

**STATEMENT**

**OF**

**ACCOUNTS**

**2003/2004**

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## Statement of Accounts

2003 / 2004

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## **STATEMENT OF ACCOUNTS 2003/2004**

### **Introduction**

The Statement of Accounts reflects both revenue and capital expenditure and income and complies with the 2003 'Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice' as developed by the CIPFA/ LASAAC Joint Committee, dealing with all issues relevant for financial statements for 2003/2004.

For 2003/2004 the Council's Revenue Budget was £103.958m plus parish precepts. The Consolidated Revenue Account shows that the overall revenue budget results for 2003/2004 are very satisfactory.

The Housing Revenue Account is ring fenced and therefore all expenditure is funded from Housing rents and government subsidies. The legislation requires authorities to maintain a reasonable balance on this account. At 31<sup>st</sup> March 2004 the balance of £0.482m was carried forward into 2004/2005.

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

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

The Statement of Accounts was approved by Council on 22nd July, 2004.

Mayor

Borough Solicitor

Dated :

## EXPLANATORY FOREWORD

**Introduction** - The purpose of this foreword is to explain briefly the Council's financial activities during 2003/2004 and its position at 31st March 2004.

**Information and Financial Statements** - The Council's revenue income and expenditure for the year ended 31st March 2004 is summarised on Pages 5 and 6.

**The Statement of Accounting Policies** on Pages 7 to 11 explains the policies adopted in compiling the Accounts.

**The Consolidated Revenue Account and Housing Revenue Account** on Pages 12 to 23 show the revenue expenditure and income for each service provided, contributions to and from reserves etc. Following the financial statements are notes giving further information on the more significant items in the Revenue Accounts.

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

**The Consolidated Balance Sheet** on Pages 28 to 44 summarises the financial position of the Council at 31st March 2004. Following the financial statement are notes giving further information on the more significant items in the Balance Sheet.

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

**The Consolidated Cash Flow Statement** on Pages 49 to 51 summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

**The Statement of Internal Control** on pages 52 to 54 gives an opinion as to the controls in place in relation to all aspects of corporate governance.

**The Statement of Responsibilities for the Statement of Accounts** on page 55 outlines the respective responsibilities of the Authority and the Director of Corporate Services.

**The Auditor's Opinion** on Page 56 gives an independent, professional opinion on the Council's accounts for the year ended 31st March 2004.

**2003/2004 Revenue Budget** : In March 2003 the Council set a net revenue budget for 2003/2004 of £103.958 million, including the planned use of reserves of £0.442 million. During the year, an additional £0.727m of reserves was released to fund various projects. The overall revenue budget results for 2003-04 are very satisfactory with the underspend achieved through improved budget management being less than 1% of the net revenue budget. The Council's financial position was further improved due to the receipt of £1.5m of funds from Durham County Council following the successful outcome of arbitration. There is no planned use of reserves in 2004/05 as set out in the Medium Term Financial Plan.

## EXPLANATORY FOREWORD

**Capital Expenditure :** During 2003/2004 the Council expended £23.232million on works of a capital nature, principally on housing improvements and renovations (£7.195m), schools (£5.333m), leisure facilities (£0.720m), social services facilities (£1.842m) highways (£4.271m) and regeneration (£1.922m). This was funded by the use of credit approvals (£8.217m), grants and contributions (£11.688m), capital receipts (£3.327m). Total borrowing from outside the Council for capital spending amounts to £62.443m.

The Department of Education & Skills (DfES) has approved funding of £34.9m for a Private Finance Initiative (PFI) scheme involving Beaumont Hill Special School, Haughton Community School, Springfield Primary School (The Education Village) and Harrowgate Hill Infants and Junior Schools. The preferred bidder has been chosen with financial close completed in March 2004. Building works commenced in April 2004, with the completion of Harrowgate Hill scheduled for September 2005 followed by the Education Village in October 2005.

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

**Comprehensive Performance Assessment (CPA) :** In December 2003 the service scores were refreshed by the Audit Commission and a judgement made on the authority's direction of travel. The qualitative assessment of 'Good' with strong prospects for improvement provided independent, external opinion that the authority was on course on its journey towards excellence.

**E-Government :** The Government have set targets requiring that all dealings with Government should be carried out electronically where feasible. This target is 100% by December 2005 and the principle vehicle for delivering it will be the Council's Website Project. In addition to this general target the Government have now identified priority areas where specific outcomes must be delivered by December 2005.

**FRS17 :** Due to the full implementation of FRS17 during 2003/04 the accounts now reflect the fact that they show the benefit entitlement earned by employees in the year rather than the charges to revenue based on employer's pension contributions payable and payments to pensioners in the year. The effect on the Consolidated Balance Sheet is to reduce the net worth of the Council by the pension liability of £73.580m from £198.398m to £124.818m (2002/03 the pension liability of £86.100m reduced the net worth from £202.349m to £116.249m). Further information is available in Consolidated Balance Sheet (**note 23**) and Consolidated Revenue Account (**note 9**).

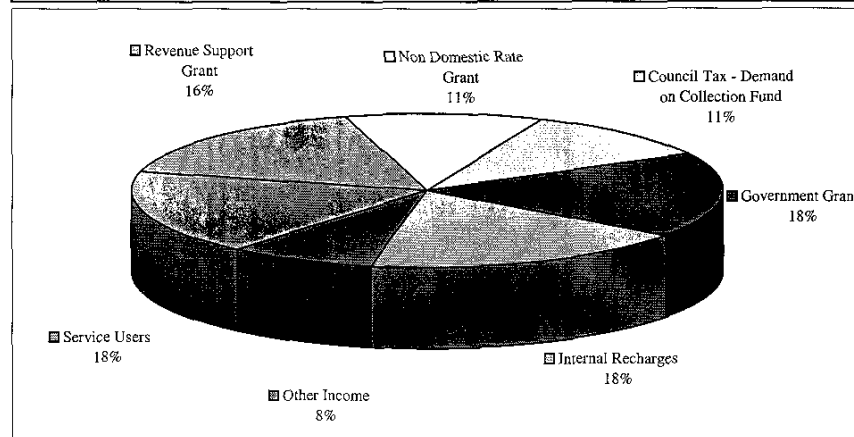
**Prudential Code for Capital:** After a long consultation process the Code was approved and implemented from 1<sup>st</sup> April 2004. From this date the Council was given greater flexibility to borrow as long as the costs of borrowing could be funded through the revenue budget. A Prudential Report, that detailed the Council's use of the Code including a range of indicators, was approved by Council on 10<sup>th</sup> March, 2004 as part of the 2004/05 budget process.

**Teesside International Airport:** During 2002/03 the shareholder authorities and Teesside International Airport successfully concluded their search for a strategic partner to introduce further funding into the airport. The partnership with Peel Airports Limited became operational on 1<sup>st</sup> April 2003 and the accounts for 2003/04 have been adjusted to take account of the transfer of shares and the retained investment in the company. The new partnership should secure the airport's future as an important element in the continuing economic development of Tees Valley and the region.

**REVENUE SPENDING**

**WHERE DID THE MONEY COME FROM?**

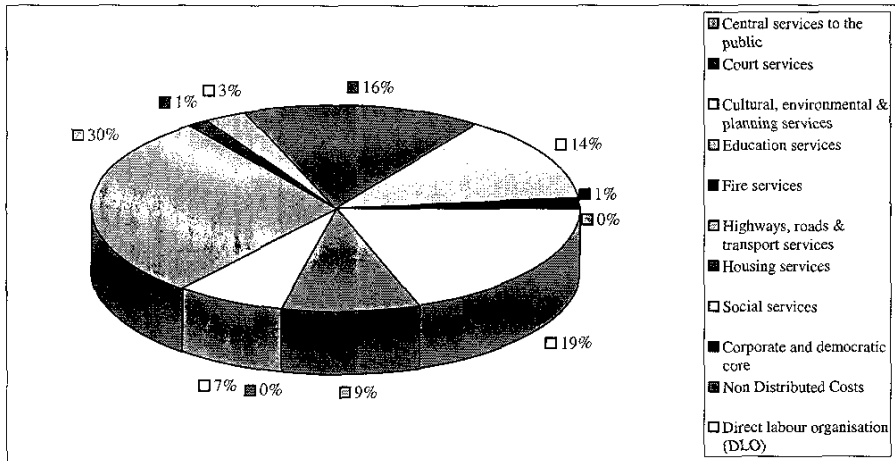
| DESCRIPTION                             | £000   | £000           |
|---|--------|----------------|
| Service Users                           |        |                |
| Council House Rents                     | 13,205 |                |
| Charges For Services                    | 35,260 | 48,465         |
| Borough Council                         |        |                |
| Revenue Support Grant                   | 44,640 |                |
| Non Domestic Rate Grant                 | 29,650 |                |
| Council Tax - Demand on Collection Fund | 29,696 |                |
| Net Budget Requirement                  |        | 103,986        |
| Government Grants                       |        |                |
| Service Specific                        |        | 48,246         |
| Internal Recharges                      |        | 48,882         |
| Other Income                            |        | 21,712         |
|   |        | <b>271,291</b> |



## REVENUE SPENDING

### HOW WAS IT SPENT?

|   | EMPLOYEE COSTS | RUNNING COSTS  | CAPITAL FINANCING COSTS | GROSS EXPENDITURE |
|---|----------------|----------------|-------------------------|-------------------|
|   | £000           | £000           | £000                    | £000              |
| Central services to the public                                  | 12,401         | 12,686         | 1,092                   | 26,179            |
| Court services  | 0              | 183            | 0                       | 183               |
| Cultural, environmental & planning services                     | 4,258          | 13,712         | 2,606                   | 20,576            |
| Education services  | 47,963         | 25,204         | 8,771                   | 81,938            |
| Fire services   | 0              | 4,177          | 0                       | 4,177             |
| Highways, roads & transport services                            | 451            | 5,164          | 1,760                   | 7,375             |
| Housing services  | 2,851          | 42,600         | 28                      | 45,479            |
| Social services   | 13,729         | 25,133         | 250                     | 39,112            |
| Corporate and democratic core                                   | 1,071          | 3,133          | 7                       | 4,210             |
| Non Distributed Costs   | 0              | 190            | 0                       | 190               |
| Direct labour organisation (DLO)                                | 13,557         | 41,781         | 0                       | 55,339            |
| <b>Total Expenditure</b>  | <b>96,281</b>  | <b>173,962</b> | <b>14,515</b>           | <b>284,758</b>    |
| <i>Add</i> Costs arising from Durham County Council arbitration |                |                |                         | 0                 |
| <i>Add</i> Parish council precepts                              |                |                |                         | 28                |
| <i>Add</i> Amortised premiums on the repurchase of borrowing    |                |                |                         | 142               |
| <i>Add</i> Net transfer to other earmarked reserves             |                |                |                         | 27                |
| <i>Add</i> Transfer to pensions reserve                         |                |                |                         | 325               |
| <i>Add</i> Transfer from schools revenue reserves               |                |                |                         | 196               |
| <i>Add</i> Pensions interest & expected return on assets        |                |                |                         | 3,690             |
| <i>Add</i> LPSA Pump Priming                                    |                |                |                         | 131               |
| <i>Less</i> Surplus transferred to HRA balances                 |                |                |                         | (576)             |
| <i>Less</i> Provision for repayment of external loans           |                |                |                         | (2,139)           |
| <i>Less</i> Transfer from Major Repairs Reserve                 |                |                |                         | (25)              |
| <i>Less</i> Asset management revenue account                    |                |                |                         | (10,912)          |
| <i>Less</i> Interest and investment income                      |                |                |                         | (1,234)           |
| <i>Less</i> Movements on pension reserve                        |                |                |                         | (2,720)           |
| <i>Less</i> Contribution from capital reserves                  |                |                |                         | (400)             |
|   |                |                |                         | <b>271,291</b>    |



## STATEMENT OF ACCOUNTING POLICIES

### **1 General**

The accounts have been prepared in accordance with the principles of the Code of Practice on Local Authority Accounting, issued in 2003 by the Chartered Institute of Public Finance and Accountancy (CIPFA). The analysis of service expenditure included in the Consolidated Revenue Account also reflect the requirements of the Best Value Accounting Code of Practice (BVACOP) standard classification of expenditure at the mandatory level.

### **2 Fixed Assets**

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

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

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

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

### **3 Depreciation**

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

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

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

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

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

### **4 Leases**

Rentals payable under operating leases are charged direct to revenue.



