset during an accounting period. Impairment charges of £28.855M were incurred in 2013/14 of which £22.234M was charged to Income and Expenditure. This represents £1.509M of capital expenditure incurred in the year that did not add value to the current asset valuation and £20.725M following a re-valuation exercise carried out during the year, the other £6.621M was charged to the Revaluation Reserve.

### 15 Current Economic Climate

The priorities of the Council are set out in the Sustainable Community Strategy - One Darlington Perfectly Placed (ODPP), developed in partnership with public services, businesses and the voluntary and community sector. It is proposed that the focus needs to be on putting in place the conditions that will enable the ODPP ambitions to be achieved in a climate of significantly reduced public spending. The three conditions are:

1. Building Strong Communities - enabling people to live fulfilling lives with less involvement from public
2. Spending Wisely - maximising value for all public expenditure
3. Growing the economy - generate income streams, employment and opportunities.

The Council continues to face a significant financial challenge and since 2010 has reduced expenditure by £22.2M. The Local Government Finance Settlement for 2014/15 has given more certainty to the size of future financial reductions that need to be made by the Council, with the cumulative savings required amounting to another £21.602M by 2017/18.

### 16 Business Rates Retention Scheme

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

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency (VOA) and hence business rates outstanding as at 31 March 2014. As such the Council is required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2013/14 has been calculated as £1.310M.

### 16 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 Neighbourhood Services & Resources;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- approve the Statement of Accounts.

### The Director of Neighbourhood Services & Resources Responsibilities

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

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

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

The Director of Neighbourhood Services & Resources has also:

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

### Director's Statement

I certify that this Statement of Accounts has been prepared in accordance with the statutory requirements and proper accounting practices. It presents a true and fair view of the Council's financial position as at 31 March 2014 and the income and expenditure for the year ended 31 March 2014.



Dated: 27/6/14

Paul Wildsmith  
Director of Neighbourhood Services & Resources

Signed

Recertified

### Certification of the Statement of Accounts

As Chair of the Audit Committee meeting held on dd mm yy, I hereby acknowledge that the Statement of Accounts for 2013/14 has been considered and approved by this Committee, in accordance with the Accounts and Audit (England) Regulations 2011, Regulation 8(3).

Dated: \_\_\_\_\_

Councillor Paul Baldwin - Chair of Audit Committee

## Movement In Reserves Statement of Darlington Borough Council as at 31 March 2014

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 31 March 2012</b>	(13,666)	(7,685)	(4,294)	(218)	(10,594)	(36,457)	(2,803)	(39,260)
<b><u>Movement in reserves during 2012/13</u></b>								
Deficit/(surplus) on the Provision of Services	37,758	0	(721)	0	0	37,037	0	37,037
Other Comprehensive Income and Expenditure (page 9)	0	0	0	0	0	0	12,391	12,391
<b>Total Comprehensive Income and Expenditure</b>	37,758	0	(721)	0	0	37,037	12,391	49,428
Adjustments between accounting basis and funding basis under regulations ( <b>Note 4</b> )	(40,837)	0	(3,339)	(2,220)	1,684	(44,712)	44,712	0
<b>Net (Increase)/decrease before Transfers (from)/to Earmarked Reserves</b>	(3,079)	0	(4,060)	(2,220)	1,684	(7,675)	57,103	49,428
Transfers (from)/to Earmarked Reserves ( <b>Note 5</b> )	(285)	286	0	0	(1)	0	0	0
<b>(Increase)/Decrease in 2012/13</b>	(3,364)	286	(4,060)	(2,220)	1,683	(7,675)	57,103	49,428
<b>Balance at 31 March 2013 carried forward</b>	(17,030)	(7,399)	(8,354)	(2,438)	(8,911)	(44,132)	54,300	10,168
<b><u>Movement in reserves during 2013/14</u></b>								
Surplus on the Provision of Services	(18,436)	0	(3,536)	0	0	(21,972)	0	(21,972)
Other Comprehensive Income and Expenditure (page 9)	0	0	0	0	0	0	(38,418)	(38,418)
<b>Total Comprehensive Income and Expenditure</b>	(18,436)	0	(3,536)	0	0	(21,972)	(38,418)	(60,390)
Adjustments between accounting basis and funding basis under regulations ( <b>Note 4</b> )	11,814	0	(1,454)	(195)	317	10,482	(10,482)	0
<b>Net (Increase)/Decrease before Transfers (from)/to Earmarked Reserves</b>	(6,622)	0	(4,990)	(195)	317	(11,490)	(48,900)	(60,390)
Transfers to/(from) Earmarked Reserves ( <b>Note 5</b> )	4,787	(4,787)	(1)	0	0	(1)	1	0
<b>(Increase)/Decrease in 2013/14</b>	(1,835)	(4,787)	(4,991)	(195)	317	(11,491)	(48,899)	(60,390)
<b>Balance at 31 March 2014 carried forward</b>	(18,865)	(12,186)	(13,345)	(2,633)	(8,594)	(55,623)	5,401	(50,222)

# 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.

Restated 2012/13				2013/14			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
55,374	(51,322)	4,052	Central services to the public		48,759	(47,930)	829
14,670	(8,641)	6,029	Cultural and Related Services		15,581	(7,980)	7,601
10,109	(4,820)	5,289	Environmental and Regulatory Services		12,337	(6,407)	5,930
5,440	(2,462)	2,978	Planning Services		4,750	(1,780)	2,970
62,360	(44,718)	17,642	Education and children's services		63,894	(38,842)	25,052
16,861	(9,487)	7,374	Highways and transport services		16,010	(9,876)	6,134
18,342	(21,440)	(3,098)	Local authority housing (HRA)		15,960	(22,571)	(6,611)
12,754	(9,214)	3,540	Other housing services		16,119	(12,472)	3,647
39,628	(14,749)	24,879	Adult social care		38,906	(11,739)	27,167
0	0	0	Public Health		4,579	0	4,579
4,630	(147)	4,483	Corporate and democratic core		5,550	(129)	5,421
(2,540)	0	(2,540)	Settlements and curtailments	35	0	0	0
550	0	550	Non distributed costs		146	0	146
<b>238,178</b>	<b>(167,000)</b>	<b>71,178</b>	<b>Cost of Services</b>		<b>242,591</b>	<b>(159,726)</b>	<b>82,865</b>
645	0	645	Other operating expenditure	6	756	0	756
46,365	0	46,365	Losses on the disposal of non-current assets	6	294	0	294
10,538	(699)	9,839	Financing and investment income and expenditure	9	(6,456)	(592)	(7,048)
0	(90,990)	(90,990)	Taxation and non-specific grant income	10	0	(98,839)	(98,839)
<b>295,726</b>	<b>(258,689)</b>	<b>37,037</b>	<b>Deficit/(surplus) on Provision of Services</b>		<b>237,185</b>	<b>(259,157)</b>	<b>(21,972)</b>
		3,342	Deficit on revaluation of Property, Plant and Equipment assets	15, 17			4,739
		(63)	(Surplus)/deficit on revaluation of available-for-sale financial assets	36			92
		9,070	Actuarial losses/(gains) on pensions assets/liabilities	35			(43,260)
		42	Impairment losses on non-current assets charged to the revaluation reserve	15			11
		<b>12,391</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(38,418)</b>
<b>295,726</b>	<b>(258,689)</b>	<b>49,428</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>237,185</b>	<b>(259,157)</b>	<b>(60,390)</b>

## Balance Sheet of Darlington Borough Council as at 31 March 2014

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets/(liabilities) 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 March 2013 £000		As at 31 March 2014 £000	Notes
240,243	Property, Plant and Equipment	235,456	15
19,519	Investment Properties	39,887	16
3,468	Heritage Assets	3,475	17
160	Long Term Investments	68	36
232	Long Term Debtors	235	36
263,622	<b>Total Long Term Assets</b>	279,121	
7,606	Short Term Investments	8,037	36
380	Inventories	478	19
12,543	Short Term Debtors	14,834	20
6,733	Cash and Cash Equivalents	23,091	21
27,262	<b>Total Current Assets</b>	46,440	
(8,329)	Short Term Borrowing	(14,318)	36
(21,026)	Short Term Creditors	(24,094)	22
(105)	Short Term Provisions	(912)	
(29,460)	<b>Total Current Liabilities</b>	(39,324)	
(18,780)	Long Term Creditors	(17,467)	36
(3,182)	Long Term Provisions	(2,210)	23
(105,113)	Long Term Borrowing	(107,115)	36
(143,770)	Other Long Term Liabilities	(106,770)	35
(747)	Capital Grants Receipts In Advance	(2,453)	29
(271,592)	<b>Total Long Term Liabilities</b>	(236,015)	
(10,168)	<b>Net Assets / (Liabilities)</b>	50,222	
44,132	Usable Reserves	55,623	26
(54,300)	Unusable Reserves	(5,401)	27
(10,168)	<b>Total Reserves</b>	50,222	

## Cash Flow Statement of Darlington Borough Council as at 31 March 2014

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.

<b>2012/13</b> £000		<b>2013/14</b> £000
<b>(37,037)</b>	(Deficit)/Surplus on the provision of services	<b>21,972</b>
59,562	Adjustments to net deficit on the provision of services for non-cash movements	10,782
(12,451)	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	(14,237)
<b>10,074</b>	<b>Net cash flows from Operating Activities</b>	<b>18,517</b>
	<b>Investing Activities</b>	
(14,259)	Purchase of property, plant and equipment and investment property	(24,839)
(15)	Purchase of short term and long term investments	(424)
901	Proceeds from the sale of property, plant and equipment and investment	2,486
9,404	Capital grants received	13,460
2,100	Other receipts from investing activities	0
<b>(1,869)</b>	<b>Net cashflow from Investing activities</b>	<b>(9,317)</b>
	<b>Financing Activities</b>	
5,502	Cash receipts of short and long term borrowing	8,002
0	Other receipts from financing activities	65
(1,184)	Billing Authorities - Council Tax and NNDR adjustments	608
(1,571)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(1,517)
(5,500)	Repayments of short and long term borrowing	0
(22)	Other payments for financing activities	0
<b>(2,775)</b>	<b>Net cashflow from financing activities</b>	<b>7,158</b>
<b>5,430</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>16,358</b>
1,303	<b>Cash and cash equivalents at the beginning of the reporting period</b>	6,733
<b>6,733</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 21)</b>	<b>23,091</b>

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014, the following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

IFRS 10 Consolidated Financial Statements - outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. As the Council doesn't prepare Group Accounts it will have no effect on the Statement of Accounts.

IFRS 11 Joint Arrangements - outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractually agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly). This will have no effect on the Council's Statement of Accounts.

IFRS 12 Disclosures of Interests in Other Entities - is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. This will have no effect on the Council's accounts

IAS 27 Separate Financial Statements - outlines the accounting and disclosure requirements for 'separate financial statements', which are financial statements prepared by a parent, or an investor in a joint venture or associate, where those investments are accounted for either at cost or in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments. This will have no effect on the Council's Accounts

IAS 28 Investments in Associates and Joint Ventures - outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures. The standard also defines an associate by reference to the concept of "significant influence", which requires power to participate in financial and operating policy decisions of an investee (but not joint control or control of those policies). This will have no effect on the Council's Accounts.

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities - outlines the accounting requirements for the presentation of financial instruments, particularly as to the classification of such instruments into financial assets, financial liabilities and equity instruments. The standard also provides guidance on the classification of related interest, dividends and gains/losses, and when financial assets and financial liabilities can be offset.

IAS 1 Presentation of Financial Statements - sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have any material impact on the Statement of Accounts.