## STATEMENT OF ACCOUNTING POLICIES

### **5 Government Grants**

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

### **6 Deferred Charges**

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

### **7 Capital Receipts**

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

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

### **8 Debtors and Creditors**

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

- (a) wages are accounted for in whole weeks;
- (b) housing rents are shown in whole weeks;
- (c) quarterly accounts e.g. electricity are reflected on the basis of four payments per year

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

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

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

## STATEMENT OF ACCOUNTING POLICIES

### **10 Costs of Support Services**

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

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

### **11 Provisions**

The Council sets aside provisions for specific expenses which are likely or certain to be incurred as a result of a past event but the amount of which cannot yet be determined accurately. A provision counts as expenditure in the year in which the earmarking takes place. Details of these provisions are to be found in **Note 11** to the Balance Sheet.

### **12 Reserves**

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

### **13 Pensions**

The council has fully implemented Financial Reporting Standard No.17 Retirement Benefits (FRS 17), the objectives of which are to ensure that :-

- financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding;
- the operating costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities are recognised in the accounting periods in which they arise;
- the financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities.

This accounting policy represents a change to those applied in prior years. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible. The new policies better reflect our commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

## STATEMENT OF ACCOUNTING POLICIES

The change has had the following effects on the results of the prior and current periods:

- the overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 0.6% lower (0.2% higher in 2002/03) after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 2.5% higher (0.6% higher in 2002/03) than it would otherwise have been.
- The requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority by 37% (43% in 2002/03).

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

### **14 Internal Interest**

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

### **15 Interest Charges**

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

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

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

### **17 Investments**

Investments are shown in the Consolidated Balance Sheet at cost. The largest investments were in the form of deposits with banks and building societies using funds not currently required for operational purposes. After arbitration the Council has been allocated 6.66% of the shares in Teesside International Airport and 16% of the shares in Premier Waste Management Ltd (see Balance Sheet **note 3** page 32 for further details).

### **18 Capital Charges**

The capital charges made to service revenue accounts, central support services and DSO accounts, equate to the sum of depreciation plus a notional interest charge based on the net amount at which the fixed asset is included in the balance sheet at 1 April 2003. The notional rates of interest used are 3.5% for those fixed assets included in the balance sheet at current value and 4.625% for infrastructure assets and community assets which are included in the balance sheet at historical cost.

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

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

**19 Delegated Budgets**

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

**CONSOLIDATED REVENUE ACCOUNT**

| NET EXPENDITURE<br>2002/03 |   | GROSS EXPENDITURE<br>2003/04 | INCOME<br>2003/04 | NET EXPENDITURE<br>2003/04 |
|----------------------------|---|------------------------------|-------------------|----------------------------|
| £000                       |   | £000                         | £000              | £000                       |
| 4,014                      | Central services to the public  | 26,179                       | (20,430)          | 5,750                      |
| 121                        | Court services  | 183                          | 0                 | 183                        |
| 13,603                     | Cultural, environmental & planning services                                 | 20,576                       | (6,137)           | 14,439                     |
| 56,616                     | Education services  | 81,938                       | (22,783)          | 59,155                     |
| 3,618                      | Fire services   | 4,177                        | 0                 | 4,177                      |
| 4,902                      | Highways, roads & transport services  | 7,375                        | (2,162)           | 5,213                      |
| 6,427                      | Housing services  | 45,479                       | (41,406)          | 4,073                      |
| 19,332                     | Social services   | 39,112                       | (14,066)          | 25,046                     |
| 4,992                      | Corporate and democratic core   | 4,210                        | (0)               | 4,210                      |
| 900                        | Non Distributed Costs   | 190                          | 0                 | 190                        |
| 165                        | Costs arising from Durham County Council arbitration                        | 0                            | 0                 | 0                          |
| 6,479                      | Deferred charges  | 0                            | 0                 | 0                          |
| <b>121,169</b>             | <b>Net cost of services</b>   | <b>229,419</b>               | <b>(106,983)</b>  | <b>122,436</b>             |
| 25                         | Parish council precepts   |                              |                   | 28                         |
| 0                          | Contribution to council tax benefit costs arising from subsidy limitation   |                              |                   | 0                          |
| (1,325)                    | Surplus on trading undertakings (DLO)                                       |                              |                   | (1,769)                    |
| (18,147)                   | Asset management revenue account  |                              |                   | (10,912)                   |
| 122                        | Amortised premiums on the repurchase of borrowing                           |                              |                   | 142                        |
| (973)                      | Interest and investment income  |                              |                   | (1,234)                    |
| 500                        | Pensions interest & expected return on assets                               |                              |                   | 3,690                      |
| <b>101,371</b>             | <b>Net operating expenditure</b>  |                              |                   | <b>112,381</b>             |
| (72)                       | Surplus transferred to HRA balances   |                              |                   | (576)                      |
| (372)                      | Transfer from schools revenue reserves                                      |                              |                   | 196                        |
| 175                        | Transfer to pensions reserve  |                              |                   | 325                        |
| (25)                       | Transfer from Major Repairs Reserve   |                              |                   | (25)                       |
| 0                          | Contribution from capital reserves  |                              |                   | (400)                      |
| 16                         | Net transfer to other earmarked reserves                                    |                              |                   | 27                         |
| (6,479)                    | Transfer from Capital Financing Reserve in respect of deferred charges      |                              |                   | 0                          |
| 0                          | Financing of capital expenditure  |                              |                   | 0                          |
| (1,121)                    | Provision for repayment of external loans                                   |                              |                   | (2,139)                    |
| 0                          | LPSA Pump Priming   |                              |                   | 131                        |
| (600)                      | movements on pensions reserve   |                              |                   | (2,720)                    |
| <b>92,893</b>              | <b>Amount to be met from government grants and local taxation</b>           |                              |                   | <b>107,201</b>             |
| (27,278)                   | Borough council demand on Collection Fund                                   |                              |                   | (29,436)                   |
| (550)                      | Transfer from the Collection Fund in respect of the previous year's surplus |                              |                   | (260)                      |
| (35,678)                   | General government grants   |                              |                   | (44,640)                   |
| (30,950)                   | Contribution from non-domestic rates pool                                   |                              |                   | (29,650)                   |
| <b>(1,563)</b>             | <b>Net General Fund (surplus)/deficit for the year</b>                      |                              |                   | <b>3,215</b>               |
| 1,651                      | Balance on General Fund brought forward                                     |                              |                   | 5,801                      |
| 1,563                      | General Fund surplus/(deficit) for the year                                 |                              |                   | (3,215)                    |
| 2,587                      | Transfer from Durham County Council   |                              |                   | 1,517                      |
| 0                          | Rates Refund  |                              |                   | 812                        |
| <b>5,801</b>               | <b>Balance on General Fund carried forward</b>                              |                              |                   | <b>4,915</b>               |

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 1 Durham County Council Arbitration

Following Local Government Reorganisation in 1997 there were a number of outstanding issues with Durham County Council (DCC). These have now been to arbitration with the majority of the awards going in Darlington's favour. In 2003/04 a sum of £1.517m has been received from DCC in respect of Darlington's share of the former County reserve and is reflected in the Consolidated Revenue Account (CRA), increasing General Fund balances.

### 2 Asset Management Revenue Account

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

| Transactions on the account were :                      | 2002/03<br>£000 | 2003/04<br>£000 |
|---|-----------------|-----------------|
| Reversal Of Capital Charges For The Use Of Fixed Assets | (25,399)        | (18,221)        |
| External Interest Payable                               | 3,662           | 3,448           |
| Depreciation  | 3,590           | 3,861           |
| Balance Credited To Consolidated Revenue Account        | <u>(18,147)</u> | <u>(10,912)</u> |

### 3 Finance And Operating Leases

The Authority uses leased refuse collection vehicles, and also enters into a leasing arrangement for computer equipment and other miscellaneous items. The amount paid under operating leases for these items in 2003/2004 was £0.980 million (£0.924m in 2002/03).

The Council is committed to making payments of £0.772m under these leases in 2004/05, comprising the following elements:-

|                                    |          |
|------------------------------------|----------|
| Leases expiring 1 year             | £80,000  |
| Leases expiring between 2 -5 years | £565,000 |
| Leases expiring after 5 years      | £127,000 |

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

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 4 Trading Operations

The Council operates a number of trading type operations, details of which for 2003/04 are :

|  | 2002/03        |                 | 2003/04        |                 |
|--|----------------|-----------------|----------------|-----------------|
|  | Income<br>£000 | Surplus<br>£000 | Income<br>£000 | Surplus<br>£000 |
| Works of New Construction                  | 7,500          | 707             | 7,884          | 561             |
| General Highways and Sewerage              | 2,777          | 32              | 3,321          | 89              |
| Works of Maintenance                       | 6,937          | 157             | 7,932          | 197             |
| Other Cleaning                             | 1,401          | 18              | 1,895          | 145             |
| Ground Maintenance                         | 2,239          | 13              | 2,602          | 221             |
| Other Catering                             | 1,194          | 7               | 1,297          | 20              |
| Refuse Collection                          | 1,932          | 153             | 1,985          | 122             |
| Building Cleaning                          | 1,280          | 36              | 1,309          | 84              |
| Leisure Management                         | 1,679          | 51              | 1,816          | 97              |
| Housing Management                         | 1,146          | 4               | 1,152          | 5               |
| School Meals                               | 1,245          | 26              | 1,239          | 14              |
| <b>Surplus on DLO trading undertakings</b> | <b>29,330</b>  | <b>1,204</b>    | <b>32,432</b>  | <b>1,555</b>    |
| Open & Covered Markets                     | 703            | 6               | 646            | (2)             |
| Shops And Offices                          | 173            | 29              | 175            | 67              |
| Car Parks                                  | 1,444          | 528             | 1,691          | 616             |

### 5 Section 137 Expenditure

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

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

For Darlington Borough Council this was £372,020 (£3.80 x 97,900) in 2003/04.

Expenditure amounted to £23,970 in 2003/2004 (£34,120 in 2002/03). The expenditure is reflected in the appropriate departments' accounts and is grouped as follows :-

|   | 2002/03<br>£  | 2003/04<br>£  |
|---|---------------|---------------|
| Grants in support of disadvantaged groups | 11,620        | 8,060         |
| Employment and community support grants   | 22,500        | 15,910        |
|   | <u>34,120</u> | <u>23,970</u> |

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 6 Publicity

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

|                         | 2002/03<br>£000 | 2003/04<br>£000 |
|-------------------------|-----------------|-----------------|
| Recruitment Advertising | 401             | 431             |
| Other Advertising       | 326             | 422             |
| Other publicity         | 51              | 31              |
|                         | 778             | 884             |

### 7 Building Control Trading Account

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

|                                   | 2002/03            |                           |               | 2003/04            |                           |               |
|-----------------------------------|--------------------|---------------------------|---------------|--------------------|---------------------------|---------------|
|                                   | Chargeable<br>£000 | Non<br>Chargeable<br>£000 | Total<br>£000 | Chargeable<br>£000 | Non<br>Chargeable<br>£000 | Total<br>£000 |
| Employee Expenses                 | 115                | 94                        | 209           | 161                | 93                        | 254           |
| Premises                          | 4                  | 4                         | 8             | 9                  | 5                         | 14            |
| Transport                         | 7                  | 5                         | 12            | 9                  | 5                         | 14            |
| Supplies & Services               | 17                 | 7                         | 24            | 29                 | 15                        | 44            |
| Central & Support Service Charges | 64                 | 42                        | 106           | 76                 | 45                        | 121           |
| Total Expenditure                 | 207                | 152                       | 359           | 284                | 163                       | 447           |
| Building Regulations Income       | (223)              | (6)                       | (229)         | (369)              | (1)                       | (370)         |
| (Surplus)/Deficit                 | (16)               | 146                       | 130           | (85)               | 162                       | 77            |

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

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

In 2003/04 surplus bedding plants grown at the Council's plant nursery were sold to various public bodies, generating income of £325,773 (£307,700 in 2002/03).

The total income on the nursery account (including internal recharges) was £454,791 (£427,960 in 2002/03) compared with expenditure of £439,324 (£427,335 in 2002/03).

The authority provided Civil Engineering, Street Lighting, Building Maintenance and Construction Work for various other bodies generating income of £302,070 (£106,755 in 2002/03).



## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 9 Local Government Pension Scheme

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

The authority participates in one scheme:

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

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

|   | 2002/03<br>£000 | 2003/04<br>£000 |
|---|-----------------|-----------------|
| <i>Net Cost of Service:</i>   |                 |                 |
| current service costs   | (4,500)         | (4,690)         |
| past service costs  | (900)           | (190)           |
| <i>Net Operating Expenditure:</i>   |                 |                 |
| interest cost   | (9,000)         | (11,020)        |
| expected return on assets in the scheme                                   | 8,500           | 7,330           |
| <i>Amounts to be met from Government Grants and Local Taxation</i>        |                 |                 |
| movements on pensions reserve   | <u>600</u>      | <u>2,720</u>    |
| <i>Actual amount charged against council tax for pensions in the year</i> |                 |                 |
| employers contributions payable to the scheme                             | <u>(5,300)</u>  | <u>(5,850)</u>  |

Further information is available under **note 23** to the Consolidated Balance Sheet (page 42) and the Statement of Total Movement in Reserves (page 45).

### 10 Teachers Pension Scheme

In 2003/2004 the Council paid £3.467m (£2.046m in 2002/03) to the Department for Education and Skills in respect of teachers' pension costs which represents 13.5% (8.35% in 2002/03) of teachers pensionable pay.

In addition, the Council is responsible for all payments relating to added years which it has awarded (including liability transferred from Durham County Council) together with the related increases. In 2003/2004 these amounted to £0.346m (£0.367m in 2002/03), representing 1.35% (1.50% in 2002/03) of pensionable pay.)

Further details on pension liabilities are provided in note 23 to the Balance Sheet.

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 11 Minimum Revenue Provision

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

The method of calculating the provision is defined by statute.

For 2003/2004 the amount is £1.722m (2002/03 £2.469m). Details are given below :

|  | 2002/03<br>£000 | 2003/04<br>£000 |
|--|-----------------|-----------------|
| Amount Charged To Service Accounts As Depreciation | 3,590           | 3,861           |
| Additional Charge To Revenue                       | (1,121)         | (2,139)         |
| Minimum Revenue Provision                          | <u>2,469</u>    | <u>1,722</u>    |

### 12 Members' Allowances

Details of the amounts paid to each Member of the Council are published annually in the local newspaper. The total amount paid to Members in respect of basic, special responsibility and attendance allowances was £551,606 (2002/03 - £415,619)

### 13 Employees' Remuneration

| Remuneration band   | 2002/03                      | 2003/04                      |
|---------------------|------------------------------|------------------------------|
|                     | Number of employees<br>Total | Number of employees<br>Total |
| £50,000 - £59,999   | 7                            | 6                            |
| £60,000 - £69,999   | 7                            | 5                            |
| £70,000 - £79,999   | 0                            | 1                            |
| £80,000 - £89,999   | 0                            | 0                            |
| £90,000 - £99,999   | 0                            | 0                            |
| £100,000 - £109,999 | 1                            | 0                            |
| £110,000 - £119,999 | 0                            | 0                            |
| £120,000 - £129,999 | 0                            | 0                            |
| £130,000 - £139,999 | 0                            | 1                            |

### 14 Disclosure of Audit Costs

In 2003/04 Darlington Borough Council incurred the following fees relating to external audit and inspection:

|  | 2002/03<br>£000 | 2003/04<br>£000 |
|--|-----------------|-----------------|
| Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor | 269             | 160             |
| Fees payable to the Audit Commission in respect of statutory inspection  | 108             | 69              |
| Fees payable to the Audit Commission for the certification of grant claims and returns                           | 55              | 64              |
| Fees payable in respect of other services provided by the appointed auditor                                      | 0               | 0               |
| Total  | <u>432</u>      | <u>293</u>      |

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 15 Related Party Transactions

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

#### **Central Government**

Central government controls the statutory framework within which the Council operates and provides the majority of the Council's funding. The Consolidated Revenue Account and Cash Flow Statement contain details of grants paid by central government to the Council in 2003/04.

#### **Councillors**

Members of the Council have direct control over the the Council's financial and operating policies. During 2003/04 the Council had transactions totalling approximately £55,000 (£55,000 in 2002/03) with charitable bodies and companies in which Members had interests. Councillors are subject to the Council's Member Code of Conduct. Registers of Members interests and declarations of interests relating to specific items of discussion at meetings are available for public inspection.

#### **Senior Officers**

The Council's senior managers may influence financial and operating policies through the professional advice to elected Members and through the management decisions they make under delegated powers. Such officers are subject to the Council's Employees Code of Conduct and professional bodies' standards. There are no related party transactions between the Council and its senior managers that require disclosure in 2003/04.

#### **Pensions**

Details of the Council's payment of employer's superannuation contribution to the Pension Fund are shown in the appropriate sections of the Statement i.e. Consolidated Revenue Account **Note 9** (page 16) and Consolidated Balance Sheet **Note 23** (pages 42 - 44).

#### **Other Organisations**

During 2003-04, the Council paid £4.177m to the Durham and Darlington Combined Fire Authority under statutory funding arrangements. The Council also has Member representation on the Fire Authority. The Council received £2.497m grant funding from One North East, the Regional Development Association, on which the Council also has Member representation. The Council paid £2.388m to 32 other organisations on which it has Member representation and which share educational, economic development, social and culture objectives

In addition to these transactions, the Council has granted loans to two organisations, on which it has Member representation, for educational and economic development purposes. The outstanding balance at 31st March 2004 is £83,000

In addition to the above transactions, the Council granted a 5 year capital loan of £60,000 to Darlington and District Youth and Community Association in 2001/02 to help in the purchase of an outdoor education centre. The first instalment of repayment of the loan was made in January 2003, therefore the balance outstanding at 31st March 2004, is £36,000.

## HOUSING REVENUE ACCOUNT

| 2002/03         |  | 2003/04         | Notes |
|-----------------|--|-----------------|-------|
| £000            |  | £000            |       |
|                 | <b><u>Income</u></b>   |                 |       |
| (13,490)        | Dwelling rents (gross)   | (13,205)        |       |
| (294)           | Non-dwelling rents (gross)                                       | (296)           |       |
| (892)           | Charges for services & facilities                                | (901)           |       |
| (7,996)         | HRA subsidy receivable (including MRA)                           | (7,478)         | 7     |
| (47)            | Housing benefit transfers from general fund                      | (34)            |       |
| <b>(22,719)</b> | <b>Total Income</b>  | <b>(21,914)</b> |       |
|                 | <b><u>Expenditure</u></b>  |                 |       |
| 4,889           | Repairs and maintenance  | 5,096           |       |
| 3,196           | Supervision and management                                       | 3,289           |       |
| 38              | Rent, rates, taxes and other charges                             | 20              |       |
| 9,093           | Rent rebates   | 8,722           |       |
| 143             | Increased provision for bad and doubtful debts                   | 121             | 8     |
| 6,560           | Cost of Capital Charge   | 3,651           | 5     |
|                 | Depreciation of fixed assets                                     |                 |       |
| 3,394           | On dwellings (= MRA)   | 3,380           | 6     |
| 25              | On other assets  | 25              | 6     |
| 23              | Debt management costs  | 14              |       |
| <b>27,361</b>   | <b>Total Expenditure</b>   | <b>24,318</b>   |       |
| <b>4,642</b>    | <b>Net Cost of Services</b>                                      | <b>2,404</b>    |       |
| (5,154)         | Net HRA expenditure/(income) on asset management revenue account | (2,417)         | 5     |
| 109             | Amortised premiums   | 114             |       |
|                 | HRA investment income  |                 |       |
| (12)            | Mortgage interest  | (8)             |       |
| (75)            | Interest on notional cash balances                               | (75)            |       |
| <b>(490)</b>    | <b>Net Operating Expenditure/(Income)</b>                        | <b>18</b>       |       |
| 587             | HRA contribution to Minimum Repayment Provision                  | 557             |       |
| (25)            | Transfer from Major Repairs Reserve                              | (25)            |       |
| <b>72</b>       | <b>(Surplus)/Deficit for the year</b>                            | <b>550</b>      |       |
| (1,130)         | HRA balance brought forward                                      | (1,058)         |       |
| 72              | (Surplus)/Deficit for the year                                   | 576             |       |
| <b>(1,058)</b>  | <b>HRA balance carried forward</b>                               | <b>(482)</b>    |       |

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1 Housing Stock

|                                      | 1st April 2003 | 31st March 2004 |
|--------------------------------------|----------------|-----------------|
| <u>Number and types of dwellings</u> |                |                 |
| Houses                               | 3,406          | 3,136           |
| Flats                                | 2,404          | 2,373           |
| Bungalows                            | 342            | 342             |
| Non HRA                              | 9              | 9               |
| Total dwellings                      | 6,161          | 5,860           |
| <br><u>Balance Sheet values</u>      |                |                 |
|                                      | £000           | £000            |
| Land                                 | 384            | 202             |
| Houses                               | 99,948         | 90,109          |
| Other property                       | 490            | 274             |
| Total net Balance Sheet value        | 100,822        | 90,585          |
| <br>Operational Assets               |                |                 |
| Dwellings                            | 99,950         | 90,109          |
| Other land & buildings               | 48             | 46              |
|                                      | 99,998         | 90,155          |
| <br>Non-operational assets           |                |                 |
|                                      | 824            | 430             |
| Total net Balance Sheet value        | 100,822        | 90,585          |

### 2 Vacant Possession Values

The vacant possession value of dwellings as at 1 April in the financial year is £164.905m.

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

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

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

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 3 Major Repairs Reserve

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

|   | 2002/03<br>£000 | 2003/04<br>£000 |
|---|-----------------|-----------------|
| Balance as at 1 April 2003  | (1,401)         | 0               |
| Transfer to MRR during the financial year   |                 |                 |
| Depreciation on HRA dwellings   | (3,394)         | (3,380)         |
| Depreciation on other HRA assets  | (25)            | (25)            |
| Transfer to HRA during the financial year   |                 |                 |
| Depreciation on other HRA assets  | 25              | 25              |
| Transfer from MRR during the financial year<br>in respect of capital expenditure on |                 |                 |
| Land  | 123             | 45              |
| Houses  | 4,672           | 3,335           |
| Other property  | 0               | 0               |
| Balance as at 31 March 2004   | <u>0</u>        | <u>0</u>        |

### 4 Capital Expenditure

Capital expenditure within the HRA during 2003/04 was as follows :-

|                           | 2002/03<br>£000 | 2003/04<br>£000 |
|---------------------------|-----------------|-----------------|
| Land                      | 182             | 426             |
| Houses                    | 5,800           | 5,213           |
| Other property            | 1,138           | 1,557           |
| Total capital expenditure | <u>7,120</u>    | <u>7,196</u>    |

Total capital expenditure on land, houses and other property within the HRA during 2003/04 was funded via the following sources :-

|                                  | 2002/03<br>£000 | 2003/04<br>£000 |
|----------------------------------|-----------------|-----------------|
| Borrowing                        | 1,867           | 1,627           |
| Usable capital receipts          | 292             | 2,027           |
| Major Repairs Reserve            | 4,795           | 3,380           |
| Disabled facilities grant (DFG)  | 166             | 162             |
| Single Regeneration Budget (SRB) | 0               | 0               |
| Total capital expenditure        | <u>7,120</u>    | <u>7,196</u>    |

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

|                        | 2002/03<br>£000 | 2003/04<br>£000 |
|------------------------|-----------------|-----------------|
| Land                   | 0               | 0               |
| Houses                 | 3,703           | 6,510           |
| Other property         | 0               | 0               |
| Total capital receipts | <u>3,703</u>    | <u>6,510</u>    |

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 5 Capital Asset Charges

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

|  | 2002/003<br>£000 | 2003/04<br>£000 |
|--|------------------|-----------------|
| Cost of Capital Charge                                       | <u>6,560</u>     | <u>3,651</u>    |
| Capital Asset Charges accounting adjustment                  | (6,560)          | (3,651)         |
| HRA contribution towards debt financing and management costs | <u>1,406</u>     | <u>1,234</u>    |
| Net HRA income on asset management revenue account           | <u>(5,154)</u>   | <u>(2,417)</u>  |

The Cost of Capital Charge is calculated as 3.5% of the value of HRA operational assets, carried out in accordance with the *Guidance on Stock Valuation* published by DETR in May 2000. It is included in the net cost of services in the HRA and acts as an important signal in the new style HRA, showing the cost of capital tied up in housing assets.