## 2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in **Note 39**, 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.
- The Council continues to assess the degree of componentisation within its non-current asset portfolio, as part of the five year rolling programme of non-current asset valuations. On an annual basis the Council will review capital expenditure to assess if any new material components have been added to the Council's non-current asset portfolio.
- Judgement is required to determine whether the Council can be reasonably assured that the conditions of grant and contribution income received have been met before recognising them as income in the Comprehensive Income and Expenditure Statement. Where conditions require specified expenditure to have taken place, the grant monies will not be recognised until this has happened. Equally where conditions specify that a grant or contribution must be re-paid in the event of non-expenditure, the income is not recognised until the conditions of the grant have been met.

## Notes to the Financial Statements of Darlington Borough Council

- A further 2 schools transferred to academy status in 2013/14. 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 2014, the land and building assets relating to the schools that transferred in 2013/14 have been removed from the Council's Balance Sheet.

- The Council is deemed to control the education services provided under the agreement in the schools and also to control the residual value of the schools at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the Education Village and Harrowgate Hill Primary School which became operational in March 2006 and August 2005 respectively. The Education Village transferred to academy status on 01 April 2012 so has therefore been removed from the Council's Balance Sheet. Harrowgate Hill Primary School is recognised as Property, Plant and Equipment on the Council's Balance Sheet at a value of £3.7M.

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

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

The items in the Council's Balance Sheet at 31 March 2014 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
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 £0.021M for every year that useful lives had to be reduced.
Provisions	The Council has made a provision of £0.951M 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 £0.095M 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 £31.7M for funded LGPS benefits. However, the assumptions interact in complex ways.
Arrears	At 31 March 2014, the Council had a balance of sundry debtors of £6.637M. A review of significant balances suggested that an impairment of doubtful debts of 10.46% (£0.694M) 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 recurrent policy in place.

# Notes to the Financial Statements of Darlington Borough Council

## 4 Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the 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.

2013/14	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation of non-current assets	(4,900)	(4,423)	0	0	0	9,323
Charges for impairment of non-current assets	(54)	(1,455)	0	0	0	1,509
Revaluation losses on Property, Plant and Equipment	(7,924)	(4,964)	0	0	0	12,888
Revaluation gains used to reverse previous revaluation losses	362	3,495	0	0	0	(3,857)
Movements in the market value of Investment Properties	18,185	0	0	0	0	(18,185)
Capital Grants and Contributions Applied	4,469	0	0	0	0	(4,469)
Revenue expenditure funded from capital under statute	(4,489)	(9)	0	0	0	4,498
Neutralise the impact on the HRA in respect of the depreciation transfer required under the Accounts and Audit (England)						
Regulations 2011 (Regulation 7(5)(a))	0	(4,418)	0	0	0	4,418
De-minimis Capital Expenditure	(74)	2	0	0	0	72
Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	(2,753)	0	0	0	0	2,753
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	5,386	629	0	0	0	(6,015)
Capital expenditure charged against the General Fund and HRA balances	143	5,480	0	0	0	(5,623)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	7,285	0	0	0	(7,285)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	7,602	(7,602)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	2,484	0	(2,484)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,935	0	0	(1,935)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(358)	0	358	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	4	0	(4)	0	0	0
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	4	0	0	0	0	(4)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	4,418	0	(4,418)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	4,418	0	(4,418)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs costs chargeable in year in accordance with statutory requirements	17	65	0	0	0	(82)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (See Note 35)	(13,646)	(624)	0	0	0	14,270
Employer's pension contributions and direct payments to pensioners payable in the year	7,660	350	0	0	0	(8,010)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
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	(1,143)	0	0	0	0	1,143
<b>Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:</b>						
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	1,108	0	0	0	0	(1,108)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
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	48	0	0	0	0	(48)
<b>Total Adjustments</b>	<b>11,814</b>	<b>(1,454)</b>	<b>(195)</b>	<b>0</b>	<b>317</b>	<b>(10,482)</b>



# Notes to the Financial Statements of Darlington Borough Council

2012/13 Restated Comparative Figures	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation of non-current assets	(4,897)	(4,350)	0	0	0	9,247
Charges for impairment of non-current assets	(44)	(859)	0	0	0	903
Revaluation losses on Property, Plant and Equipment	(1,104)	(5,307)	0	0	0	6,411
Revaluation gains used to reverse previous revaluation losses	2,893	1,300	0	0	0	(4,193)
Movements in the market value of Investment Properties	484	0	0	0	0	(484)
Capital Grants and Contributions Applied	4,731	329	0	0	0	(5,060)
Revenue expenditure funded from capital under statute	(4,562)	(404)	0	0	0	4,966
Neutralise the impact on the HRA in respect of the depreciation transfer required under the Accounts and Audit (England)						
Regulations 2011 (Regulation 7(5)(a))	0	(4,350)	0	0	0	4,350
De-minimis Capital Expenditure	(105)	3	0	0	0	102
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	(49,261)	0	0	0	0	49,261
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	5,295	626	0	0	0	(5,921)
Capital expenditure charged against the General Fund and HRA balances	25	5,440	0	0	0	(5,465)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	4,512	0	0	0	(4,512)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	6,196	(6,196)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	2,977	0	(2,977)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	280	0	0	(280)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(357)	0	357	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	23	0	(23)	0	0	0
Other adjustments involving the Capital Receipts Reserve	(143)	0	143	0	0	0
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	(15)	0	0	0	0	15
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	4,350	0	(4,350)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	4,350	0	(4,350)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
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	17	103	0	0	0	(120)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (See Note 35)	(10,748)	(542)	0	0	0	11,290
Employer's pension contributions and direct payments to pensioners payable in the year	7,888	322	0	0	0	(8,210)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
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	250	0	0	0	0	(250)
<b>Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:</b>						
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	270	0	0	0	0	(270)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
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	1,034	0	0	0	0	(1,034)
<b>Total Adjustments</b>	<b>(40,837)</b>	<b>(3,339)</b>	<b>(2,220)</b>	<b>0</b>	<b>1,684</b>	<b>44,712</b>

## 5 Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back to earmarked reserves to meet General Fund and HRA expenditure in 2013/14.

	Balance at 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000
General Fund	13,666	(1,198)	4,562	17,030	(4,266)	6,101	18,865
	<b>13,666</b>	<b>(1,198)</b>	<b>4,562</b>	<b>17,030</b>	<b>(4,266)</b>	<b>6,101</b>	<b>18,865</b>
Earmarked Reserves:							
Balances held by schools under a scheme of delegation	2,312	(2,312)	1,142	1,142	(1,140)	1,268	1,270
Blackwell Pensions Reserve	0	0	0	0	0	8	8
Building Control	(280)	(23)	0	(303)	0	16	(287)
Civic Theatre Restoration Levy	0	0	0	0	0	89	89
Collection Fund Reserve	0	0	0	0	0	497	497
Crematorium Refurbishment Fund	52	(113)	59	(2)	0	25	23
Dolphin Centre Planned Maintenance	0	0	0	0	0	30	30
Earmarked Departmental Reserves	1,033	(1,033)	1,198	1,198	(1,198)	2,269	2,269
Insurance Fund	862	0	320	1,182	(86)	62	1,158
Land Charges Reserve	105	0	0	105	0	0	105
LDF Public Enquiry	80	0	0	80	0	0	80
LPSA Reserve	504	(93)	0	411	(233)	3	181
Mercury Abatement Fund	235	0	79	314	(101)	84	297
PFI Reserve	(323)	0	0	(323)	0	323	0
Public Health Reserve	0	0	0	0	0	284	284
Redundancy & Decommissioning Reserve	390	(690)	0	(300)	(1,034)	1,500	166
Revenue Contribution to Capital Outlay	577	(577)	616	616	(143)	200	673
Revenue Grants Unapplied	2,137	(2,137)	3,279	3,279	(3,279)	5,343	5,343
	<b>7,684</b>	<b>(6,978)</b>	<b>6,693</b>	<b>7,399</b>	<b>(7,214)</b>	<b>12,001</b>	<b>12,186</b>
Housing Revenue Account	4,294	0	4,060	8,354	0	4,991	13,345
	<b>4,294</b>	<b>0</b>	<b>4,060</b>	<b>8,354</b>	<b>0</b>	<b>4,991</b>	<b>13,345</b>

## 6 Other Operating Expenditure

	2012/13 £000	2013/14 £000
Parish Council precepts	80	103
Levies	89	91
Payments to the Government Housing Capital Receipts Pool	335	334
Losses on the disposal of non-current assets	46,365	294
Deficit on trading activities	125	228
<b>Total</b>	<b>46,994</b>	<b>1,050</b>

## 7 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice 2013-14 (SeRCOP). 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 amortisation are charged to services in the Comprehensive Income and Expenditure Statement); and
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

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

## Notes to the Financial Statements of Darlington Borough Council

	People Group	Place Group	Resources Group	Council Wide	Total
	£000	£000	£000	£000	£000
<b>Directorate Income and Expenditure 2013/14</b>					
Fees, charges and other service income	(23,186)	(70,779)	(16,649)	(108)	<b>(110,722)</b>
Government Grants	(32,117)	(39,718)	(143)	0	<b>(71,978)</b>
<b>Total Income</b>	<b>(55,303)</b>	<b>(110,497)</b>	<b>(16,792)</b>	<b>(108)</b>	<b>(182,700)</b>
Employee Expenses	30,133	23,255	10,094	0	<b>63,482</b>
Other service expenses	69,019	89,934	10,880	845	<b>170,678</b>
Support service recharges	4,521	7,218	5,014	0	<b>16,753</b>
<b>Total Expenditure</b>	<b>103,673</b>	<b>120,407</b>	<b>25,988</b>	<b>845</b>	<b>250,913</b>
<b>Net expenditure</b>	<b>48,370</b>	<b>9,910</b>	<b>9,196</b>	<b>737</b>	<b>68,213</b>

	People Group	Place Group	Resources Group	Council Wide	Total
	£000	£000	£000	£000	£000
<b>Directorate Income and Expenditure 2012/13</b>					
<b>Comparative Figures</b>					
Fees, charges and other service income	(36,883)	(114,493)	(4,728)	(159)	<b>(156,263)</b>
Government Grants	(21,949)	(1,576)	(32)	0	<b>(23,557)</b>
<b>Total Income</b>	<b>(58,832)</b>	<b>(116,069)</b>	<b>(4,760)</b>	<b>(159)</b>	<b>(179,820)</b>
Employee Expenses	36,855	26,096	8,224	402	<b>71,577</b>
Other service expenses	63,040	98,396	9,829	92	<b>171,357</b>
Support service recharges	3,265	3,866	(5,951)	0	<b>1,180</b>
<b>Total Expenditure</b>	<b>103,160</b>	<b>128,358</b>	<b>12,102</b>	<b>494</b>	<b>244,114</b>
<b>Net expenditure</b>	<b>44,328</b>	<b>12,289</b>	<b>7,342</b>	<b>335</b>	<b>64,294</b>

### 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.

	2012/13 £000	2013/14 £000
Net expenditure in the Directorate Analysis	64,294	68,213
Net expenditure of services and support services not included in the Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	13,140	23,083
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(6,256)	(8,431)
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>71,178</b>	<b>82,865</b>

# Notes to the Financial Statements of Darlington Borough Council

## 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.

	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
<b>2013/14</b>							
Fees, charges and other service income	(110,722)	0	0	332	(110,390)	(33,394)	<b>(143,784)</b>
Interest and investment income	0	0	0	0	0	(221)	<b>(221)</b>
Income from Council Tax	0	0	0	0	0	(36,353)	<b>(36,353)</b>
Government grants and contributions	(71,978)	0	0	(2,117)	(74,095)	(47,583)	<b>(121,678)</b>
<b>Total Income</b>	<b>(182,700)</b>	<b>0</b>	<b>0</b>	<b>(1,785)</b>	<b>(184,485)</b>	<b>(117,551)</b>	<b>(302,036)</b>
Employee Expenses	63,482	0	(1,126)	1,026	63,382	0	<b>63,382</b>
Other service expenses	170,678	0	0	(7,672)	163,006	228	<b>163,234</b>
Support service recharges	16,753	0	0	0	16,753	0	<b>16,753</b>
Depreciation and impairment	0	0	24,209	0	24,209	0	<b>24,209</b>
Interest Payments	0	0	0	0	0	11,664	<b>11,664</b>
Precepts and Levies	0	0	0	0	0	194	<b>194</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	0	334	<b>334</b>
Loss on disposal of Non-Current Assets	0	0	0	0	0	294	<b>294</b>
<b>Total Expenditure</b>	<b>250,913</b>	<b>0</b>	<b>23,083</b>	<b>(6,646)</b>	<b>267,350</b>	<b>12,714</b>	<b>280,064</b>
<b>Deficit/(surplus) on the Provision of Services</b>	<b>68,213</b>	<b>0</b>	<b>23,083</b>	<b>(8,431)</b>	<b>82,865</b>	<b>(104,837)</b>	<b>(21,972)</b>
<b>2012/13 Comparative Figures</b>							
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(156,263)	0	(1,059)	345	(156,977)	0	<b>(156,977)</b>
Interest and investment income	0	0	0	0	0	(343)	<b>(343)</b>
Income from Council Tax	0	0	0	0	0	(41,288)	<b>(41,288)</b>
Government grants and contributions	(23,557)	0	(10)	(1,190)	(24,747)	(49,701)	<b>(74,448)</b>
<b>Total Income</b>	<b>(179,820)</b>	<b>0</b>	<b>(1,069)</b>	<b>(845)</b>	<b>(181,724)</b>	<b>(91,332)</b>	<b>(273,056)</b>
Employee Expenses	71,577	0	(3,007)	(739)	67,831	6,211	<b>74,042</b>
Other service expenses	171,357	0	0	(4,584)	166,773	(809)	<b>165,964</b>
Support service recharges	1,180	0	0	(88)	1,092	0	<b>1,092</b>
Depreciation and impairment	0	0	17,206	0	17,206	0	<b>17,206</b>
Interest Payments	0	0	0	0	0	4,920	<b>4,920</b>
Precepts and Levies	0	0	0	0	0	169	<b>169</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	0	335	<b>335</b>
Loss on disposal of Non-Current Assets	0	0	0	0	0	46,365	<b>46,365</b>
<b>Total Expenditure</b>	<b>244,114</b>	<b>0</b>	<b>14,199</b>	<b>(5,411)</b>	<b>252,902</b>	<b>57,191</b>	<b>310,093</b>
<b>Deficit/(surplus) on the Provision of Services</b>	<b>64,294</b>	<b>0</b>	<b>13,130</b>	<b>(6,256)</b>	<b>71,178</b>	<b>(34,141)</b>	<b>37,037</b>

# Notes to the Financial Statements of Darlington Borough Council

## 8 Officers' Remuneration

### 8 a) Officer Remuneration in Bands

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

Remuneration band	2012/13 Number of employees			Number of redundancies included in total	2013/14 Number of employees			Number of redundancies included in total
	Schools	Non - schools	Total		Schools	Non- schools	Total	
£50,000 - £54,999	6	7	13	2	7	5	12	0
£55,000 - £59,999	7	3	10	3	2	3	5	1
£60,000 - £64,999	2	2	4	1	3	3	6	2
£65,000 - £69,999	1	1	2	0	2	1	3	0
£70,000 - £74,999	2	2	4	0	1	4	5	0
£75,000 - £79,999	0	2	2	0	2	1	3	1
£80,000 - £84,999	0	5	5	0	1	5	6	0
£85,000 - £89,999	0	0	0	0	0	0	0	0
£90,000 - £94,999	0	1	1	0	0	1	1	0
£95,000 - £99,999	0	0	0	0	0	1	1	0
£100,000 - £104,999	0	0	0	0	0	0	0	0
£105,000 - £109,999	0	0	0	0	0	0	0	0
£110,000 - £114,999	0	0	0	0	0	0	0	0
£115,000 - £119,999	0	2	2	0	0	2	2	0
£120,000 - £124,999	0	0	0	0	0	0	0	0
£125,000 - £129,999	0	0	0	0	0	0	0	0
£130,000 - £134,999	0	0	0	0	0	0	0	0
£135,000 - £139,999	0	0	0	0	0	0	0	0
£140,000 - £144,999	0	0	0	0	0	0	0	0
£145,000 - £149,999	0	0	0	0	0	0	0	0
£150,000 +	0	1	1	0	0	1	1	0
	<b>18</b>	<b>26</b>	<b>44</b>	<b>6</b>	<b>18</b>	<b>27</b>	<b>45</b>	<b>4</b>

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

### 8 b) Disclosure of Remuneration for Senior Employees 2013/14

	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	153,720	0	0	153,720	28,438	182,158
Director of People		115,725	0	0	115,725	21,409	137,134
Director of Neighbourhood Services and Resources		115,725	0	0	115,725	21,409	137,134
Director of Economic Growth		92,607	0	0	92,607	17,132	109,739
Director of Public Health		97,000	0	0	97,000	13,580	110,580

Following changes to the senior management structure in February 2014, the Director of Resources post has been replaced with a Director of Neighbourhood Services and Resources and the Director of Place post has been replaced with a Director of Economic Growth.

The Director of Public Health role transferred to Darlington Borough Council from 1 April 2013 as part of the national transfer of public health functions from the NHS to local authorities.

# Notes to the Financial Statements of Darlington Borough Council

## Disclosure of Remuneration for Senior Employees 2012/13

	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	0	0	156,720	28,993	185,713
Director of People		115,725	0	0	115,725	21,409	137,134
Director of Resources		115,725	0	0	115,725	21,409	137,134
Director of Place		92,607	0	0	92,607	17,132	109,739

## 8 c) Exit Packages

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

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £	2013/14 £
£0 - £20,000	31	33	16	56	47	89	433,485	588,051
£20,001 - £40,000	3	7	6	14	9	21	372,091	561,039
£40,001 - £60,000	3	0	0	2	3	2	157,600	87,782
£60,001 - £80,000	0	0	1	0	1	0	68,409	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	1	0	1	0	151,711	0
<b>Total</b>	<b>37</b>	<b>40</b>	<b>24</b>	<b>72</b>	<b>61</b>	<b>112</b>	<b>1,183,296</b>	<b>1,236,872</b>

## 9 Financing and Investment Income and Expenditure

	2012/13 £000	2013/14 £000
Interest payable and similar charges	4,920	5,434
Pensions interest cost and expected return on pensions assets ( <b>Note 35</b> )	4,330	6,230
Interest receivable and similar income	(343)	(221)
Income and expenditure in relation to investment properties and changes in their fair value ( <b>Note 16</b> )	(808)	(18,491)
<b>Total</b>	<b>8,099</b>	<b>(7,048)</b>

## 10 Taxation and Non Specific Grant Income

	2012/13 £000	2013/14 £000
Council tax income	(41,289)	(36,353)
Non domestic rates	(38,327)	(14,903)
Non-ringfenced government grants	(1,802)	(35,829)
Capital grants and contributions	(9,572)	(11,754)
<b>Total</b>	<b>(90,990)</b>	<b>(98,839)</b>

## 11 Material Items of Income and Expense

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

## Notes to the Financial Statements of Darlington Borough Council

### 12 Trading Operations

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

	<b>2012/13</b>		<b>2013/14</b>	
	<b>Turnover</b>	<b>Surplus /</b>	<b>Turnover</b>	<b>Surplus /</b>
	<b>£000</b>	<b>(Deficit)</b>	<b>£000</b>	<b>(Deficit)</b>
		<b>£000</b>		<b>£000</b>
Building Cleaning	1,145	(15)	1,012	16
Construction	5,047	668	7,033	353
Catering	1,221	6	985	16
Grounds Maintenance	436	8	351	0
Highways and Sewerage	4,296	429	5,109	528
Maintenance	4,151	329	3,409	347
School Meals-Best Value	1,174	28	897	(39)
	17,470	1,453	18,796	1,221
Adjustments:				
IAS 19		(58)		1
Other		145		112
Prudential Borrowing		3		(134)
<b>Surplus on Trading Accounts</b>		<b>1,543</b>		<b>1,200</b>

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

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

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

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

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

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

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

### 13 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification

	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Fees payable to PricewaterhouseCoopers LLP (PwC) with regard to external audit services carried out by the appointed auditor for the year	123	136
Fees payable to PwC for the certification of grant claims and returns for the year	32	22
Fees payable in respect of other services provided by PwC during the year.	4	6
<b>Total</b>	<b>159</b>	<b>164</b>

N.B. The other services amount of £6,000 in 2013/14 is in respect of additional work with respect to an electors query, whilst the £4,000 in 2012/13 is in respect of VAT consultancy work.

## 14 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. 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 2013/14 are as follows:

	Central Expenditure £000's	ISB £000's	Total £000's
Final DSG for 2013/14 before Academy recoupment			73,234
Academy figure recouped 2013/14			47,268
<b>Total DSG after academy recoupment for 2013/14</b>			<b>25,966</b>
Plus Brought Forward from 2012/13			446
Carry Forward to 2014/15 agreed in advance			0
<b>Final DSG for distribution in 2013/14</b>			<b>26,412</b>
Agreed initial budget distribution in 2013/14 ( <b>note a</b> )	10,204	62,658	72,862
In Year Adjustments ( <b>note b</b> )	818	(47,268)	(46,450)
<b>Final budget distribution for 2013/14</b>	<b>11,022</b>	<b>15,390</b>	<b>26,412</b>
Less actual central expenditure	9,079	0	9,079
Less Actual ISB deployed to Schools	0	15,304	15,304
Plus Local Authority contribution for 2013/14	0	0	0
<b>Carry Forward to 2014/15</b>	<b>1,943</b>	<b>86</b>	<b>2,029</b>

Notes:

a. Initial budget allocation based on indicative DSG allocation received December 12

b. Includes carry forward from 12/13 and additional DSG allocated within the final allocation, for High Needs and Early Years (£372,000)



# Notes to the Financial Statements of Darlington Borough Council

## 15 Property, Plant and Equipment

<b>Movements in 2013/14:</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant &amp; Equipment</b>	<b>PFI Assets Included in Property, Plant &amp; Equipment</b>
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 April 2013</b>	118,351	77,694	24,781	60,384	9,088	765	<b>291,063</b>	4,502
Additions	5,909	2,387	2,207	5,121	22	5,936	<b>21,582</b>	72
Donations	0	0	0	0	0	0	<b>0</b>	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,426)	(7,414)	0	(0)	(0)	400	<b>(8,440)</b>	(85)
Revaluation decreases recognised in the Deficit on the Provision of Services	(1,469)	(7,136)	0	(2)	(142)	(282)	<b>(9,031)</b>	(294)
Derecognition - disposals	(630)	(1,052)	(437)	0	0	0	<b>(2,119)</b>	0
Derecognition - other	0	0	0	0	0	0	<b>0</b>	0
Assets reclassified to Investment Properties	0	(417)	0	2	4	192	<b>(219)</b>	0
Other movements in cost or valuation	0	0	0	0	0	0	<b>0</b>	0
<b>At 31 March 2014</b>	<b>120,735</b>	<b>64,062</b>	<b>26,551</b>	<b>65,505</b>	<b>8,972</b>	<b>7,011</b>	<b>292,836</b>	<b>4,195</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2013</b>	23,295	3,339	11,664	12,316	206	0	<b>50,820</b>	495
Depreciation charge	4,423	1,507	1,693	1,700	0	0	<b>9,323</b>	90
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	<b>0</b>	0
Depreciation written out to the Deficit on the Provision of Services	(2)	(1,984)	0	(0)	(0)	0	<b>(1,986)</b>	(85)
Impairment losses recognised in the Revaluation Reserve	0	11	0	0	0	0	<b>11</b>	0
Impairment reversals recognised in the Deficit on the Provision of Services	0	(198)	0	0	0	0	<b>(198)</b>	0
Derecognition - disposals	0	(105)	(437)	0	0	0	<b>(542)</b>	0
Derecognition - other	0	0	0	0	0	0	<b>0</b>	0
Other movements in depreciation and impairment	0	(48)	0	0	0	0	<b>(48)</b>	0
<b>At 31 March 2014</b>	<b>27,716</b>	<b>2,522</b>	<b>12,920</b>	<b>14,016</b>	<b>206</b>	<b>0</b>	<b>57,380</b>	<b>500</b>
<b>Net book value</b>								
<b>at 31 March 2014</b>	<b>93,019</b>	<b>61,540</b>	<b>13,631</b>	<b>51,489</b>	<b>8,766</b>	<b>7,011</b>	<b>235,456</b>	<b>3,695</b>
<b>at 31 March 2013</b>	<b>95,056</b>	<b>74,355</b>	<b>13,117</b>	<b>48,068</b>	<b>8,882</b>	<b>765</b>	<b>240,243</b>	<b>4,007</b>