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

### 6 Depreciation of Fixed Assets

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

|                                    | 2002/03<br>£000 | 2003/04<br>£000 |
|------------------------------------|-----------------|-----------------|
| Land                               | 0               | 0               |
| Houses (= Major Repairs Allowance) | 3,394           | 3,380           |
| Other property                     | 25              | 25              |
| Total charge for depreciation      | <u>3,419</u>    | <u>3,405</u>    |
| Operational Assets                 |                 |                 |
| Dwellings                          | 3,394           | 3,380           |
| Other land & buildings             | <u>25</u>       | <u>25</u>       |
|                                    | 3,419           | 3,405           |
| Non-operational assets             | 0               | 0               |
| Total charge for depreciation      | <u>3,419</u>    | <u>3,405</u>    |

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 7 HRA Subsidy

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

|                                     | 2002/03<br>£000 | 2003/04<br>£000 |
|-------------------------------------|-----------------|-----------------|
| Management allowance                | 1,988           | 2,121           |
| Maintenance allowance               | 3,220           | 3,310           |
| Major Repairs Allowance (MRA)       | 3,394           | 3,376           |
| Charges for capital                 | 2,254           | 2,173           |
| Rent rebates                        | 9,164           | 8,808           |
| Tenant participation compact        | 0               | 0               |
| Resource accounting allowance       | 0               | 0               |
|                                     | 20,020          | 19,788          |
| <i>less</i>                         |                 |                 |
| Rent                                | (12,012)        | (12,301)        |
| Interest on receipts                | (12)            | (9)             |
| <b>Total HRA subsidy receivable</b> | <b>7,996</b>    | <b>7,478</b>    |

### 8 Rent Arrears

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

|                                     | 2003<br>£000 | 2004<br>£000 |
|-------------------------------------|--------------|--------------|
| Gross rent arrears as at 31st March | 825          | 819          |

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

|  | 2002/03<br>£000 | 2003/04<br>£000 |
|--|-----------------|-----------------|
| Opening provision for uncollectable debts        | 178             | 192             |
| Amounts written off in the year                  | (129)           | (113)           |
| Increase in provision for the year               | 143             | 121             |
| <b>Closing provision for uncollectable debts</b> | <b>192</b>      | <b>200</b>      |



**COLLECTION FUND**

| 2002/03       |   | 2003/04       | NOTES |
|---------------|---|---------------|-------|
| £000          |   | £000          |       |
|               | <b><u>Income</u></b>                            |               |       |
| 25,029        | Income from Council Tax                         | 27,087        | 3     |
|               | Transfers from General Fund                     |               |       |
| 4,638         | Council Tax benefits                            | 5,051         | 3     |
| (2)           | Transitional relief                             | (1)           | 3     |
| 0             | Council Tax benefit subsidy limitation          |               | 3     |
| 22,916        | Income collectable from business ratepayers     | 0             | 2     |
| <b>52,581</b> | <b>Total Income</b>                             | <b>32,137</b> |       |
|               | <b><u>Expenditure</u></b>                       |               |       |
| 29,297        | Precepts and demands                            | 31,973        | 4     |
|               | Business rate                                   |               |       |
| 22,765        | Payment to national pool                        | (149)         |       |
| 151           | Costs of collection                             | 149           |       |
|               | Bad and doubtful debts                          |               |       |
| 0             | Write offs                                      | 0             |       |
| 259           | Movement in net provision                       | 93            |       |
|               | Contributions                                   |               |       |
| 590           | Towards previous year's Collection Fund surplus | 278           | 5     |
| <b>53,062</b> | <b>Total Expenditure</b>                        | <b>32,344</b> |       |
| <b>(481)</b>  | <b>Collection Fund surplus for the year</b>     | <b>(207)</b>  |       |
| 526           | Collection Fund balance brought forward         | 45            |       |
| (481)         | Collection Fund surplus/(deficit) for the year  | (207)         |       |
| <b>45</b>     | <b>Collection Fund balance carried forward</b>  | <b>(162)</b>  |       |

## NOTES TO COLLECTION FUND

### 1 Collection Fund

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

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

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

### 2 Income From Business Rates

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

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

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

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

|   | 2002/03<br>£000 | 2003/04<br>£000 |
|---|-----------------|-----------------|
| Non-Domestic Rate Value (£61.2m)<br>x Uniform Business Rate (44.4p per £) | 26,963          | 27,173          |
| Less Adjustments For Previous Years                                       | (1,248)         | (2,040)         |
| Less Transitional Arrangements  | (90)            | (259)           |
| Less Allowances And Adjustments   | (2,709)         | (1,601)         |
| Net Income To Collection Fund   | 22,916          | 23,273          |

## NOTES TO COLLECTION FUND

### 3 Income From Council Tax

The Council Tax replaced the Community Charge on 1st April 1993 and is a tax based on property bandings (A to H).

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

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

| Band                 | A      | B     | C     | D     | E     | F     | G    | H    |
|----------------------|--------|-------|-------|-------|-------|-------|------|------|
| Chargeable Dwellings | 12,341 | 6,063 | 4,825 | 4,039 | 2,792 | 1,394 | 674  | 47   |
| Ratio                | 6/9    | 7/9   | 8/9   | 9/9   | 11/9  | 13/9  | 15/9 | 18/9 |

The Council set a basic council tax of £922.23 (£870.03 in 2002/03), being the amount payable in respect of properties in Band D for services provided by Darlington Borough Council.

Durham Police Authority set a Band D council tax of £79.56 (£64.44 in 2002/03) 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 :

|  | 2002/03<br>£000 | 2003/04<br>£000 |
|--|-----------------|-----------------|
| Council Tax levied                     | 33,088          | 35,784          |
| Less allowances                        | (3,423)         | (3,647)         |
|  | 29,665          | 32,137          |
| Payable from the following sources :   |                 |                 |
| Billed to Council Tax payers           | 25,029          | 27,087          |
| Council Tax benefits                   | 4,638           | 5,051           |
| Transitional relief                    | (2)             | (1)             |
| Council Tax benefit subsidy limitation | 0               | 0               |
|  | 29,665          | 32,137          |

## NOTES TO COLLECTION FUND

### 4 Precepts And Demands

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

|                            | 2002/03<br>£000 | 2003/04<br>£000 |
|----------------------------|-----------------|-----------------|
| Darlington Borough Council | 27,278          | 29,436          |
| Durham Police Authority    | 2,019           | 2,537           |
|                            | 29,297          | 31,973          |

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

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

|                            | 2002/03<br>£000 | 2003/04<br>£000 |
|----------------------------|-----------------|-----------------|
| Darlington Borough Council | 550             | 260             |
| Durham Police Authority    | 40              | 18              |
|                            | 590             | 278             |

**CONSOLIDATED BALANCE SHEET**

| 31 MARCH 2003 |  | AS AT 31 MARCH 2004 |                |                | NOTES |
|---------------|--|---------------------|----------------|----------------|-------|
| £000          |  | £000                | £000           | £000           |       |
|               | <b>Fixed Assets</b>  |                     |                |                |       |
| 100,822       | Council Dwellings  |                     | 90,585         |                |       |
| 122,824       | Other Land and Buildings                                   |                     | 120,460        |                |       |
| 2,677         | Vehicles, Plant and Equipment                              |                     | 4,081          |                |       |
| 18,403        | Infrastructure Assets                                      |                     | 17,858         |                |       |
| 3,373         | Community Assets   |                     | 3,840          |                |       |
| 11,594        | Non Operational Properties                                 |                     | <u>10,827</u>  |                |       |
| 259,693       | <b>Total Fixed Assets</b>                                  |                     |                | 247,651        | 1a    |
| 660           | <b>Deferred Charges</b>                                    |                     | 1,600          |                | 2     |
| 0             | <b>Long Term Investments</b>                               |                     | 1,987          |                | 3     |
|               | <b>Long Term Debtors</b>                                   |                     |                |                | 5     |
| 239           | Mortgages  | 170                 |                |                |       |
| 344           | Other  | 304                 | 474            | 4,061          |       |
| 260,936       | <b>Total Long-Term Assets</b>                              |                     |                | 251,712        |       |
|               | <b>Current Assets</b>                                      |                     |                |                |       |
| 571           | Stocks and Work in Progress                                | 677                 |                |                | 4     |
| 12,364        | Debtors and Prepayments                                    | 13,996              |                |                | 6     |
| 26,538        | Investments (Short Term)                                   | <u>29,242</u>       |                |                |       |
| 39,473        |  |                     | 43,915         |                |       |
|               | <b>Less : Current Liabilities</b>                          |                     |                |                |       |
| 22,351        | Creditors & Income in Advance                              | 27,654              |                |                | 7     |
| 0             | Short-term Loans   | 213                 |                |                |       |
| 1,089         | Bank Overdraft   | <u>1,383</u>        |                |                |       |
| 23,440        |  |                     | 29,250         |                |       |
| 16,033        | <b>Net Current Assets/(Liabilities)</b>                    |                     |                | 14,665         |       |
| (72,651)      | <b>Long Term Borrowing</b>                                 |                     | (62,230)       |                | 8     |
| (86,100)      | <b>Liability related to defined benefit pension scheme</b> |                     | (73,580)       |                | 23    |
| (1,969)       | <b>Provisions</b>  |                     | <u>(5,749)</u> |                | 11    |
|               |  |                     |                | (141,559)      |       |
| 116,249       | <b>Total Assets less Liabilities</b>                       |                     |                | <u>124,818</u> |       |
|               | <b>Financed By :</b>                                       |                     |                |                |       |
| 201           | Deferred Capital Receipts                                  |                     | 137            |                | 10    |
| 150,183       | Fixed Asset Restatement Reserve                            |                     | 129,413        |                | 12    |
| 25,264        | Capital Financing Reserve                                  |                     | 31,210         |                | 13    |
| 17,583        | Government Grants Deferred                                 |                     | 24,024         |                | 9     |
| 100           | Usable Capital Receipts Reserve                            |                     | 3,437          |                | 14    |
| (86,100)      | Pensions Reserve   |                     | (73,580)       |                | 23    |
| 0             | Major Repairs Reserve                                      |                     | 0              |                | 16    |
| 9,018         | Reserves   |                     | 10,177         |                | 16    |
| 116,249       | <b>Total Net Worth</b>                                     |                     |                | <u>124,818</u> |       |

**NOTES TO THE CONSOLIDATED BALANCE SHEET**

**1 Fixed Assets**

**(a) Movement of Fixed Assets**

|   | Council Dwellings | Other Land & Buildings | Vehicles, Plant and Equipment | Infrastructure Assets | Community Assets | Non-Operational Properties | TOTAL    |
|---|-------------------|------------------------|-------------------------------|-----------------------|------------------|----------------------------|----------|
|   | £000              | £000                   | £000                          | £000                  | £000             | £000                       | £000     |
| <b>Gross Value</b>                          |                   |                        |                               |                       |                  |                            |          |
| Gross book value as at 31st March 2003      | 110,087           | 138,453                | 7,055                         | 21,671                | 3,373            | 11,594                     | 292,233  |
| Adjustment to Balance b/f                   | 0                 | 0                      | 0                             | 0                     | 0                | 0                          | 0        |
| Value as at 1 April 2003                    | 110,087           | 138,453                | 7,055                         | 21,671                | 3,373            | 11,594                     | 292,233  |
| Revaluations & restatements                 | 0                 | 3,697                  | 0                             | 0                     | 0                | 137                        | 3,834    |
| Additions                                   | 0                 | 0                      | 1,946                         | 0                     | 0                | 0                          | 1,946    |
| Enhancements                                | 5,732             | 4,860                  | 0                             | 3,774                 | 467              | 3,210                      | 18,043   |
| Disposals                                   | (6,510)           | (918)                  | 0                             | 0                     | 0                | (2,366)                    | (9,794)  |
| Transfers                                   | (322)             | 203                    | 0                             | 0                     | 0                | 119                        | 0        |
| Expenditure not increasing Gross Book Value | (5,732)           | (3,203)                | 0                             | (3,774)               | 0                | (1,867)                    | (14,576) |
| Gross book value as at 31st March 2004      | 103,255           | 143,092                | 9,001                         | 21,671                | 3,840            | 10,827                     | 291,686  |
| <b>Depreciation</b>                         |                   |                        |                               |                       |                  |                            |          |
| Accumulated                                 | 9,265             | 15,629                 | 4,378                         | 3,268                 | 0                | 0                          | 32,540   |
| Depreciation for year                       | 3,405             | 7,236                  | 542                           | 545                   | 0                | 0                          | 11,728   |
| Depreciation on assets sold                 | 0                 | (233)                  |                               |                       |                  |                            | (233)    |
| Balance as at 31st March 2004               | 12,670            | 22,632                 | 4,920                         | 3,813                 | 0                | 0                          | 44,035   |
| Net book value as at 31st March 2004        | 90,585            | 120,460                | 4,081                         | 17,858                | 3,840            | 10,827                     | 247,651  |

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### (b) Valuation disclosure for Fixed Assets

The effective date for valuations of 40% of the Authority's assets was 1 April 2000. Revaluation of 20% of the Authority's assets was completed during 2001/02, 2002/03 and 2003/04 as part of the 5 yearly revaluation programme. An impairment review has been undertaken in accordance with FRS 11.