**Notes to the Financial Statements of Darlington Borough Council**

<b>Comparative Movements in 2012/13</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant &amp; Equipment</b>	<b>PFI Assets Included in Property, Plant &amp; Equipment</b>
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 April 2012</b>	118,034	114,692	44,418	55,340	8,982	0	<b>341,466</b>	25,536
Additions	5,818	673	1,608	5,044	106	765	<b>14,014</b>	19
Donations	0	0	0	0	0	0	<b>0</b>	0
Revaluation decreases recognised in the Revaluation Reserve	(4)	(3,488)	0	0	0	0	<b>(3,492)</b>	0
Revaluation decreases recognised in the Deficit on the Provision of Services	(4,869)	(2,786)	0	0	0	0	<b>(7,655)</b>	0
Derecognition - disposals	(628)	(30,763)	(21,245)	0	0	0	<b>(52,636)</b>	(21,053)
Derecognition - other	0	0	0	0	0	0	<b>0</b>	0
Assets reclassified (to) Investment Properties	0	(634)	0	0	0	0	<b>(634)</b>	0
Other movements in cost or valuation	0	0	0	0	0	0	<b>0</b>	0
<b>At 31 March 2013</b>	<b>118,351</b>	<b>77,694</b>	<b>24,781</b>	<b>60,384</b>	<b>9,088</b>	<b>765</b>	<b>291,063</b>	<b>4,502</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2012</b>	18,942	6,326	13,280	10,785	206	0	<b>49,539</b>	642
Depreciation charge	4,356	1,652	1,725	1,531	0	0	<b>9,264</b>	90
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	<b>0</b>	0
Depreciation written out to the Deficit on the Provision of Services	(3)	(3,764)	0	0	0	0	<b>(3,767)</b>	0
Impairment losses recognised in the Revaluation Reserve	0	42	0	0	0	0	<b>42</b>	0
Impairment reversals recognised in the Deficit on the Provision of Services	0	(768)	0	0	0	0	<b>(768)</b>	0
Derecognition - disposals	0	(134)	(3,341)	0	0	0	<b>(3,475)</b>	(237)
Derecognition - other	0	0	0	0	0	0	<b>0</b>	0
Other movements in depreciation and impairment	0	(15)	0	0	0	0	<b>(15)</b>	0
<b>At 31 March 2013</b>	<b>23,295</b>	<b>3,339</b>	<b>11,664</b>	<b>12,316</b>	<b>206</b>	<b>0</b>	<b>50,820</b>	<b>495</b>
<b>Net book value</b>								
<b>at 31 March 2013</b>	<b>95,056</b>	<b>74,355</b>	<b>13,117</b>	<b>48,068</b>	<b>8,882</b>	<b>765</b>	<b>240,243</b>	<b>4,007</b>
<b>at 31 March 2012</b>	<b>99,092</b>	<b>108,366</b>	<b>31,138</b>	<b>44,555</b>	<b>8,776</b>	<b>0</b>	<b>291,927</b>	<b>24,894</b>

## Notes to the Financial Statements of Darlington Borough Council

### Depreciation

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

- Council Dwellings - the Major Repairs Allowance is used as a proxy for depreciation
- Other Land and Buildings - over the life of the property as estimated by the valuer. As an indication the majority of buildings are depreciated over 60 years, car parks for 20 years and Community Assets 99 years
- Vehicles, Plant, Furniture & Equipment - between 3 and 12 years
- Infrastructure Assets - 30 years

There are no major capital commitments in future years.

### Revaluations

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

The significant assumptions applied in estimating the fair values are:

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	1,770	13,631	51,490	8,765	6,411	82,067	1,495
valued at fair value as at:								
31 March 2014	93,019	51,428	0	0	0	600	145,047	2,199
31 March 2013	0	0	0	0	0	0	0	0
31 March 2012	0	534	0	0	0	0	534	0
31 March 2011	0	4,070	0	0	0	0	4,070	0
31 March 2010	0	3,738	0	0	0	0	3,738	0
<b>Total Cost or Valuation</b>	<b>93,019</b>	<b>61,540</b>	<b>13,631</b>	<b>51,490</b>	<b>8,765</b>	<b>7,011</b>	<b>235,456</b>	<b>3,694</b>

### 16 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:

	2012/13 £000	2013/14 £000
Rental income from investment property	345	(332)
Direct operating expenses arising from investment property	(22)	(26)
<b>Net gain</b>	<b>323</b>	<b>(358)</b>

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:

## Notes to the Financial Statements of Darlington Borough Council

	2012/13 £000	2013/14 £000
<b>Balance at start of the year</b>	18,289	19,519
Additions:		
Purchases	0	1,955
Subsequent Expenditure	227	1,232
Disposals	(100)	(1,176)
Net (losses)/gains from fair value adjustments	484	18,185
Transfers from Property, Plant and Equipment	619	172
<b>Balance at end of the year</b>	<b>19,519</b>	<b>39,887</b>

### 17 Heritage Assets

#### Reconciliation of the Carrying Value of Heritage Assets Held by the Authority

	Art Collection £000	Civic Regalia £000	Railway Museum £000	Total Assets £000
<b>Cost or Valuation</b>				
<b>1 April 2011</b>	<b>743</b>	<b>565</b>	<b>2,010</b>	<b>3,318</b>
<b>31 March 2012</b>	<b>743</b>	<b>565</b>	<b>2,010</b>	<b>3,318</b>
<b>Cost or Valuation</b>				
<b>1 April 2012</b>	<b>743</b>	<b>565</b>	<b>2,010</b>	<b>3,318</b>
Revaluations	0	0	150	150
<b>31 March 2013</b>	<b>743</b>	<b>565</b>	<b>2,160</b>	<b>3,468</b>
<b>Cost or Valuation</b>				
<b>1 April 2013</b>	<b>743</b>	<b>565</b>	<b>2,160</b>	<b>3,468</b>
Additions	7	0	0	7
<b>31 March 2014</b>	<b>750</b>	<b>565</b>	<b>2,160</b>	<b>3,475</b>

The Council holds a range of heritage assets comprising the Borough Art Collection, the Railway Museum Collection and various pieces of Civic Regalia. The Art Collection has been valued by an external valuer (the majority being valued in 2008) at £0.750M. The Civic Regalia was valued by an external valuer in 2011 at £0.565M. External valuations are reviewed periodically. The Museum Collection is reported in the balance sheet at insurance valuation (based on market values) at £2.160M and is updated annually. In addition, the Council loans certain items from the National Railway Museum with an insurance valuation of £1.500M. Because of the nature of the loan agreement these assets are not included within the Council's Balance Sheet. The Council's heritage asset holdings are substantially static with low numbers of acquisitions or donations and no recent disposals.

#### Heritage Assets: Five Year Summary of Transactions

Paragraph 4.10.4.5 of the Accounting Code of Practice requires a five year summary of transactions in respect of heritage assets but states that information need not be given for any period before 1 April 2010 where it is not practicable to do so. As there have been no changes in the period before 01 April 2010, the Council do not believe it practicable to repeat the information shown above for the preceding years.

#### Further information

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

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

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

## 18 Impairment Losses

During 2013/14, the Council has recognised revaluation and impairment losses of £28.885M in relation to its land and buildings.

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

Impairments have been charged as follows:

	31 March 2013 £000	31 March 2014 £000
Comprehensive Income and Expenditure Statement		
- Central services to the public	560	1,250
- Cultural and related services	0	428
- Environmental and regulatory services	0	232
- Planning services	335	571
- Education and children's services	0	4,853
- Highways and transport services	0	90
- Local authority housing	6,352	6,419
- Other housing services	0	321
- Recreation and sport	67	0
- Other operating expenditure	0	233
- Financing and investment income and expenditure (for investment properties)	888	7,837
Revaluation Reserve	996	6,621
	<b>9,198</b>	<b>28,855</b>

Revaluation 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. 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.

Impairments have been reversed as follows:-

	31 March 2013 £000	31 March 2014 £000
- Central services to the public	0	(143)
- Cultural and related services	(1,858)	(13)
- Planning services	0	(150)
- Education and children's services	(849)	(3)
- Local authority housing	(1,486)	(3,495)
- Adult Social Care	0	(50)
- Financing and investment income and expenditure (for investment properties)	0	(3)
	<b>(4,193)</b>	<b>(3,857)</b>

## 19 Inventories

	Consumable Stores		Maintenance		Client Services Work		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Balance outstanding at start of year	148	102	256	283	257	(5)	661	380
Purchases	929	770	1,077	1,127	0	0	2,006	1,897
Recognised as an expense in the year	(975)	(750)	(1,051)	(1,057)	(262)	(3)	(2,288)	(1,810)
Written off balances	0	0	1	11	0	0	1	11
Balance outstanding at year-end	<b>102</b>	<b>122</b>	<b>283</b>	<b>364</b>	<b>(5)</b>	<b>(8)</b>	<b>380</b>	<b>478</b>

## 20 Debtors

	As at 31 March 2013 £000	As at 31 March 2014 £000
Central government bodies	4,894	4,742
Other local authorities	388	267
NHS bodies	136	130
General Debtors	5,980	9,255
Payments in Advance	1,145	440
	<b>12,543</b>	<b>14,834</b>

## 21 Cash and Cash Equivalents

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

	As at 31 March 2013 £000	As at 31 March 2014 £000
Cash held by the Authority	123	130
Bank current accounts	(1,824)	(782)
Short-term deposits	8,434	23,743
<b>Total cash and cash equivalents</b>	<b>6,733</b>	<b>23,091</b>

## 22 Creditors

	As at 31 March 2013 £000	As at 31 March 2014 £000
Central government bodies	(1,368)	(3,922)
Other local authorities	(1,999)	(2,241)
NHS bodies	(88)	(701)
Other entities and individuals	(17,571)	(17,230)
<b>Total</b>	<b>(21,026)</b>	<b>(24,094)</b>

## 23 Provisions

	Other Provisions £000	Total £000
<b>Balance at 1 April 2013</b>	(3,182)	(3,182)
Additional provisions made in 2013/14	0	0
Amounts used in 2013/14	0	0
Unused amounts reversed in 2013/14	972	972
<b>Balance at 31 March 2014</b>	<b>(2,210)</b>	<b>(2,210)</b>

Equal Pay - A provision of £951,000 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.

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

Land Reclamation - A provision of £300,000 has been made in the accounts as at 31 March 2013 for the repayment of reclamation grant.

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

## Notes to the Financial Statements of Darlington Borough Council

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 £609,000 on this account represents claims made and still outstanding as at 31 March 2014 which are within these excesses.

### 24 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 2013 £000	31 March 2014 £000
Vehicles, Plant and Equipment	264	48

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 2013 £000	31 March 2014 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	224	49
• non-current	49	0
Finance costs payable in future years	1	0
Minimum lease payments	<b>274</b>	<b>49</b>

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

	Minimum Lease		Finance Lease	
	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000
Not later than one year	225	49	224	49
Later than one year and not later than five years	49	0	49	0
	<b>274</b>	<b>49</b>	<b>273</b>	<b>49</b>

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 £0.624M (£0.510M in 2012/13).

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

	31 March 2013 £000	31 March 2014 £000
Not later than one year	350	235
Later than one year and not later than five years	198	196
Later than five years	0	0
	<b>548</b>	<b>431</b>

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 2013/14 £0.510M (£0.733M in 2012/13) 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 2013 £000	31 March 2014 £000
Not later than one year	733	510
Later than one year and not later than five years	799	1,674
Later than five years	5,074	7,523
	<b>6,606</b>	<b>9,707</b>

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.

## 25 Contingent Liabilities

At 31 March 2014, 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 a Scheme of Arrangement in place that if MMI does not have enough assets to meet the claims and liabilities it can clawback from major policy holders part of the claims paid from October 1993. This scheme was triggered in November 2012 and Darlington Borough Council has been told that £115,000 is due for payment during 2013/14, representing 15% of claims paid by MMI excluding the first £50,000 of claims. This was paid in February 2014 from the Insurance Provision (note 23). During 2012/13 the Council commissioned an Actuarial Report from a firm of insurance brokers, independent of MMI, who estimate at this time that the clawback amount could be as much as 50% of all claims excluding the first £50,000. As a result the Council has a contingent liability of £0.286M, this being the 50% that the Council could be liable for( £0.402M) less the amount paid over to MMI through 2013/14( £0.116M) Furthermore, the Council will be liable for 15% of all new claims that have incurred but not yet been reported but this could increase to 50% of all new claims, therefore, a figure for this contingent liability is unknown at this time.

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

## 26 Usable Reserves

	2012/13 £000	2013/14 £000
General Fund (Note 2)	17,030	18,865
Earmarked Reserves (Note 2)	2,978	5,573
Housing Revenue Account (Note 2)	8,354	13,345
Schools Revenue Balances (Note 2)	1,142	1,270
Revenue Grant Unapplied (Note 2)	3,279	5,343
Capital Receipts Reserve	2,438	2,633
Capital Grants Unapplied	8,911	8,594
<b>Total Usable Reserves</b>	<b>44,132</b>	<b>55,623</b>



## 27 Unusable Reserves

	2012/13 £000	2013/14 £000
Revaluation Reserve	19,688	14,565
Capital Adjustment Account	72,423	89,446
Available-for-Sale Financial Instruments Reserve	160	68
Financial Instruments Adjustment Account	(157)	(75)
Pensions Reserve	(143,770)	(106,770)
Deferred Capital Receipts Reserve	8	4
Collection Fund Adjustment Account	42	(1,101)
Unequal Pay Back Pay Account	(2,059)	(951)
Accumulated Absences Account	(635)	(587)
<b>Total Unusable Reserves</b>	<b>(54,300)</b>	<b>(5,401)</b>

### Revaluation Reserve

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

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

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

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>28,599</b>	<b>19,688</b>
Upward revaluation of assets	150	1,871
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	(3,537)	(6,621)
	(3,387)	(4,750)
Surplus or deficit on revaluation of non-current assets not posted to the Deficit on the Provision of Services		
Difference between fair value depreciation and historical cost depreciation	(241)	(215)
Accumulated gains on assets sold or scrapped	(5,283)	(158)
	(5,524)	(373)
Amount written off to the CAA		
<b>Balance at 31st March</b>	<b>19,688</b>	<b>14,565</b>

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

## Notes to the Financial Statements of Darlington Borough Council

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>110,188</b>	<b>72,423</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(10,151)	(10,827)
Neutralise the impact on the HRA in respect of the depreciation transfer required under the Accounts and Audit (England) Regulations 2011 (Regulation 7(5)(a))	(4,350)	(4,418)
Revaluation losses on Property, Plant and Equipment	(6,411)	(12,888)
Revaluation gains used to reverse previous revaluation losses	4,193	3,857
Revenue expenditure funded from capital under statute	(4,966)	(4,498)
HRA Settlement Determination	0	0
Capital Expenditure classed as De-minimis	(102)	(73)
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.	(49,261)	(2,753)
	(71,048)	(31,600)
Adjusting amount written out of the Revaluation Reserve	5,527	374
Net written out amount of the cost of non-current assets consumed in the year.	(65,521)	(31,226)
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	280	1,936
Use of the Major Repairs Reserve to finance new capital expenditure	4,350	4,418
Capital grants and contributions credited to the Comprehensive Income and Expenditure that have been applied to capital financing	5,060	4,469
Application of grants to capital financing from the Capital Grants Unapplied Account	6,196	7,602
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	5,921	6,016
Capital expenditure charged against the General Fund and HRA balances	5,465	5,623
	27,272	30,064
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	484	18,185
<b>Balance at 31st March</b>	<b>72,423</b>	<b>89,446</b>

### **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.

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>97</b>	<b>160</b>
Upward/(Downward) revaluation of investments not charged to the Deficit on the Provision of Services	63	(92)
<b>Balance at 31st March</b>	<b>160</b>	<b>68</b>

### **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 2014 will be charged to the General Fund over the next 9 years.

## Notes to the Financial Statements of Darlington Borough Council

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>(277)</b>	<b>(157)</b>
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements	120	82
<b>Balance at 31st March</b>	<b>(157)</b>	<b>(75)</b>

### **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.

	Restated 2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>(131,620)</b>	<b>(143,770)</b>
Actuarial losses on pensions assets and liabilities	(9,070)	43,260
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(11,290)	(14,270)
Employer's pension contributions and direct payments to pensioners payable in the year	8,210	8,010
<b>Balance at 31st March</b>	<b>(143,770)</b>	<b>(106,770)</b>

### **Deferred Capital Receipts Reserve**

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

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>23</b>	<b>8</b>
Transfer to the Capital Receipts Reserve upon receipt of cash	(15)	(4)
<b>Balance at 31st March</b>	<b>8</b>	<b>4</b>

### **Collection Fund Adjustment Account**

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

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>(208)</b>	<b>42</b>
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	250	(1,143)
<b>Balance at 31st March</b>	<b>42</b>	<b>(1,101)</b>

### **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.

## Notes to the Financial Statements of Darlington Borough Council

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>(2,329)</b>	<b>(2,059)</b>
Decrease in provision for back pay in relation to Equal Pay cases	270	1,108
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	(2,059)	(951)
<b>Balance at 31st March</b>	<b>(2,059)</b>	<b>(951)</b>

### 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.

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>(1,669)</b>	<b>(635)</b>
Settlement or cancellation of accrual made at the end of the preceding year	1,669	635
Amounts accrued at the end of the current year	(635)	(587)
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	(635)	(587)
<b>Balance at 31st March</b>	<b>(635)</b>	<b>(587)</b>

## 28 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.

	2012/13 £000	2013/14 £000
<b>Opening Capital Financing Requirement</b>	174,787	171,173
<b>Capital Investment</b>		
Property, Plant and Equipment	14,147	21,654
Investment Properties	195	3,186
Revenue Expenditure Funded from Capital Under Statute	4,966	4,498
<b>Sources of Finance</b>		
Capital receipts	(280)	(1,936)
Government grants and other contributions	(11,256)	(12,071)
Sums set aside from revenue:		
Direct revenue contributions	(5,465)	(5,623)
MRP/loans fund principal	(4,351)	(4,500)
Deferred liabilities movement	(1,570)	(1,515)
<b>Closing Capital Financing Requirement</b>	<b>171,173</b>	<b>174,866</b>
<b>Explanation of movements in year</b>		
Minimum Revenue Provision (MRP)	(5,921)	(6,015)
Increase in underlying need to borrowing (supported by government financial assistance)	829	0
Increase in underlying need to borrowing (unsupported by government financial assistance)	1,478	9,708
<b>Increase in Capital Financing Requirement</b>	<b>(3,614)</b>	<b>3,693</b>

# Notes to the Financial Statements of Darlington Borough Council

## 29 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and expenditure Statement in 2013/14:

	2012/13 £000	2013/14 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	743	30,079
Business Rates Baseline	0	16,234
Capital Grants and Contributions	9,572	11,754
Local Authority Top Up Grant	0	3,830
New Homes Bonus	533	1,039
Small Business Rates Relief S31 Grant	0	504
Other	106	282
Local Services Support Grant	420	107
Non Domestic Rates	37,326	0
Council Tax Freeze Grant	1,001	0
<b>Sub-total</b>	<b>49,701</b>	<b>63,829</b>
<b>Credited to Services</b>		
Dedicated Schools Grant (DSG)	26,117	25,966
Rent Allowance	24,066	24,201
Rent Rebates	13,388	13,761
Public Health Grant	0	6,989
The Private Finance Initiative (PFI)	3,200	3,200
Social Care Funding	1,308	1,794
Pupil Premium	1,117	1,041
Housing Benefit Admin	959	869
Local Sustainable Transport Fund (DfT)	645	705
Education Services Grant	0	600
Community Learning	0	462
Tackling Troubled Families	321	408
Local Welfare Provision Grant	0	407
Youth Justice Board	351	297
Skills for Me	0	294
16-18 Apprentices	0	256
Discretionary Housing Payments	0	224
Adult Skills	0	198
Adoption Reform Grant Part A	0	198
SEND Green Paper Pathfinder	0	150
Winter Pressures Funding	168	100
Council tax benefit	8,976	0
Early Intervention Grant	5,966	0
Learning Disability & Health Reform Grant	2,689	0
Skills Funding Agency	1,268	0
EFA 16-19 Funding	521	0
TVBNI - Smart Choices (DfT)	230	0
High Street Innovation Fund	100	0
Music Grant	61	0
Other	804	916
<b>Sub-total</b>	<b>92,255</b>	<b>83,036</b>
<b>Total</b>	<b>141,956</b>	<b>146,865</b>

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:

	2012/13 £000	2013/14 £000
<b>Capital Grants Receipts in Advance</b>		
Developer Contribution	580	1,086
Fair Share Trust	50	50
Safer & Stronger Communities Fund	42	42
Tees Valley Regeneration	75	75
Tees Valley Unlimited	0	1,200
	<b>747</b>	<b>2,453</b>

**30 Private Finance Initiative****Education PFI Scheme**

2013/14 was the ninth year of the Council's 25 year PFI scheme for the construction, maintenance and operation of five schools, the Education Village (a federation of schools comprising Springfield, Beaumont Hill and Haughton Schools) and Harrowgate Hill Primary School, which became operational in March 2006 and August 2005 respectively. The Education Village Schools converted to Academy status on 1 April 2012 under the provisions of the Academies Act 2010.

**(1) Harrowgate Hill**

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

**(2) Education Village**

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

**Property, Plant and Equipment**

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in **Note 15**.

**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 2014 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2014/15	2,147	1,263	894	4,304
Payable within two to five years	9,137	4,814	2,986	16,937
Payable within six to ten years	12,767	5,642	2,477	20,886
Payable within eleven to fifteen years	14,445	5,469	1,151	21,065
Payable within sixteen to twenty years	4,438	1,542	95	6,075
<b>Total</b>	<b>42,934</b>	<b>18,730</b>	<b>7,603</b>	<b>69,267</b>

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:

## Notes to the Financial Statements of Darlington Borough Council

	2012/13 £000	2013/14 £000
Balance outstanding at start of year	21,343	20,021
Payments during the year	(1,322)	(1,291)
Balance Outstanding at end of year	<b>20,021</b>	<b>18,730</b>

### 31 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 £645,061 (2012/13 £644,815).

### 32 Trust Funds

The Council acted as custodian trustee for a number of Trusts which operated for the benefit of Students attending or who have attended Secondary Schools in Darlington Borough (including Queen Elizabeth 6th Form College). It also acted 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. The majority of these funds have been transferred in year to County Durham Community Foundation (CDCF) for them to administer which is why the balances c/fwd are nil.