Operational land and buildings are being depreciated over their estimated useful economic lives, having been assessed by the Development & Environment Department, on a straight line basis. Infrastructure are also depreciated over their estimated useful economic life of 40 years. The major repairs allowance is being used as a proxy for depreciation on the Housing Stock. Plant and vehicles are depreciated on a straight line basis with computer equipment being depreciated over 5 years and Close Circuit Television ( CCTV) over 12 years. Depreciating assets have all had their asset lives, land values and residual values assessed in order to fully comply with FRS 15.

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

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

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

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

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

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

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

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

### (c) Financing

The capital expenditure was financed as follows :

|                          | 31st March<br>2003 | 31st March<br>2004 |
|--------------------------|--------------------|--------------------|
|                          | £000s              | £000s              |
| Revenue Contributions    | 0                  | 16                 |
| Grants and Contributions | 8,483              | 11,673             |
| Capital Receipts         | 874                | 3,327              |
| Loans                    | 7,684              | 8,216              |
|                          | <b>17,041</b>      | <b>23,232</b>      |

At the 31st March 2004 the Authority has ongoing major capital commitments in relation to the purchase of the Arts Centre £0.100m and £3.601m for the erection of the replacement Alderman Leach Primary School.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### Capital Investment

The total capital investment was as follows:

|                        | 31st March<br>2003 | 31st March<br>2004 |
|------------------------|--------------------|--------------------|
|                        | £000s              | £000s              |
| Operational Assets     | 15,324             | 18,028             |
| Non-Operational Assets | 459                | 2,450              |
| Deferred Charges       | 1,258              | 2,754              |
|                        | 17,041             | 23,232             |

### (d) Analysis of Fixed Assets

|  | 31st March<br>2003 | 31st March<br>2004 |
|--|--------------------|--------------------|
| Schools - Nursery  | 6                  | 6                  |
| - Primary (excluding Aided schools)                      | 29                 | 29                 |
| - Secondary (excluding Aided schools)                    | 6                  | 6                  |
| - Special  | 1                  | 1                  |
| - Pupil Referral Unit                                    | 1                  | 1                  |
| Children's homes   | 1                  | 1                  |
| Homes for Older People                                   | 2                  | 2                  |
| Adult Residential Homes                                  | 1                  | 1                  |
| Adult Day Centres  | 1                  | 1                  |
| Other Social Services Properties                         | 3                  | 3                  |
| Council Dwellings  | 6,161              | 5,860              |
| Highways - Principal roads                               | 50.9km             | 50.9km             |
| - 'B' roads  | 27.8km             | 27.8km             |
| - 'C' roads  | 105.9km            | 105.9km            |
| - Unclassified roads                                     | 328.9km            | 335.7km            |
| Town Hall  | 1                  | 1                  |
| Other Administrative Buildings                           | 1                  | 1                  |
| Depots and Workshops                                     | 4                  | 4                  |
| Off-Street Car Parks/Lorry Park                          | 25                 | 25                 |
| Arts Centre  | 1                  | 1                  |
| Leisure Centre   | 1                  | 1                  |
| Eastbourne Sports Complex                                | 1                  | 1                  |
| Libraries  | 2                  | 2                  |
| Museum   | 1                  | 1                  |
| Parks and Recreation Grounds                             | 39                 | 39                 |
| Golf Course  | 1                  | 1                  |
| Theatre  | 1                  | 1                  |
| Covered Market   | 1                  | 1                  |
| Cattle Market  | 1                  | 1                  |
| Open Market  | 1                  | 1                  |
| Cemeteries   | 3                  | 3                  |
| Crematorium  | 1                  | 1                  |
| Commercial Property Rented Out :                         |                    |                    |
| Shops, Offices Workshops etc.                            | 45                 | 45                 |
|  | 74,500 sq.ft       | 74,500 sq.ft       |
| Ground Leases  | 152                | 148                |
|  | 81.5 hectares      | 79.5 hectares      |
| Short Term Tenancies & Licences of Land                  | 78                 | 77                 |
| Agricultural Tenancies including Farm Business Tenancies | 18                 | 18                 |
|  | 332.13 hectares    | 332.13 hectares    |



## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 2 Deferred Charges

|   | 31st March<br>2003 | 31st March<br>2004 |
|---|--------------------|--------------------|
|   | £000               | £000               |
| Balance as at 1 April 2003                          | 6,645              | 660                |
| Expenditure - Improvement Grants                    | 1,138              | 1,567              |
| Expenditure - Other                                 | 121                | 1,187              |
| Debt Rescheduling Equalisation                      | 660                | 940                |
| Amounts written off to consolidated revenue account | (7,904)            | (2,754)            |
| Balance as at 31 March 2004                         | 660                | 1,600              |

### 3 Long Term Investments

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

|                                | 31st March<br>2003 | 31st March<br>2004 |
|--------------------------------|--------------------|--------------------|
|                                | £000's             | £000's             |
| Teesside International Airport | 0                  | 1,767              |
| Premier Waste Management Ltd   | 0                  | 220                |
| Total                          | 0                  | 1,987              |

#### Teesside International Airport

The Council holds 6.66% of the shares in Teesside International Airport. 1,766,667 B Ordinary Shares are held, with a balance sheet value of £1,766,667, and 174,900,100 Deferred Shares. The latest audited accounts are for the year ended 31st March 2003 and shows net assets of £19,403,000 (previous year £20,103,000), a loss before tax of £816,000 (previous year loss before tax £227,000) and a loss after tax of £701,000 (previous year loss after tax £262,000). Further information regarding the company's accounts are available from the Registered Office, Teesside International Airport, Darlington, County Durham, DL2 1LU.

#### Premier Waste Management Ltd (formerly Durham County Waste Management Company)

The Council also holds 16% of the shares in Premier Waste Management Ltd. 220,480 £1 shares are held. The latest audited accounts are for the year ended 31st March 2003 and show net assets of £2,410,915 (previous year £1,955,084), a profit before tax of £1,024,649 (previous year profit before tax £260,352), and a profit after tax of £455,831 (previous year profit after tax £48,485). Further information regarding the company's accounts can be obtained from the Registered Office, Premier Waste Management Ltd, Prospect Houses, Aykley Heads Business Centre, Aykley Heads, Durham, DH1 5TS

#### Newcastle International Airport

The council has also been awarded a proportion of the shares in Newcastle International Airport, however, for legal reasons these have not been transferred to Darlington Borough Council.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 4 Stocks And Work In Progress

|                  | 31st March<br>2003 | 31st March<br>2004 |
|------------------|--------------------|--------------------|
|                  | £000               | £000               |
| Work in Progress | 21                 | 10                 |
| Stocks           |                    |                    |
| DLO              | 209                | 109                |
| Other            | 341                | 558                |
|                  | 571                | 677                |

### 5 Long term Debtors

|                         | 31st March<br>2003 | 31st March<br>2004 |
|-------------------------|--------------------|--------------------|
|                         | £000               | £000               |
| Car loans to employees  | 167                | 129                |
| Council House Mortgages | 172                | 109                |
| Housing Act Advances    | 67                 | 61                 |
| Other                   | 177                | 175                |
|                         | 583                | 474                |

### 6 Debtors And Prepayments

|                                   | 31st March<br>2003 | 31st March<br>2004 |
|-----------------------------------|--------------------|--------------------|
|                                   | £000               | £000               |
| Government Departments            | 3,993              | 3,833              |
| Other Local Authorities           | 1,020              | 1,363              |
| Council Tax and NDR               | 4,292              | 2,120              |
| Housing Rents                     | 718                | 653                |
| Sundry Debtors                    | 4,067              | 5,988              |
| Prepayments                       | 794                | 1,275              |
|                                   | 14,884             | 15,232             |
| Less Provision for Doubtful Debts | (2,520)            | (1,236)            |
|                                   | 12,364             | 13,996             |

### 7 Creditors And Income In Advance

|                         | 31st March<br>2003 | 31st March<br>2004 |
|-------------------------|--------------------|--------------------|
|                         | £000               | £000               |
| Collection Fund Balance | 45                 | (162)              |
| Income in Advance       | 5,111              | 9,014              |
| Government Departments  | 2,726              | 3,485              |
| Other Local Authorities | 2,283              | 2,044              |
| Sundry Creditors        | 12,186             | 13,273             |
|                         | 22,351             | 27,654             |

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 8 Long Term Borrowing And Creditors

| Source Of Loan                 | Range Of Interest Rates Payable | Total Outstanding at 31st March |        |
|--------------------------------|---------------------------------|---------------------------------|--------|
|                                |                                 | 2003                            | 2004   |
|                                | %                               | £000                            | £000   |
| Durham County Council          |                                 | 12,422                          | 0      |
| Public Works Loans Board       | 3.675 - 4.844                   | 50,629                          | 52,630 |
| Money Market                   | 3.250 - 3.990                   | 9,600                           | 9,600  |
|                                |                                 | 72,651                          | 62,230 |
| Analysis of Loans by Maturity  |                                 |                                 |        |
| Maturing in 1-2 years          |                                 | 690                             | 1,126  |
| Maturing in 2-5 years          |                                 | 2,070                           | 0      |
| Maturing in 5-10 years         |                                 | 7,036                           | 4,836  |
| Maturing in more than 10 years |                                 | 62,855                          | 56,268 |
|                                |                                 | 72,651                          | 62,230 |

During 2003/04 the Authority's element of the long term borrowing following Local Government reorganisation was transferred from Durham County Council.

### 9 Deferred Government Grants

Government grants in respect of capital are credited to a Government Grants Deferred account when they are received and are released to off-set depreciation charged to revenue accounts. The balance of £24.024m (£17.583m in 2002/03) relates principally to European Regional Development Fund, Single Regeneration Budget/Single Programme, Sure Start Standards Fund and National Lottery.

### 10 Deferred Capital Receipts

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

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 11 Provisions (General Fund)

|                          | 1st April<br>2003 | Receipts<br>In Year | Payments<br>In Year | 31st March<br>2004 |
|--------------------------|-------------------|---------------------|---------------------|--------------------|
|                          | £000              | £000                | £000                | £000               |
| Land Reclamation         | 605               | 110                 | (419)               | 296                |
| Recycling Initiatives    | (3)               | 3                   | 0                   | 0                  |
| D.L.O.                   | 56                | 242                 | (56)                | 242                |
| Insurance Provision      | 1,146             | 319                 | (137)               | 1,328              |
| Absence Supply Insurance | 0                 | 96                  | 0                   | 96                 |
| Frozen Holiday Pay       | 40                | 0                   | 0                   | 40                 |
| Social Services s117     | 47                | 500                 | 0                   | 547                |
| Rates Refund             | 78                | 0                   | (78)                | 0                  |
| Single Status            | 0                 | 3,200               | 0                   | 3,200              |
|                          | 1,969             | 4,470               | (690)               | 5,749              |

#### **Land Reclamation**

- A provision for the repayment of reclamation grant has been made in the accounts in the sum of £296,000 at 31st March 2004. This is at variance with SSAP 4.

#### **Recycling Initiatives**

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

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

- Provision for losses on contracts that were not completed by 31st March 2004.

#### **Insurance Provision**

- The Council insures against the risk of claims in respect of personal injury and property loss. These risks are insured externally, however, there is a £5,000 excess in respect of each and every claim on the liability policy. The balance on this account represents claims made and still outstanding at the 31st March 2004 which are within these excesses.

#### **Absence Supply Insurance**

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

#### **Frozen Holiday Pay**

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

#### **Social Services s117**

- Provision for potential repayment of charges made under s117 of the Mental Health Act 1983.

#### **Rates Refund**

- Provision for the potential refund of rates payments.