Funds for which Darlington Borough Council were sole or custodian trustee and have all been transferred are as follows:

	Balance at 1 April 2013 £000's	Receipts £000's	Payments £000's	Balance at 31 March 2014 £000's	Assets £000's	Liabilities £000's
James Barningham Fellowship	31	2	(33)	0	0	0
Lady Dale Scholarship	14	1	(15)	0	0	0
Darlington Education Fund	119	19	(138)	0	0	0
W.Draffon Scholarship	9	0	(9)	0	0	0
Others	15	2	(17)	0	0	0
	<b>188</b>	<b>24</b>	<b>(212)</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### 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.Draffan 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/were as follows :

	Balance at 1 April 2013 £000's	Receipts £000's	Payments £000's	Balance at 31 March 2014 £000's
Stainsby Murray Fund	85	0	(85)	0
E.M.Cornor Bequest	65	0	(65)	0
Criminal Injuries Compensation	21	0	0	21
BAT Legacy	162	0	(23)	139
Other	69	0	(66)	3
	<b>402</b>	<b>0</b>	<b>(239)</b>	<b>163</b>

# Notes to the Financial Statements of Darlington Borough Council

## 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.

The only main funds that the Council still administers are the Criminal Injuries Compensation and the BAT legacy as well as 4 other minor funds

## 33 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 7** on amounts reported for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are shown in **Note 29**.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in **Note 31**. During 2013/14, the Council had transactions totalling approximately £1,115,099 (£528,027 in 2012/13) 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 2013/14.

### Other Organisations

The Council paid £0.600M to 14 other organisations (£0.983M to 21 in 2012/13) on which it has Member representation and which share educational, economic development, social and culture objectives, those



## Notes to the Financial Statements of Darlington Borough Council

Organisation	2012/13 £000's	2013/14 £000's
Evolution	128.56	133.90
Darlington & District Youth and Community Association	121.26	114.70
Groundwork North East Board	203.99	110.60
Family Help Organisation	90.00	84.40
North East Regional Employers Organisation	21.56	44.50
Association of North East Councils (ANEC)	30.16	39.30
Local Government Association	22.59	27.60
Darlington Town Twinning Association	1.65	20.60
Parking and Traffic Regulations Outside London (PATROL)	9.78	9.90
North East Highways Training Centre - Management Committee	1.19	8.00
Northern Housing Consortium	4.64	3.50
Darlington Community Carnival Committee	5.40	1.80
Combined Fire Authority	0.00	0.90
Association of Councillors	0.83	0.80
Durham Police Authority	90.86	0.00
Darlington Credit Union	85.33	0.00
Darlington Citizens Advice Bureau	59.36	0.00
YMCA	58.77	0.00
Firthmoor & District Community Association	22.54	0.00
Darlington College Board	16.45	0.00
Tees Valley Limited	7.08	0.00
Skerne Park Youth & Community Centre	0.51	0.00
	<b>982.51</b>	<b>600.50</b>

### Other Public Bodies

The Council received £2,961,762 (£471,872 in 2012/13) from the NHS and £181,386 (£3,991,749 in 2012/13) from the PCT. The Council paid £3,000,685 (£566,875 in 2012/13) to the NHS and £12,958 (£303,722 in 2012/13) to the PCT.

### 34 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 2013/14, the Council paid £0.801M to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £1.075M 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 35**.

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

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

In 2013/14 the Council paid £0.057M to the NHS Pension scheme in respect of former NHS staff retirement benefits, representing 14.00% of pensionable pay. There were no contributions remaining payable at the year end.

### 35 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.

#### 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	
	Restated 2012/13	2013/14	Restated 2012/13	2013/14
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of Services:				
• current service cost	(7,760)	(8,040)	0	0
• gain/(losses) from settlements	2,540	0	0	0
<b>Financing and Investment Income and Expenditure</b>				
• net interest expense	(5,530)	(5,740)	(540)	(490)
<b>Total Post Employment Benefit Charged to the Deficit on the Provision of Services</b>	<b>(10,750)</b>	<b>(13,780)</b>	<b>(540)</b>	<b>(490)</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>				
• return on plan assets (excl the amount included in the net interest expense)	13,000	(440)	0	0
• actuarial gains/(losses) arising on changes in demographic assumptions	(21,900)	23,590	0	(190)
• actuarial gains/(losses) arising on changes in financial assumptions	0	6,800	(700)	480
• actuarial gains/(losses) due to liability experience	500	13,030	30	(10)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(19,150)</b>	<b>29,200</b>	<b>(1,210)</b>	<b>(210)</b>
<b>Movement in Reserves Statement</b>				
• reversal of net charges made to the Deficit on the Provision of Services for post employment benefits in accordance with the Code	10,750	13,780	540	490
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
• employers' contributions payable to the scheme	7,200	6,990		
• retirement benefits payable to pensioners			1,010	1,020

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement from 1 April 2009 to 31 March 2014 is a gain of £28.640M (to 31 March 13 a loss of £16.710M).

# Notes to the Financial Statements of Darlington Borough Council

## Assets and Liabilities in Relation to Post Employment Benefits

Pension Scheme Assets comprised:

	Asset Split at 31 March 2013	Asset Split at 31 March 2014		
	%	Quoted %	Unquoted %	Total %
Equities	52.7	23.0	30.7	53.7
Property	7.3	1.1	5.7	6.8
Government Bonds	27.2	20.5	5.7	26.2
Corporate Bonds	10.1	0.2	8.6	8.8
Cash	2.7	4.3	0.0	4.3
Other	0.0	0.2	0.0	0.2
	<u>100.0</u>	<u>49.3</u>	<u>50.7</u>	<u>100.0</u>

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

	<b>Funded Liabilities: Local Government Pension Scheme</b>		<b>Unfunded Liabilities: Discretionary Benefits</b>	
	<b>Restated</b>		<b>Restated</b>	
	<b>2012/13</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening defined benefit obligation balance at 1 April	<b>(336,890)</b>	<b>(367,750)</b>	<b>(12,420)</b>	<b>(12,620)</b>
Current service cost	(7,760)	(8,040)	0	0
Interest expense on defined benefit obligation	(15,970)	(16,350)	(540)	(490)
Contributions by scheme participants	(2,380)	(2,180)	0	0
Actuarial (gains)/losses on liabilities - financial assumptions	(21,900)	23,590	(700)	480
Actuarial (gains)/losses on liabilities - demographic assumptions	0	6,800	0	(190)
Actuarial (gains)/losses on liabilities - experience	500	13,030	30	(10)
Net Benefits paid out	10,800	11,020	1,010	1,020
Settlements	5,850	0	0	0
Closing defined benefit balance at 31 March	<b><u>(367,750)</u></b>	<b><u>(339,880)</u></b>	<b><u>(12,620)</u></b>	<b><u>(11,810)</u></b>

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

	<b>Funded Liabilities: Local Government Pension Scheme</b>		<b>Unfunded Liabilities: Discretionary Benefits</b>	
	<b>Restated</b>		<b>Restated</b>	
	<b>2012/13</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening fair value of assets balance at 1 April	<b>217,690</b>	<b>236,600</b>	<b>0</b>	<b>0</b>
Interest income on assets	10,440	10,610	0	0
Remeasurement gains/(losses) on assets	13,000	(440)	0	0
Contributions by the employer	7,200	6,990	1,010	1,020
Contributions by scheme participants	2,380	2,180	0	0
Net Benefits paid out	(10,800)	(11,020)	(1,010)	(1,020)
Settlements	(3,310)	0	0	0
Closing fair value of assets balance at 31 March	<b><u>236,600</u></b>	<b><u>244,920</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

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 £10.170M (2012/13: £23.440M).

## Notes to the Financial Statements of Darlington Borough Council

### Scheme History

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(345,130)	(315,310)	(336,890)	(367,750)	(339,880)
Discretionary Benefits	(13,100)	(11,810)	(12,420)	(12,620)	(11,810)
Sub-total Liabilities	<u>(358,230)</u>	<u>(327,120)</u>	<u>(349,310)</u>	<u>(380,370)</u>	<u>(351,690)</u>
<b>Fair value of assets in the Local Government Pension Scheme</b>	<b>201,280</b>	<b>216,990</b>	<b>217,690</b>	<b>236,600</b>	<b>244,920</b>
<b>Deficit in the scheme</b>	<b><u>(156,950)</u></b>	<b><u>(110,130)</u></b>	<b><u>(131,620)</u></b>	<b><u>(143,770)</u></b>	<b><u>(106,770)</u></b>
<b>Split of Surplus/(Deficit) in the scheme:</b>					
Local Government Pension Scheme	(143,850)	(98,320)	(119,200)	(131,150)	(94,960)
Discretionary Benefits	(13,100)	(11,810)	(12,420)	(12,620)	(11,810)
<b>Total</b>	<b><u>(156,950)</u></b>	<b><u>(110,130)</u></b>	<b><u>(131,620)</u></b>	<b><u>(143,770)</u></b>	<b><u>(106,770)</u></b>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £106.770M 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 £156.992M to £50.222M. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2015 is £6.670M. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2015 are £1.040M.

### 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 2013.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2012/13	2013/14	2012/13	2013/14
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	22.1	22.5	22.1	0.0
• Women	24.3	25.0	24.3	0.0
Longevity at 65 for future pensioners:				
• Men	23.9	24.7	0.0	0.0
• Women	26.2	27.3	0.0	0.0
Rate of inflation (RPI)	3.7%	3.4%	3.5%	0.0%
Rate of Inflation (CPI)	2.8%	2.4%	2.6%	0.0%
Rate of increase in salaries	4.7%	3.9%	0.0%	0.0%
Rate of increase in pensions	2.8%	2.4%	2.6%	0.0%
Rate for discounting scheme liabilities	4.5%	4.3%	4.1%	0.0%
Take up of option to convert annual pension into retirement lump sum - Pre 1 April 2008	60%	80%	0%	0%
Take up of option to convert annual pension into retirement lump sum - Post 1 April 2008	80%	80%	0%	0%

N.B. For 31 March 2014 each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 80% of the permitted maximum.

## Notes to the Financial Statements of Darlington Borough Council

For 31 March 2013 each member assumed to exchange 60% of the maximum amount permitted of their pre 1 April pension entitlements, for additional lump sum. Each member assumed to exchange 80% of the maximum amount permitted of their post 31 March 2010 pension entitlements, for additional lump sum.

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption	Decrease in Assumption
	£M	£M
Longevity (increase or decrease by 1 year)	7.48	(7.32)
Rate of increase in salaries (increase or decrease by 0.1% p.a.)	1.70	(1.69)
Rate of increase in pensions (increase or decrease by 0.1% p.a.)	4.76	(4.69)
Rate for discounting scheme liabilities (increase or decrease by 0.1% p.a.)	(6.34)	6.46

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 2013 %	31 March 2014 %
Equity investments	52.7	53.7
Debt Instruments	37.3	35.0
Other assets	10.0	11.3
	<b>100.0</b>	<b>100.0</b>

## 36 Financial Instruments

### Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2013	31 March 2014	31 March 2013	31 March 2014
	£000	£000	£000	£000
Cash Equivalents Short Term Deposits ( <b>See Note 21</b> )	0	0	8,434	23,743
Short Term Investments (Per Balance Sheet)	0	0	7,606	8,037
Loans and Receivables at amortised cost	0	0	16,040	31,780
Available-for-Sale assets	160	68	0	0
<b>Total Investments</b>	<b>160</b>	<b>68</b>	<b>16,040</b>	<b>31,780</b>
<b>Debtors</b>				
Loans and Receivables	232	235	0	0
Financial assets carried at contract amounts (Debtors)	0	0	7,037	6,637
<b>Total Debtors</b>	<b>232</b>	<b>235</b>	<b>7,037</b>	<b>6,637</b>
<b>Borrowings</b>				
Financial liabilities(principal amount)	105,161	107,160	7,000	13,000
Add Accrued Interest	0	0	1,329	1,318
Less Other accounting adjustments	(48)	(45)	0	0
Financial Liabilities at amortised cost	105,113	107,115	8,329	14,318
Financial Liabilities at fair value through profit and loss	0	0	0	0
<b>Total Borrowings (Per Balance Sheet)</b>	<b>105,113</b>	<b>107,115</b>	<b>8,329</b>	<b>14,318</b>
PFI and finance lease liabilities	18,780	17,467	1,515	13,120
<b>Total other long term creditors (Per Balance Sheet)</b>	<b>18,780</b>	<b>17,467</b>	<b>1,515</b>	<b>13,120</b>
Financial liabilities carried at contract amount	0	0	2,588	2,049

# Notes to the Financial Statements of Darlington Borough Council

Total Creditors	0	0	2,588	2,049
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## Income, Expense, Gains and Losses

	2013/14				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000
Interest expense	5,434	0	0	0	5,434
<b>Total expense in Deficit on the Provision of Services</b>	5,434	0	0	0	5,434
Interest income	0	(221)	0	0	(221)
<b>Total income in Deficit on the Provision of Services</b>	0	(221)	0	0	(221)
Loss on revaluation	0	0	(92)	0	0
Gains on revaluation	0	0	0	0	0
<b>Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	0	0	(92)	0	(92)
<b>Net gain/(loss) for the year</b>	<b>5,434</b>	<b>(221)</b>	<b>(92)</b>	<b>0</b>	<b>5,121</b>

	2012/13				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000
Interest expense	4,920	0	0	0	4,920
<b>Total expense in Deficit on the Provision of Services</b>	4,920	0	0	0	4,920
Interest income	0	(343)	0	0	(343)
<b>Total income in Deficit on the Provision of Services</b>	0	(343)	0	0	(343)
Loss on revaluation	0	0	0	0	0
Gains on revaluation	0	0	63	0	63
<b>Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	0	0	63	0	63
<b>Net gain/(loss) for the year</b>	<b>4,920</b>	<b>(343)</b>	<b>63</b>	<b>0</b>	<b>4,640</b>

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

	Balance £ Sheet Value 2012/13	Balance £ Sheet Value 2013/14	Reduction £ in Value
Newcastle International Airport	0	0	0
Durham Tees Valley Airport	160,350	0	(160,350)
	<b>160,350</b>	<b>0</b>	<b>(160,350)</b>

The Council has relinquished its shareholding in Newcastle International Airport during the year although the shares were valued at nil on the Balance Sheet.

## Notes to the Financial Statements of Darlington Borough Council

### Fair Values of Assets and Liabilities

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

- For loans from 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 2013		31 March 2014	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
<b>Financial Liabilities:</b>				
PWLB Debt	69,788	81,581	65,311	73,209
Non PWLB debt	43,702	49,645	54,850	58,787
<b>Total Debt</b>	<b>113,490</b>	<b>131,226</b>	<b>120,161</b>	<b>131,996</b>
Creditors	2,588	2,588	2,049	2,049

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 2013		31 March 2014	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Money market loans more than 1 year	0	0	0	0
Debtors	7,037	7,037	6,637	6,637

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.

### 37 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

## Notes to the Financial Statements of Darlington Borough Council

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 including:
  - it's maximum and minimum exposures to fixed and variable rates;
  - it's maximum annual exposure to investments maturing beyond 1 year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 28 February 2013 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2013/14 was set at £173.840M. This was the maximum amount of external borrowings and other long term liabilities allowed.
- The operational Boundary was expected to be £137.000M. This is the expected level of borrowing and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40% based on the council's net debt.
- The maximum and minimum exposure to the maturity structure of debt are shown in the note relating to refinancing and maturity risk.

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 Council's website. The key areas of the investment Strategy are the minimum criteria for investment counterparties which include:

- 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 2013/14 was approved by full Council on 28 February 2013 and is available on the Council's website.

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



## Notes to the Financial Statements of Darlington Borough Council

	Amount at 31 March 2014 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2014 %	Estimated maximum exposure to default and uncollectability at 31 March 2013 £000	Estimated maximum exposure at 31 March 2014 £000
Deposits with banks and Financial Institutions					
AAA rated counterparties	16,963	0.00	0.00	0	0
AA Rated Counterparties	0	0.00	0.00	0	0
Less than 1 year	0	0.00	0.00	0	0
1 to 2 years	0	0.00	0.00	0	0
A rated counterparties	13,000	0.09	0.02	4	3
UK Government backed Banks BBB+ rated	1,780	0.21	0.00	0	0
Trade debtors	6,637	12.50	0.00	879	829

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

The Council does not generally allow credit for customers, such that £3.577M of the £6.637M 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 2013 £000	31 March 2014 £000
Debts on Payment plans	3,774	2,120
Less than three months	537	501
Three to six months	264	174
Six months to one year	208	202
More than one year	666	580
	<b>5,449</b>	<b>3,577</b>

### 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 liabilities is as follows:

	31 March 2013 £000	31 March 2014 £000
Less than one year	16,434	31,743
Between one and two years	0	0
	<b>16,434</b>	<b>31,743</b>

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

### Refinancing and Maturity Risk

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

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

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

## Notes to the Financial Statements of Darlington Borough Council

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

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

	Approved Maximum Limits	31 March 2014	31 March 2013 £'000	31 March 2014 £'000
Less than 1 year	25%	11%	3,500	13,000
Between 1 and 2 years	40%	2%	3,500	2,000
Between 2 and 5 years	60%	5%	6,750	6,750
Between 5 and 10 years	80%	0%	0	0
More than 10 years	100%	82%	98,411	98,411
<b>Total</b>		<b>100%</b>	<b>112,161</b>	<b>120,161</b>

### Market Risk

#### Interest Rate Risk

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

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

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus 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 Other Comprehensive Income and

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

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 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	(299)
Increase in interest receivable on variable rate investments	(160)
Impact on Surplus or Deficit on the Provision of Services	(459)
Share of overall impact debited to the HRA	(188)
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)	13,415

## Notes to the Financial Statements of Darlington Borough Council

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

### Foreign Exchange Risk

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

## 38 Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Neighbourhood Services & Resources on 27 June 2014. 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 2014, 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.

## 39 Statement of Accounting Policies

### a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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. The principle accounting policies have been applied consistently throughout the year.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

### b) Accruals of Income and Expenditure

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

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

## Notes to the Financial Statements of Darlington Borough Council

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, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

### e) Charges to Revenue for Non-Current Assets

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

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

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

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

### f) Employee Benefits

#### Benefits Payable During Employment

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

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

## Notes to the Financial Statements of Darlington Borough Council

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

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

### Post Employment Benefits

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

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

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. 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 Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

### The Local Government Pension Scheme

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

- The liabilities of the Durham County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (based on the indicative rate of return on high quality corporate bond).
- The assets of Durham County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

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

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

## Notes to the Financial Statements of Darlington Borough Council

and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

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

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

### Discretionary Benefits

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

### g) Events After the Reporting Period

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

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

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

### h) Financial Instruments

#### Financial Liabilities

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

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

## Notes to the Financial Statements of Darlington Borough Council

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

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

### Financial Assets

Financial assets are classified into two types:

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

### Loans and Receivables

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

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

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

### Available-for-Sale Assets

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

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

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

## Notes to the Financial Statements of Darlington Borough Council

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 45.

#### **i) Government Grants and Contributions**

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

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

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

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

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

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

#### **j) Interests in Companies and Other Entities**

In accordance with the Code of Practice on Local Authority Accounting 2013/14, the Council is required to identify interests in subsidiaries, associates and joint ventures and, if that interest is considered material, prepare consolidated Group Accounts. The Council does not have any interests that are classed as material. The Council holds a minority of the share values in the following companies but does not have the ability to exert control over those companies and therefore no Group accounts have been prepared.

The Council holds investments and they are included in the Balance Sheet as Long Term Investments (**see Note 9 page 20**).



## Notes to the Financial Statements of Darlington Borough Council

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 arm's 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

### **m) Leases**

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

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

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

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

Lease rentals receivable are apportioned between:

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

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

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

### Operating Leases

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

### n) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

### o) Property, Plant and Equipment

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

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

#### Recognition

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

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- infrastructure, community assets and assets under construction - depreciated historical cost
- dwellings - 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).

## Notes to the Financial Statements of Darlington Borough Council

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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

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

Depreciation is calculated on the following bases:

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

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

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

### Disposals and Non-current Assets Held for Sale

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

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

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

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

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 Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

### p) Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

### q) Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

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

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

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

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

#### Provision for Back Pay Arising from Unequal Pay Claims

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

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in **note 25** to the accounts.

#### Contingent Assets

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

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

### **r) Reserves**

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

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

### **s) Revenue Expenditure Funded from Capital under Statute**

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

### **t) Value Added Tax (VAT)**

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

### **u) Carbon Reduction Commitment Allowances**

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the last year of its introductory phase which ends on 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

### **v) Heritage Assets**

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

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

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment (see page 58). If any heritage assets are disposed of then the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

### **w) Exceptional Items**

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

# Housing Revenue Account of Darlington Borough Council

## HRA Income and Expenditure Statement

As at 31 March 2013		As at 31 March 2014	Notes
<b>£000</b>		<b>£000</b>	
	<b><u>Expenditure</u></b>		
(3,666)	Repairs and maintenance	(3,447)	
(4,913)	Supervision and management	(4,955)	
(9)	Rent, rates, taxes and other charges	(23)	
16	HRA Subsidy Payable (including MRA)	0	
(142)	Increased provision for bad and doubtful debts	(155)	8
	<b><u>Depreciation of non-current assets:</u></b>		
(4,350)	On HRA dwellings	(4,418)	7
(16)	On Non-HRA dwellings	(6)	7
(4,866)	Impairment of Fixed Assets	(2,924)	3
(404)	Revenue Expenditure funded from Capital under Statute	(9)	4
(9)	Debt management costs	(16)	
<b>(18,359)</b>	<b>Total Expenditure</b>	<b>(15,953)</b>	
	<b><u>Income</u></b>		
18,042	Dwelling rents	19,033	
390	Non-dwelling rents	386	
2,441	Charges for services & facilities	2,623	
567	Contribution towards Expenditure	528	
<b>21,440</b>	<b>Total Income</b>	<b>22,570</b>	
<b>3,081</b>	<b>Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>6,619</b>	
0	HRA Services Share of Corporate and Democratic Core	0	
18	HRA Share of other amounts included in the whole Authority net costs of services but not allocated to specific services	(8)	
<b>3,099</b>	<b>Net (expenditure) or income for HRA Services</b>	<b>6,611</b>	
	<b>HRA Share of Operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
0	Gain or (Loss) on Sale of HRA Non-current Assets	0	
(2,514)	Interest Payable and Similar Charges	(2,866)	
46	Interest and Investment Income	64	
(238)	Pension Interest Cost and Expected Return on Pension Assets	(272)	
329	Capital Grants and Contributions Receivable	0	
<b>721</b>	<b>Surplus or (deficit) for the Year on HRA Services</b>	<b>3,536</b>	



# Housing Revenue Account of Darlington Borough Council

## Movement on the HRA Statement

As at 31 March 2013		As at 31 March 2014	As at 31 March 2014
£000		£000	£000
4,294	<b>Balance on the HRA at the end of the previous year</b>		8,354
721	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	3,536	
	<b>Adjustments between accounting basis and funding basis under statute:</b>		
(103)	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	(65)	
9,288	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	7,356	
0	Self financing settlement payment made to Secretary of State	0	
(626)	Voluntary set aside for debt repayment	(629)	
(5,440)	Capital expenditure funded by the HRA	(5,480)	
3,840	<b>Net increase or (decrease) before transfers to reserves</b>	4,718	
	<b>Transfers (to) or from earmarked reserves:</b>		
542	Net charges made for retirement benefits in accordance with IAS19	624	
0	Transfer from Major Repairs Reserve	0	
(322)	Employer's contributions payable to the Durham County Council Pension Fund and retirement benefits payable direct to pensioners.	(351)	
220	<b>Transfers from reserves</b>	273	
4,060	<b>Increase or (Decrease) in year on the HRA</b>		4,991
8,354	<b>Balance on the HRA at the end of the current year</b>		13,345

# Notes to the Housing Revenue Account of Darlington Borough Council

## 1 Housing Stock

1 April 2013		31 March 2014
	<u>Number and types of dwellings</u>	
2,807	Houses	2,790
2,227	Flats	2,225
344	Bungalows	344
3	Non HRA	3
5,381	Total dwellings	5,362
	<u>Balance Sheet values</u>	
<b>£000</b>		<b>£000</b>
83	Land	87
94,464	Houses	92,523
509	Other property	409
95,056	Total net Balance Sheet value	93,019
	<u>Operational Assets</u>	
94,464	Dwellings	92,523
0	Other Land & buildings	0
94,464		92,523
592	Non-operational assets	496
95,056	Total net Balance Sheet value	93,019

## 2 Vacant Possession Values

The vacant possession value of dwellings as at 1 April in the financial year is £320.424M (£314.000M in 2012/13)

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 Non-current assets

These charges occur where there is a material reduction in the value of a non-current asset during an accounting period. Impairment charges of £6.419M (£6.352M in 2012/13) were charged to the HRA Income and Expenditure in 2013/14. This represents £1.455M (£0.859M in 2012/13) of capital expenditure incurred in the year that did not add value to the current housing stock valuation and £4.964M (£5.494M in 2012/13) following a re-valuation exercise carried out during the year.