#### **Single Status**

- A provision has been created for single status settlement payments applicable to eligible former manual workers.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 12 Fixed Asset Restatement Reserve

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

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

|   | 31st March<br>2003 | 31st March<br>2004 |
|---|--------------------|--------------------|
|   | £000               | £000               |
| Balance brought forward                             | 170,468            | 150,183            |
| Disposal of fixed assets                            | (8,759)            | (9,795)            |
| Capital Expenditure not increasing gross book value | (12,118)           | (14,576)           |
| Revaluation of Fixed Assets                         | 767                | 3,834              |
| Write Down of De-minimus capital expenditure        | (175)              | (233)              |
|   | 150,183            | 129,413            |

### 13 Capital Financing Reserve

The capital financing reserve contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

|  | 31st March<br>2003 | 31st March<br>2004 |
|--|--------------------|--------------------|
|  | £000               | £000               |
| Balance as at 1 April 2003                     | 30,532             | 25,264             |
| 2003/2004 capital receipts set aside           | 4,779              | 11,051             |
| 2003/2004 capital financing                    |                    |                    |
| capital receipts - 2003/2004                   | 874                | 3,327              |
| capital grants                                 | 1,147              | 659                |
| revenue  | 0                  | 16                 |
| 2003/2004 MRP (less depreciation provision)    | (4,515)            | (5,519)            |
| Less   |                    |                    |
| write down of deferred charges                 | (7,738)            | (2,592)            |
| redemptions by borrowers                       | (6)                | (6)                |
| write down of de-minimus capital expenditure   | 0                  | 0                  |
| Premiums Charged to PCL                        | 0                  | (990)              |
| County Durham Probation Service Loan Repayment | 191                | 0                  |
|  | 25,264             | 31,210             |

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 14 Useable Capital Receipts Reserve

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

|   | 31st March<br>2003 | 31st March<br>2004 |
|---|--------------------|--------------------|
|   | £000               | £000               |
| Opening balance                               | 0                  | 100                |
| Capital receipts 2003/2004                    | 5,753              | 17,715             |
| Less  |                    |                    |
| 2003/2004 capital receipts set aside          | 4,779              | 11,051             |
| 2003/2004 capital receipts used for financing | 874                | 3,327              |
|   | 100                | 3,437              |

### 15 Related Companies

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

#### A) Controlled Companies

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

The Local Government Information Unit as well as Teesside International Airport are authorised exempted companies and do not therefore fall under the controls established under Part V of the Local Government and Housing Act 1989 or the Local Authorities (Companies) Order 1995.

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

The Tees Valley Connexions Partnership Ltd is jointly run by the 5 Local Authorities. There are five Local Management Committees, one in each of the five boroughs which own the Connexions Company.

The Council also holds 16% of the shares in Premier Waste Management Ltd. 220,480 £1 shares are held. The latest audited accounts are for the year ended 31st March 2003 and show net assets of £2,410,915 (previous year £1,955,084), a profit before tax of £1,024,649 (previous year profit before tax £260,352), and a profit after tax of £455,831 (previous year profit after tax £48,485). Further information regarding the company's accounts can be obtained from the Registered Office, Premier Waste Management Ltd, Prospect Houses, Aykley Heads Business Centre, Aykley Heads, Durham, DH1 5TS

#### B) Minority Interest Companies

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

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

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 16 Reserves (General)

|  | 1st April<br>2003<br>£000 | Receipts<br>In Year<br>£000 | Payments<br>In Year<br>£000 | 31st March<br>2004<br>£000 |
|--|---------------------------|-----------------------------|-----------------------------|----------------------------|
| General Fund                           | 5,142                     | 0                           | (618)                       | 4,524                      |
| Earmarked Departmental Balances        | 659                       | 0                           | (267)                       | 392                        |
| Faverdale Maintenance Fund             | 46                        | 0                           | (5)                         | 41                         |
| Housing Revenue Account                | 1,058                     | 0                           | (576)                       | 482                        |
| Revenue Contribution to Capital Outlay | 740                       | 5                           | (166)                       | 579                        |
| Schools Revenue Balances               | 859                       | 241                         | (15)                        | 1,085                      |
| Other                                  | 4                         | 0                           | (4)                         | 0                          |
| Investments                            | 0                         | 1,987                       | 0                           | 1,987                      |
| Insurance Fund                         | 249                       | 1,048                       | (954)                       | 343                        |
| Crematorium Refurbishment Fund         | 34                        | 27                          | (15)                        | 46                         |
| Building Control                       | 52                        | 85                          | 0                           | 137                        |
| Pensions Contribution Reserve          | 175                       | 386                         | 0                           | 561                        |
|  | <b>9,018</b>              | <b>3,779</b>                | <b>(2,620)</b>              | <b>10,177</b>              |

#### **General Fund**

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

#### **Earmarked Departmental Balances**

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

#### **Faverdale Maintenance Fund**

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

#### **Housing Revenue Account**

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

#### **Revenue Contribution to Capital Outlay**

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

#### **Schools Revenue Balances**

- Balances held by locally managed schools are not available to the Council for general use. The net surplus balance at 31st March 2004 includes deficits totalling £391,087 in respect of 5 schools ( £502,129 for 6 schools in 2002/03).

#### **Investments**

- This covers the value of investments held by the authority in Teesside International Airport and Premier Waste Management Ltd (see note 3 Long Term Investments for further details)

#### **Insurance Fund**

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

#### **Crematorium Refurbishment Fund**

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

#### **Building Control Reserve**

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

#### **Pensions Contribution Reserve**

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

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 17 Contingent Liabilities

These refer to amounts that may fall due in the future but are uncertain over what amount might be due and whether in fact they might arise. In 2003-04 the contingent liabilities were as follows:-

The Council has guaranteed the leasing payments on the Imperial Centre for Darlington Enterprise Association for three years. The annual payments are £29,000 and the Council's potential liability is £22,000, as the lease expires in December 2004 but will only be payable to the extent that the company might fail to meet its obligations to make the payments. The company's 2002/03 accounts have been given an unqualified audit report.

### 18 Provision For Credit Liabilities

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

|                           | 31st March<br>2003 | 31st March<br>2004 |
|---------------------------|--------------------|--------------------|
|                           | £000               | £000               |
| Balance brought forward   | 980                | 0                  |
| Amount set aside for MRP  | 2,469              | 1,032              |
| Reserved capital receipts | 4,779              | 11,045             |
| European Grants           | 0                  | 0                  |
| Less Debt Paid            | (8,228)            | (11,615)           |
|                           | 0                  | 462                |

### 19 Assets And Liabilities Transferred From Durham County Council

Following Local Government Re-organisation and the creation of the new unitary authority in Darlington, Durham County Council's balance sheet has been divided between this Council and the residual County authority. In 2003/04 a sum of £5.532m has been received from Durham County Council, £1.516m revenue and £4.015m capital receipts, in respect of Darlington's share of the County's reserve. There are still some outstanding issues yet to be resolved with regard to airport shares.

### 20 Euro

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

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

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

### 21 Analysis Of Net Assets Employed

|                            | 31st March<br>2003 | 31st March<br>2004 |
|----------------------------|--------------------|--------------------|
|                            | £000               | £000               |
| General Fund               | 57,136             | 61,348             |
| Housing Revenue Account    | 58,671             | 62,996             |
| Direct Labour Organisation | 442                | 474                |
|                            | 116,249            | 124,818            |



## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 22 Trust Fund Memorandum Account

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

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

|                             | Balance at<br>1st April<br>£000's | Receipts<br>£000's | Payments<br>£000's | Balance at<br>31st March<br>£000's | Assets<br>£000's | Liabilities<br>£000's |
|-----------------------------|-----------------------------------|--------------------|--------------------|------------------------------------|------------------|-----------------------|
| James Barningham Fellowship | 16                                | 2                  | (2)                | 16                                 | 55               | 0                     |
| Lady Dale Scholarship       | 6                                 | 1                  | 0                  | 7                                  | 28               | 0                     |
| Darlington Education Fund   | 3                                 | 15                 | (9)                | 9                                  | 383              | 0                     |
| W.Draffon Scholarship       | 3                                 | 1                  | (1)                | 3                                  | 22               | 0                     |
| Others                      | 9                                 | 2                  | 0                  | 11                                 | 53               | 0                     |
|                             | 37                                | 21                 | (12)               | 46                                 | 541              | 0                     |

All of the above investments are held by the Charities Commission and the latest COIF Charity Fund shares are valued at £495,279 as per valuation date 31/03/04 (£428,493 as per valuation date 31/03/03).

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

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

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

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED BALANCE SHEET

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

|                                | Balance at<br>1st April<br>£000's | Receipts<br>£000's | Payments<br>£000's | Balance at<br>31st March<br>£000's |
|--------------------------------|-----------------------------------|--------------------|--------------------|------------------------------------|
| Stainsby Murray Fund           | 41                                | 1                  | (1)                | 41                                 |
| Middleton Greathead SP         | 39                                | 3                  | 0                  | 42                                 |
| Stainsby Murray Trust          | 42                                | 1                  | 0                  | 43                                 |
| E.M.Corner Bequest             | 90                                | 3                  | (14)               | 79                                 |
| Criminal Injuries Compensation | 32                                | 2                  | (1)                | 33                                 |
| Other                          | 50                                | 37                 | (43)               | 44                                 |
|                                | <u>294</u>                        | <u>47</u>          | <u>(59)</u>        | <u>282</u>                         |

**Purpose of the Trust Funds:**

**Stainsby Murray Fund**

Provision of christmas comforts for aged persons in Darlington.

**Middleton Greathead Printers Scholarship**

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

**Stainsby Murray Trust**

Provision of christmas comforts for aged persons in Darlington.

**E.M.Corner Bequest**

Provision of the Arts by Darlington Library

**Criminal Injuries Compensation**

Provision of funds for compensation to minors.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 23 Pensions

#### Local Government Pension Scheme

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

An independent actuary revalues the fund every three years and the amounts included in the Council's 2003-04 accounts have been derived by suitable approximate methods from the full actuarial valuation carried out by the actuary as at 31st March 2001.

Financial Reporting Standard No.17 (FRS 17) requires certain information to be published about employers' liabilities for future pension costs. The purpose of this note is to provide information about the Council's obligations to fund future benefits and the impact on the underlying economic position of the Council.

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

|  | 31st March<br>2003<br>£m | 31st March<br>2004<br>£m |
|--|--------------------------|--------------------------|
| Funded benefits under the LGPS regulations   | (171.30)                 | (187.90)                 |
| Unfunded discretionary benefits awarded by means of additional benefits under the LGPS regulations | (8.20)                   | (6.12)                   |
| Actuarial value of Fund Liabilities  | <u>(179.50)</u>          | <u>(194.02)</u>          |
| Market value of Fund assets  | 93.40                    | 120.44                   |
| Surplus (deficit) in the Fund  | <u>(86.10)</u>           | <u>(73.58)</u>           |

The main financial assumptions used are as follows :-

|   | 2002/03 | 2003/04 |
|---|---------|---------|
| Rate of Price Inflation                   | 2.50%   | 2.90%   |
| Future escalation of pensionable pay      | 4.30%   | 4.70%   |
| Future increases in pensions              | 2.50%   | 2.90%   |
| Rates used to discount scheme liabilities | 6.10%   | 6.40%   |
| Expected return on assets                 | 7.69%   | 7.30%   |

## NOTES TO THE CONSOLIDATED BALANCE SHEET

The fair value of attributable assets held by the pension fund as at 31st March 2004 is estimated to be £93.4m (£120.0m as at 31st March 2003), in the following classes of investment :-

|                           | 31st March 2003 |              |                         | 31st March 2004 |              |                         |
|---------------------------|-----------------|--------------|-------------------------|-----------------|--------------|-------------------------|
|                           | £m              | Proportion % | Expected Rate of Return | £m              | Proportion % | Expected Rate of Return |
| Equities                  | 70.60           | 75.6%        | 8.50%                   | 99.97           | 83.0%        | 7.70%                   |
| Bonds                     | 15.20           | 16.3%        | 5.50%                   | 13.25           | 11.0%        | 4.70%                   |
| Other :-                  |                 |              |                         |                 |              |                         |
| Cash & Net Current Assets | 4.20            | 4.5%         | 4.00%                   | 3.61            | 3.0%         | 4.20%                   |
| Property                  | 3.40            | 3.6%         | 7.00%                   | 3.61            | 3.0%         | 6.70%                   |
|                           | <u>93.40</u>    |              |                         | <u>120.44</u>   |              |                         |