Revaluation gains are credited to the HRA Income and Expenditure Statement where they arise from the reversal of a loss previously charged to the HRA, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised. Losses reversed in 2013/14 amount to £3.495M.

**Notes to the Housing Revenue Account of Darlington Borough  
Council**

**4 Revenue Expenditure funded from Capital under Statute**

Capital expenditure in 2013/14 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 2013/14 Revenue Expenditure funded from Capital under Statute totalled £0.009M (£0.404M in 2012/13), capital grants treated as revenue totalled £0.009M (£0.326M in 2012/13).

**5 Major Repairs Reserve**

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

2012/13 £000		2013/14 £000
0	Balance as at 1 April	0
	Transfer to MRR during the financial year	
(4,350)	Depreciation on HRA dwellings	(4,418)
(16)	Depreciation on other HRA assets	(6)
0	2011/2012 MRA b/fwd	0
	Transfer to HRA during the financial year	
16	Depreciation on other HRA assets	6
	Transfer from MRR during the financial year	
	in respect of capital expenditure on	
0	Land	0
4,350	Houses	4,418
<u>0</u>	Balance as at 31 March	<u>0</u>

**6 Capital Expenditure**

Capital expenditure within the HRA during 2013/14 was as follows :-

2012/13 £000		2013/14 £000
0	Self Financing	0
97	Land	628
5,197	Houses	5,189
926	Other property	91
<u>6,220</u>	Total capital expenditure	<u>5,908</u>

Total capital expenditure on land, houses and other property within the HRA during 2013/14 was funded via the following sources:

2012/13 £000		2013/14 £000
171	Borrowing	0
280	Usable capital receipts	298
0	Major Repairs Reserve	0
5,440	Revenue	5,480
329	Other Grant Funding	130
<u>6,220</u>	Total capital expenditure	<u>5,908</u>

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

2012/13 £000		2013/14 £000
0	Land	0
628	Houses	630
<u>628</u>	Total capital receipts	<u>630</u>

**Notes to the Housing Revenue Account of Darlington Borough Council**

**7 Depreciation of Non-current Assets**

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

2012/13 £000		2013/14 £000
0	Land	0
4,350	Houses (= Major Repairs Allowance)	4,417
16	Other property	6
<b>4,366</b>	Total charge for depreciation	<b>4,423</b>
	Operational Assets	
4,350	Dwellings	4,417
16	Other land and buildings	6
4,366		4,423
0	Non-operational assets	0
<b>4,366</b>	Total charge for depreciation	<b>4,423</b>

**8 Rent Arrears**

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

2012/13 £000		2013/14 £000
1,175	Gross rent arrears as at 31 March	1,369

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

Year Ended 31 March 2013 £000		Year Ended 31 March 2014 £000
352	Opening provision for uncollectable debts	300
(194)	Amounts written off in the year	(113)
142	Increase in provision for the year	155
<b>300</b>	Closing provision for uncollectable debts	<b>342</b>

# Collection Fund of Darlington Borough Council

2012/13 Council Tax		2013/14			Notes
		Council Tax	Non-domestic rates	Total	
£000		£000	£000	£000	
	<b><u>Income</u></b>				
(41,214)	Income from Council Tax	(44,710)	0	(44,710)	2
(32,536)	Income from Business Rates		(32,529)	(32,529)	3
	Transfers from General Fund				
(8,858)	Council Tax benefits	0	0	0	
	Contributions				
	Towards previous year's Collection Fund deficit	0	0	0	
(553)	Darlington Borough Council	0	0	0	
(102)	Police Authority	0	0	0	
(58)	Fire Authority	0	0	0	
<b>(83,321)</b>	<b>Total Income</b>	<b>(44,710)</b>	<b>(32,529)</b>	<b>(77,239)</b>	
	<b><u>Expenditure</u></b>				
	Precepts and demands				
41,591	Darlington Borough Council	36,165	16,234	52,399	
5,345	Police Authority	4,644	0	4,644	
3,152	Fire Authority	2,684	331	3,015	
0	Central Government	0	16,566	16,566	
	Business rate				
32,388	Payment to national pool	0	0	0	
149	Costs of collection	0	148	148	
	Impairment of Bad or Doubtful Debts / Appeals				
158	Write offs	882	759	1,641	
192	Movement in net provision	107	(103)	4	
0	Increase in Provision for Appeals	0	1,310	1,310	
<b>82,975</b>	<b>Total Expenditure</b>	<b>44,482</b>	<b>35,245</b>	<b>79,727</b>	
<b>(346)</b>	<b>Collection Fund (surplus)/deficit for the year</b>	<b>(228)</b>	<b>2,716</b>	<b>2,488</b>	
296	Collection Fund balance brought forward	(50)	0	(50)	
(346)	Collection Fund (surplus)/deficit for the year	(228)	2,716	2,488	
<b>(50)</b>	<b>Collection Fund (surplus)/deficit balance c/forward</b>	<b>(278)</b>	<b>2,716</b>	<b>2,438</b>	
	<b>Allocated to:</b>				
(42)	Darlington Borough Council	(230)	1,331	1,101	
(5)	Durham & Darlington Police Authority	(31)	0	(31)	
(3)	County Durham and Darlington Fire & Rescue Authority	(17)	27	10	
0	Central Government	0	1,358	1,358	
<b>(50)</b>		<b>(278)</b>	<b>2,716</b>	<b>2,438</b>	

# Notes to the Collection Fund of Darlington Borough Council

## 1 Collection Fund

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

The Collection Fund is an agent's statement that reflects the statutory obligations for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax National Non-Domestic Rates (NNDR) and its distribution to local government bodies and the Government.

## 2 Income From Council Tax

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

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

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

Band	A	B	C	D	E	F	G	H
Chargeable Dwellings	9,134	5,995	5,202	4,425	3,166	1,533	803	53
Ratio	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

The Council set a basic council tax in 2013/14 of £1,215.08 (£1,191.28 in 2012/13), 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 in 2013/14 of £156.47 (£156.47 in 2012/13) for their services.

County Durham and Darlington Fire & Rescue Service set a Band D council tax in 2013/14 of £90.45 (£90.45 in 2012/13) 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:

## 3 Income Collectable From Business Rate payers

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

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

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. Darlington is a top up authority and in 2013/14 it received an estimated grant of £3.830M.

The total national non-domestic rateable value at 31st March 2014 was £86.181M (£87.444M in 2012/13). The non-domestic rating multiplier for 2013/14 was 47.1p per £ (45.8p per £ in 2012/13) and the small business non-domestic rating multiplier for 2013/14 was 46.2p per £ (45.0p per £ in 2012/13).

## **Independent Auditors' Report to the Members of Darlington Borough Council**

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## Independent Auditors' Report to the Members of Darlington Borough Council

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## Independent Auditors' Report to the Members of Darlington Borough Council

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### **Accounting Period**

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

### **Accruals**

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

### **Accounting Policies**

Those principles, bases conventions, rules and 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) or
- the actuarial assumptions have changed.

### **Agency**

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

### **Asset**

An item owned by the 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.

### **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.

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

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

**Collection Fund**

The Collection Fund 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

**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

**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

**Corporate and Democratic Core (CDC)**

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

### **Council Tax**

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

### **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

### **Current Service Costs (Pensions)**

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

### **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 investment.

### **Defined Benefit Pension Scheme**

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

### **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; and
- different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual

### **Exceptional Items**

Material items that derive from events or transactions that fall within the ordinary activities of the 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 the scheme.

**Expenditure**

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

**Extraordinary Items**

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

**Events after the Balance Sheet Date.**

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

**Fair Value**

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

**Finance Lease**

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

**Fixed Assets**

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

**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.

**Heritage Assets**

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

**Housing Act Advances**

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

**Housing Benefits**

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

**Housing Revenue Account (HRA)**

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

**IFRS**

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

**Impairment**

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

**Income**

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

### **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 by custody or legal rights.

### **Interest Cost (Pensions)**

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

### **IAS 1 - Presentation of Financial Statements**

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

### **IAS 7 - Cash Flow Statements**

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

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

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

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

### **IAS 16 - Property, Plant and Equipment**

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

### **IAS 17 - Leases**

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

### **IAS 19 - Employee Benefits**

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

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

### **IAS 24 - Related Party Disclosures**

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

### **IAS 32 Financial instruments: Presentation**

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

### **IAS 36 - Impairment of Assets**

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

### **IAS 37 - Provisions, Contingent Liabilities and Contingent Assets**

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

### **Inventories**

Items of raw materials and stores 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.

### **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.

### **Investment Properties**

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

### **Joint Venture**

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

### **Liability**

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

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

### **Lender Option Borrower Option (LOBO)**

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

**Loans Outstanding**

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

**Materiality**

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

**Minimum Revenue Provision (MRP)**

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

**Net Book Value**

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

**Net Current Replacement Cost**

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

**Net Realisable Value**

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

**National Non-Domestic Rates (NNDR)**

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

**Net Worth**

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

**Non-Distributed Costs**

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

**Non-Operational Assets**

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

**Operating Lease**

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

**Operational Assets**

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

**Past Service Costs (Pensions)**

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

**Pension Scheme Liabilities**

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

**Post Balance Sheet Events**

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

**Precept**

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



### **Prior Year Adjustment**

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

### **Private Finance Initiative (PFI)**

PFI's are a method of funding/acquiring assets such as schools, but the supplier of the building is usually an agreed contractor or bidder, usually over a 25 year term. The 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.

### **Rateable Value**

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

### **Related Parties**

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

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

### **Related Party Transactions**

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

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets 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 - Usable**

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

### **Reserves - Unusable**

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

### **Residual Value**

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

### **Retirement Benefits**

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

### **Revenue Balances**

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

### **Revenue Contributions**

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

### **Revenue Expenditure**

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

### **Revenue Expenditure Funded by Capital Under Statute (REFCUS)**

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

### **Revenue Support Grant**

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

### SeRCOP

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

- 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;
- Facilitate accurate comparison between both services and authorities;
- 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
- Represent best practice.

### Scheme Liabilities

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

### Specific Grants

Government grants to Local Authorities in aid of particular services.

### Temporary Borrowing / Investment

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

### Total Cost

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

### Trust Funds

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

### Unapportionable Central Overheads

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

### Useful Life

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

### Work In Progress

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

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