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

|  | 2003/04<br>£m  |
|--|----------------|
| Surplus (deficit) in the Fund at beginning of period | (86.10)        |
| Contributions paid                                   | 5.85           |
| Current service cost                                 | (4.69)         |
| Past service cost                                    | (0.19)         |
| Settlement cost                                      | 0.00           |
| Curtailement cost                                    | 0.00           |
| Expected return on pension fund assets               | 7.33           |
| Interest on pension liabilities                      | (11.02)        |
| Actuarial gain (loss)                                | 15.24          |
| Surplus (deficit) in the Fund at end of the period   | <u>(73.58)</u> |

The actuarial loss can be analysed into the following categories, measured as absolute amounts and as a percentage of assets and liabilities at 31st March 2004:

|  | £m's         | %     |
|--|--------------|-------|
| Actual return less expected return on assets                               | 16.02        | 13.30 |
| Experience gains and losses on pension liabilities                         | 2.07         | 1.10  |
| Changes in assumptions underlying the present value of pension liabilities | -2.85        | 1.50  |
| Total actuarial gain recognised in STRGL                                   | <u>15.24</u> | 7.90  |

## NOTES TO THE CONSOLIDATED BALANCE SHEET

The components of the Defined Benefit Cost are as follows :

|   | £m      |
|---|---------|
| <i>Analysis of amounts charged to operating profits :</i>                                 |         |
| a Current service cost  | 4.69    |
| b Past service costs  | 0.19    |
| c Total charged to operating profit   | 4.88    |
| <i>Analysis of other amounts charged to profit and loss account :</i>                     |         |
| d Gain (loss) due to settlements  | 0.00    |
| e (Gain) loss due to curtailments   | 0.00    |
| f Net (gain) loss charged to profit and loss account                                      | 0.00    |
| <i>Analysis of amount credited to other finance income :</i>                              |         |
| g Interest on pension scheme liabilities  | 11.02   |
| h Expected return on assets in the pension scheme   | (7.33)  |
| i Net charge (credit) to other finance income   | 3.69    |
| j Total profit and loss charge before deduction for tax (c + f + i)                       | 8.57    |
| <i>Analysis of amounts recognised in Statement of Total Recognised Gains and Losses :</i> |         |
| k (Gain) loss on assets   | (16.02) |
| l Experience (gain) loss on liabilities   | (2.07)  |
| m (Gain) loss on change of assumptions (financial and demographic)                        | 2.85    |
| n Total (gain) loss recognised in STRGL before adjustment for tax                         | (15.24) |

The deficit calculated in accordance with FRS 17 is a snapshot at a point in time, based on opinions of the actuary. It is, therefore, liable to major change each year and does not represent the long-term position of the fund, which is an accurate indicator of the financial implications for employing organisations.

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

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability described in the above note 23.

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

**STATEMENT OF TOTAL MOVEMENTS IN RESERVES**

|  | 2002/03  |                 | 2003/04  |                |
|--|----------|-----------------|----------|----------------|
|  | £000     | £000            | £000     | £000           |
| Surplus/(deficit) for the year:  |          |                 |          |                |
| -General Fund  | 4,150    |                 | (885)    |                |
| -Housing Revenue Account   | (72)     |                 | (576)    |                |
| -Other   | 0        |                 | (4)      |                |
| -Faverdale Maintenance Fund  | (5)      |                 | (5)      |                |
| -Revenue Contribution to Capital Outlay  | (59)     |                 | (161)    |                |
| -Schools Revenue Balances  | (324)    |                 | 226      |                |
| -Major Repairs Reserve   | (1,401)  |                 | 0        |                |
| -Building Control Reserve  | 52       |                 | 85       |                |
| -Pensions Contribution Reserve   | 175      |                 | 386      |                |
| -Debt Rescheduling Equalisation  | 0        |                 | 0        |                |
| -Insurance Fund  | (125)    |                 | 94       |                |
| -Crematorium Refurbishment Fund  | 16       |                 | 12       |                |
| Appropriation from pensions reserve  | (600)    |                 | (2,720)  |                |
| Actuarial gains & losses relating to pensions  | (35,800) |                 | 15,240   |                |
| <b>Movements of specific revenue reserves</b>  |          | (33,993)        |          | 11,692         |
| <b>Total increase/(decrease) in revenue resources</b>  |          |                 |          |                |
| Increase/(decrease) in useable capital receipts  | 100      |                 | 3,337    |                |
| <b>Total increase/(decrease) in realised capital resources (note 1)</b>                      |          | 100             |          | 3,337          |
| Gains/(losses) on revaluation of fixed assets  | 767      |                 | 3,834    |                |
| Impairment losses on fixed assets due to general changes in prices                           | 0        |                 | 0        |                |
| <b>Total increase/(decrease) in unrealised value of fixed assets (note 2)</b>                |          | 767             |          | 3,834          |
| Amounts written off fixed asset balances for disposals                                       | (8,759)  |                 | (9,795)  |                |
| Expenditure not increasing Gross Book Value  | (12,293) |                 | (14,809) |                |
| <b>Total Value of assets sold, disposed of or decommissioned (note 2)</b>                    |          | (21,052)        |          | (24,604)       |
| Capital receipts set aside   | 5,653    |                 | 14,378   |                |
| Revenue resources set aside  | (10,921) |                 | (8,432)  |                |
| Movement on Government Grant Deferred  | 3,087    |                 | 6,441    |                |
| Movement on Deferred Capital Receipt   | (47)     |                 | (64)     |                |
| <b>Total increase/(decrease) in amounts set aside to finance capital investment (note 3)</b> |          | (2,228)         |          | 12,323         |
| <b>Increase/(decrease) on the pension reserve</b>  |          | 36,400          |          | (12,520)       |
| <b>Total recognised gains and losses</b>   |          | <b>(20,006)</b> |          | <b>(5,938)</b> |

## NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

| <i>Useable capital receipts (Note 1)</i>                                  |                            |
|---|----------------------------|
| <b>Movements in realised capital resources</b>                            |                            |
| Amounts receivable in 2003/04   | 6,664                      |
| Amounts applied to finance new capital investment in 2003/04              | <u>(3,327)</u>             |
| <b>Total increase/(decrease) in realised capital resources in 2003/04</b> | <b>3,337</b>               |
| Balance brought forward at 1st April 2003                                 | <u>100</u>                 |
| <b>Balance carried forward at 31st March 2004</b>                         | <b><u><u>3,437</u></u></b> |

| <i>Fixed Asset Restatement Reserve (note 2)</i>                               |                              |
|---|------------------------------|
| <b>Movements in unrealised value of fixed assets</b>                          |                              |
| Gains/losses on revaluation of fixed assets in 2003/04                        | 3,834                        |
| Impairment losses on fixed assets due to general changes in prices in 2003/04 | 0                            |
| <b>Total increase/(decrease) in unrealised capital resources in 2003/04</b>   | <u>3,834</u>                 |
| <b>Value of assets sold, disposed of or decommissioned</b>                    |                              |
| Amounts written off fixed asset balances for disposals in 2003/04             | (9,795)                      |
| De minimus Capital Expenditure written off                                    | (233)                        |
| Expenditure not increasing Gross Book Value                                   | <u>(14,576)</u>              |
|   | (24,604)                     |
| <b>Total movement on reserve in 2003/04</b>                                   | <b>(20,770)</b>              |
| Balance brought forward at 1st April 2003                                     | <u>150,183</u>               |
| <b>Balance carried forward at 31st March 2004</b>                             | <b><u><u>129,413</u></u></b> |

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

| <i>Capital Financing Reserve/Government Grants Deferred (note 3)</i>                |                                 |                                  |                                 |
|---|---------------------------------|----------------------------------|---------------------------------|
|   | Capital<br>Financing<br>Reserve | Government<br>Grants<br>Deferred | Deferred<br>Capital<br>Receipts |
| <b>Movements in amounts set aside to finance capital investment</b>                 |                                 |                                  |                                 |
| Capital receipts set aside in 2003/04   |                                 |                                  |                                 |
| -reserved receipts  | 11,051                          |                                  |                                 |
| -useable receipts applied   | <u>3,327</u>                    |                                  |                                 |
| <b>Total capital receipts set aside in 2003/04</b>                                  | <b>14,378</b>                   |                                  |                                 |
| Revenue resources set aside in 2003/04  |                                 |                                  |                                 |
| -capital expenditure financed from revenue  | 16                              |                                  |                                 |
| -capital expenditure financed from grant  | 659                             |                                  |                                 |
| -reconciling amount for provision for loan repayments                               | <u>(9,107)</u>                  |                                  |                                 |
| <b>Total revenue resources set aside in 2003/04</b>                                 | <b>(8,432)</b>                  |                                  |                                 |
| Grants applied to Capital investment in 2003/04                                     |                                 | 10,857                           |                                 |
| Amounts credited to the asset management revenue account in 2003/04                 |                                 | <u>(4,416)</u>                   |                                 |
| <b>Receipts</b>   |                                 | <b>6,441</b>                     | <b>(64)</b>                     |
| <b>Total increase/(decrease) in amounts set aside to finance capital investment</b> |                                 |                                  |                                 |
| Total movement on reserve in 2003/04  | 5,946                           | 6,441                            | (64)                            |
| Balance brought forward at 1st April 2003   | <u>25,264</u>                   | <u>17,583</u>                    | <u>201</u>                      |
| Balance carried forward at 31st March 2004  | <u><u>31,210</u></u>            | <u><u>24,024</u></u>             | <u><u>137</u></u>               |



**CONSOLIDATED CASH FLOW STATEMENT**

| 2002/03   | DESCRIPTION  | 2003/04  |           |         |
|-----------|--|----------|-----------|---------|
| £000      |  | £000     | £000      | £000    |
|           | <b>Revenue Activities</b>                              |          |           |         |
|           | <b>Cash Outflows</b>                                   |          |           |         |
| 80,778    | Cash Paid To Employees                                 | 87,211   |           |         |
| 98,312    | Other Operating Cash Payments                          | 107,367  |           |         |
| 12,197    | Housing Benefit Paid Out                               | 11,286   |           |         |
| 23,699    | Payment To Non-Domestic Rates Pool                     | 22,750   |           |         |
| 2,059     | Precept Paid To Durham Police Authority                | 2,555    | 231,169   |         |
| 217,045   |  |          |           |         |
|           | <b>Cash Inflows</b>                                    |          |           |         |
| (6,033)   | Rents (After Rebates)                                  | (5,319)  |           |         |
| (25,229)  | Council Tax Collected                                  | (27,399) |           |         |
| (24,714)  | Non-Domestic Rates Collected                           | (25,189) |           |         |
| (30,950)  | Share Of Non-Domestic Rates Pool                       | (29,650) |           |         |
| (35,678)  | Revenue Support Grant                                  | (44,640) |           |         |
| (15,714)  | DSS Grants For Rebates                                 | (15,398) |           |         |
| (32,283)  | Other Government Grants                                | (31,915) |           |         |
| (41,716)  | Cash Received For Goods And Services                   | (55,385) |           |         |
| (2,587)   | Other Cash Receipts                                    | (1,517)  | (236,412) | (5,243) |
| (214,904) |  |          |           |         |
| 2,141     | <b>Returns On Investments And Servicing Of Finance</b> |          |           |         |
|           | <b>Cash Outflows</b>                                   |          |           |         |
| 3,737     | Interest Paid  | 3,557    |           |         |
| 0         | Interest Element Of Finance Leasing Payments           | 0        | 3,557     |         |
|           | <b>Cash Inflows</b>                                    |          |           |         |
| (1,057)   | Interest Received                                      | (956)    |           | 2,601   |
| 2,681     |  |          |           |         |
|           | <b>Capital Activities</b>                              |          |           |         |
|           | <b>Cash Outflows</b>                                   |          |           |         |
| 6,964     | Payments For Capital Schemes                           | 15,078   |           |         |
|           | <b>Cash Inflows</b>                                    |          |           |         |
| (6,695)   | Sale Of Fixed Assets                                   | (9,607)  |           |         |
| (6,835)   | Capital Grants Received                                | (10,729) | (20,336)  | (5,258) |
| (6,567)   |  |          |           |         |
| (1,745)   | <b>Net Cash Outflow/(Inflow) Before Financing</b>      |          |           | (7,900) |
|           | <b>Management of Liquid Resources</b>                  |          |           |         |
| 6,429     | Net Increase/(Decrease) In Short Term Deposits         | (2,704)  |           | (2,704) |
|           | <b>Financing</b>                                       |          |           |         |
|           | <b>Cash Outflows</b>                                   |          |           |         |
| 11,126    | Repayment of Loans                                     | 12,023   |           |         |
| 0         | Capital Element Of Finance Leasing Payments            | 0        | 12,023    |         |
|           | <b>Cash Inflows</b>                                    |          |           |         |
| (14,744)  | New Long-Term Loans Raised                             | (1,125)  |           |         |
| 0         | New Short-Term Loans Raised                            | 0        | (1,125)   | 10,898  |
| (3,617)   |  |          |           |         |
| 1,066     | <b>Net (Increase)/Decrease in Cash</b>                 |          |           | 294     |

## NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

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

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

### 1 Revenue Activities

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

| <u>CASH FLOW STATEMENT 'REVENUE ACTIVITIES' RECONCILIATION TO<br/>CONSOLIDATED REVENUE ACCOUNT DEFICIT</u> |                 |                       |
|--|-----------------|-----------------------|
|  | £000            | £000                  |
| Consolidated Revenue Account Surplus   |                 | 3,215                 |
| Less Net Movement In Creditors And Debtors   |                 | (8,270)               |
| Items Included in CFS Revenue Activities, Not Included in CRA :-   |                 |                       |
| Payment To Non Domestic Rates Pool   | 22,750          |                       |
| Precept Paid To Durham Police Authority  | 2,555           |                       |
| Council Tax Collected  | (27,399)        |                       |
| Non Domestic Rates Collected   | <u>(25,189)</u> | (27,283)              |
| Items Excluded from CFS Revenue Activities, Included in CRA :-   |                 |                       |
| Borough Council Demand On Collection Fund  | 29,436          |                       |
| Collection Fund Surplus  | 260             |                       |
| Loans Pool Interest Paid   | (3,557)         |                       |
| Investment Income  | <u>956</u>      | 27,095                |
| <b>Net Cash (Inflow)Outflow On Revenue Activities</b>  |                 | <u><u>(5,243)</u></u> |

## NOTES TO CONSOLIDATED CASH FLOW STATEMENT

### 2 Increase/(Decrease) in Cash

|                                 | Balance<br>31/3/03<br>£000 | Balance<br>31/3/04<br>£000 | Movement<br>£000 |
|---------------------------------|----------------------------|----------------------------|------------------|
| Net Increase/(Decrease) in Cash | <u>1,089</u>               | <u>1,383</u>               | <u>(294)</u>     |

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

|                                      | 2003/04<br>£000 |
|--------------------------------------|-----------------|
| Increase in Cash                     | (294)           |
| Cash flow from increase in borrowing | <u>12,912</u>   |
| Change in Net Debt                   | <u>12,618</u>   |

### Analysis of Debt

|                             | Balance 1st<br>April 2003<br>£000 | Balance 31st<br>March 2004<br>£000 | Cash Flow<br>Changes<br>£000 |
|-----------------------------|-----------------------------------|------------------------------------|------------------------------|
| Increase/(decrease) in cash | (1,089)                           | (1,383)                            | (294)                        |
| Short term loans            | 0                                 | (213)                              | (213)                        |
| Long Term borrowing         | (72,651)                          | (62,230)                           | 10,421                       |
| Investments (short term)    | <u>26,538</u>                     | <u>29,242</u>                      | <u>2,704</u>                 |
|                             | <u>(47,202)</u>                   | <u>(34,584)</u>                    | <u>12,618</u>                |

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

|                                 | Balance<br>31/3/03<br>£000 | Balance<br>31/3/04<br>£000 | Movement<br>£000 |
|---------------------------------|----------------------------|----------------------------|------------------|
| Movement in Short Term Deposits |                            |                            |                  |
| Short Term Deposits             | <u>26,538</u>              | <u>29,242</u>              | <u>2,704</u>     |

### 6 Movement in Long Term Borrowing

|                                 | Balance<br>31/3/03<br>£000 | Balance<br>31/3/04<br>£000 | Movement<br>£000 |
|---------------------------------|----------------------------|----------------------------|------------------|
| Long Term Borrowing & Creditors | <u>72,651</u>              | <u>62,443</u>              | <u>(10,208)</u>  |

## NOTES TO CONSOLIDATED CASH FLOW STATEMENT

### 7 Other Government Grants

"Other Government Grants" shown under Revenue Activities Cash Inflows (page 48) are comprised of :-

|                               | £000   |
|-------------------------------|--------|
| Education                     |        |
| DFESGrant                     | 2,914  |
| Mandatory Awards              | 55     |
| GEST                          | 4,181  |
| Standards Fund                | 3,072  |
| Out of School Childcare Grant | 525    |
| DFEE Threshold Grant          | 1,545  |
| Learning Skills Council       | 1,480  |
| Other education grants        | 1,775  |
| Social Services               | 7,081  |
| Housing Subsidy               | 8,202  |
| LPSA Pump Priming Grant       | 1,068  |
| Other                         | 17     |
|                               | <hr/>  |
|                               | 31,915 |

### 8 Capital Grants

"Capital Grants Received" in the Capital Activities section of the statement (page 48) are :-

|                               | £000   |
|-------------------------------|--------|
| CCTV - Home Office            | 0      |
| Schools NDS                   | 3,935  |
| SRB                           | 451    |
| Single Programme              | 716    |
| Housing MRA                   | 3,380  |
| Renovation Grants             | 162    |
| Sure Start                    | 830    |
| E-Government                  | 318    |
| Learning Skills Council       | 73     |
| Urban Bus Challenge           | 260    |
| Management Information System | 77     |
| South Park Lottery            | 147    |
| ERDF                          | 10     |
| Special Educational Needs     | 16     |
| Sus-Tran                      | 52     |
| Firthmoor Community Centre    | 273    |
| Other                         | 29     |
|                               | <hr/>  |
|                               | 10,729 |

**STATEMENT ON INTERNAL CONTROL  
AS AT JULY 2004**

**Scope of Responsibility**

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

**The Purpose of the System of Internal Control**

4. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
5. The system of internal control has been in place in the Council for the year ended 31st March 2004 and up to the date of approval of the annual report and accounts and accords with proper practice.

**The Internal Control Environment**

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

**Review of Effectiveness**

7. The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of the internal auditors and the executive managers within the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.
8. Risk is one of the pieces of information incorporated into the development of departmental service plans and Best Value Performance Plan. Risk management is, therefore, an essential element in establishing policy, developing plans and enhancing operational management. Risk management is also integrated into the Council's Best Value guidance where it can help narrow down the options

for future service delivery.

9. The risk management process involves identifying, analysing, managing and monitoring risks. The identification of risks is derived from a 'top down' (corporate) and a 'bottom up' (departmental) process of risk assessment and analysis resulting in coverage of the whole Council. The process prioritises the risks resulting in a focus upon the key risks and priorities. The risks are managed through the development of appropriate action plans, allocated to responsible officers. Key elements of the action plans are formulated as relevant performance indicators which are incorporated into the Council's departmental service plans and Best Value Performance Plan. The relevant performance indicators identified are monitored through the performance management framework which involves regular reports to Corporate Management Team, Cabinet and Scrutiny Committees.
10. Our review of effectiveness of the action plans put in place to mitigate key risks is achieved, in part, through the performance management framework which is a formal process that monitors outturn against the underpinning performance indicators.. That outcomes from this process were positive in 2003/04 is evidenced by the fact that all corporate objectives were on target or better as published in the 2004/05 Best Value Performance Plan.
11. The Council's Internal Audit Division operates to the standard defined in the CIPFA Code of Practice for Internal Audit in Local Government issued in 2003. The Annual Internal Audit Plan is risk-based and sets the foundation for an objective review of key controls and procedures operating within the Council.
12. Internal Audit report to Cabinet to approve its Annual Audit Plan, to report progress against the Plan during the year including any significant matters arising or other issues of concern and to receive Internal Audit's Annual Report.
13. Internal Audit concluded in their Annual Report for 2003/04 that, overall, the Council continues to operate within a control environment that is generally sound and that the environment had been enhanced by making risk management an integral part of the Council's planning process.
14. The Annual Audit and Inspection letter produced jointly by the Council's external auditors, PricewaterhouseCoopers, and the Audit Commission was presented to Cabinet in February 2004. The letter presented a positive view of the Council's overall performance in terms of performance management, use of resources and the Best Value Performance Plan.
15. The Leader of the Council and Chief Executive are aware of the result of the review of the effectiveness of the system of internal control by the Council and are committed to ensure continuous improvement of the system in place.

#### **Significant Internal Control Issues**

16. No significant internal control issues have been highlighted by the annual review of the system.

Signed .....Date .....  
Leader of the Council

Signed .....Date .....  
Chief Executive

## THE COUNCIL'S INTERNAL CONTROL ENVIRONMENT

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

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

**The Authority's Responsibilities**

The authority is required to:

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

**The Director of Corporate Service's Responsibilities**

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

In preparing this Statement of Accounts, the Director has:

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

The Director has also:

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

**Director's Statement**

This Statement of Accounts has been prepared in accordance with the statutory requirements and proper accounting practices. It presents fairly the Council's financial position as at 31<sup>st</sup> March 2004 and the income and expenditure for 2003/2004.

Paul Wildsmith  
Director of Corporate Services



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

We have audited the statement of accounts on pages 12 to 51 which has been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 7 to 10.

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

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

As described on page 55 the Director of Corporate Services is responsible for the preparation of the statement of accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2003. Our responsibilities, as auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

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

We review whether the statement on the system of internal control on pages 52-54 reflects compliance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2003. We report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information we are aware of from our audit of the statement of accounts. We are not required to consider whether the statement on the system of internal control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

### **Basis of audit opinion**

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

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

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

### **Opinion**

In our opinion the statement of accounts presents fairly the financial position of Darlington Borough Council as at 31 March 2004 and its income and expenditure for the year then ended.

### **Certificate**

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

Signature: ..... Date: .....

## **GLOSSARY**

### **ACCOUNTING PERIOD**

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

### **ACCRUALS**

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

### **AGENCY**

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

### **ASSET**

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

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

### **AUDIT**

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

### **BALANCE SHEET**

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

### **BUDGET**

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

### **BVACOP**

CIPFA's Best Value Accounting Code of Practice

### **CAPITAL CHARGES**

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

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

### **CAPITAL EXPENDITURE**

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

### **CAPITAL FINANCING**

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

### **CAPITAL RECEIPTS**

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

### **CARRY-FORWARDS**

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

## **GLOSSARY**

### **CIPFA**

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

### **COLLECTION FUND**

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

### **COMMUNITY ASSETS**

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

### **CONSISTENCY**

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

### **CONTINGENCY**

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

### **CORPORATE AND DEMOCRATIC CORE (CDC)**

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

### **COUNCIL TAX**

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

### **CREDITOR**

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

### **DEBTOR**

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

### **DEFERRED CHARGES**

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

### **DEPRECIATION**

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

### **FIXED ASSETS**

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

### **FIXED ASSET RESTATEMENT RESERVE**

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

## **GLOSSARY**

### **GOVERNMENT GRANTS**

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

### **HOUSING ACT ADVANCES**

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

### **HOUSING BENEFITS**

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

### **HOUSING REVENUE ACCOUNT (HRA)**

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

### **IMPAIRMENT**

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

### **INCOME**

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

### **INFRASTRUCTURE ASSETS**

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

### **LIABILITY**

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

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

### **MATERIALITY**

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

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

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

### **NET BOOK VALUE**

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

### **NET CURRENT REPLACEMENT COST**

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

### **NET REALISABLE VALUE**

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

## **GLOSSARY**

### **NATIONAL NON-DOMESTIC RATE (NNDR)**

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

### **NON-OPERATIONAL ASSETS**

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

### **OPERATING LEASE**

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

### **OPERATIONAL ASSETS**

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

### **PRECEPT**

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

### **PROVISION**

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

### **PROVISION FOR CREDIT LIABILITIES**

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

### **PRUDENCE**

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

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

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

### **RATEABLE VALUE**

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

### **RELATED PARTIES**

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

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

### **RELATED PARTY TRANSACTIONS**

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

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

## **GLOSSARY**

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

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

### **REMUNERATION**

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

### **RESERVES**

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

### **REVENUE EXPENDITURE**

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

### **REVENUE SUPPORT GRANT**

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

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

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

### **STOCKS**

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

### **TEMPORARY BORROWING/INVESTMENT**

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

### **TOTAL COST**

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

### **TRUST FUNDS**

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

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

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

### **USEFUL LIFE**

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

### **WORK IN PROGRESS**

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