



DARLINGTON

Borough Council

Statement of Accounts

2023/24

Statement of Accounts 2023/24 of Darlington Borough Council

Contents:	Page
Narrative Report	1
Statement of Responsibilities for the Statement of Accounts	16
Movement in Reserves Statement	17
Comprehensive Income and Expenditure Statement	18
Balance Sheet as at 31 March 2024	19
Cash Flow Statement	20
Notes to the Financial Statements:	
1 Accounting Standards that have been issued but have not yet been adopted	21
2 Critical Judgements in applying Accounting Policies	21
3 Expenditure and Funding Analysis	22
4 Assumptions made about the future and other major sources of estimation uncertainty	24
5 Adjustments between Accounting Basis and Funding Basis under Regulations	25
6 Transfers to / from Earmarked Reserves	26
7 Other Operating Expenditure	27
8 Officers' Remuneration	27
9 Financing and Investment Income and Expenditure	28
10 Taxation and Non Specific Grant Income	29
11 Material Items of Income and Expense	29
12 Trading Operations	29
13 External Audit Costs	29
14 Dedicated Schools Grant	30
15 Short Term Provisions	30
16 Property, Plant and Equipment	31
17 Investment Properties	35
18 Heritage Assets	35
19 Impairment Losses	36
20 Inventories	36
21 Pooled Budgets	36
22 Short Term Debtors	37
23 Cash and Cash Equivalents	37
24 Short Term Creditors	37
25 Long Term Provisions	37
26 Leases	38
27 Contingent Liabilities	38
28 Usable Reserves	39
29 Unusable Reserves	39
30 Capital Expenditure and Capital Financing	42
31 Grant Income	43
32 Private Finance Initiatives	44
33 Members' Allowances	44
34 Related Parties	45
35 Pensions Schemes Accounted for as Defined Contribution Schemes	46
36 Defined Benefit Pension Schemes	46
37 Financial Instruments	50
38 Nature and Extent of Risks Arising from Financial Instruments	52
39 Events after the Balance Sheet Date	55
40 Statement of Accounting Policies	55
Housing Revenue Account (HRA) Income and Expenditure Statement	67
Movement on the HRA Statement	68
Notes to the Housing Revenue Account	69
Collection Fund	72
Notes to the Collection Fund	73
Group Accounts	74
Independent Auditors' Report to the Members of Darlington Borough Council	79
Glossary	82

Narrative Report of Darlington Borough Council

Chief Finance Officer Report

The financial pressures on the public sector as a whole and the Council more specifically have been significant over the last couple of years and continue to be so and this is on the background of a decade of financial challenge following the economic downturn and the reductions in public sector spending.

The current economic climate continues to present new and substantial financial challenges to the Council with the cost of living increases affecting our residents and the Council's finances with high interest rates, energy costs, rising demand for services and living wage increases putting a significant strain on the Council's financial resources.

Through prioritising what is most important, strong leadership, governance, and financial management, coupled with value for money service delivery, the Council has weathered the storms well, rising to the challenge by continuing to provide vital core services to the residents of Darlington, and investing the resources available in growing our economy to deliver success for the benefit of all.

The Council has a key ambition to have an inclusive and sustainable economy, attracting more business and investment and creating a healthy, productive and vibrant business economy which in turn will create more and better paid jobs benefitting all our residents. The Darlington landscape is changing, new investment is being seen across the whole borough with exciting new business arriving and government departments expanding. there is a real buzz around the town with other high profile firms also now looking to relocate.

As the financial statements demonstrate the financial standing of the Council continues to be robust. We have a well established financial management processes and procedures that stand up well in the ever changing and challenging environment of continuous change.



Elizabeth Davison

Executive Director of Resources and Governance
Section 151 Officer
Darlington Borough Council

Narrative Report of Darlington Borough Council

1 An Introduction to Darlington

The 2023/24 financial year again presented some significant challenges for the Council. Along with the rest of the country, Darlington Borough Council had to manage the negative financial impact of events such as the war in Ukraine, rising inflation rates and interest rates, energy costs and the post covid demand on services such as social care. The Council has risen to these challenges and continued to deliver vital core services to residents as well as investing in resources to grow our economy. The Council's key ambition of growing the Darlington Economy is attracting new businesses into the area, creating more and better paid jobs which benefits all our residents. The Darlington landscape is changing and new investment is being seen across the whole borough.

Darlington Borough Council is a unitary local authority located in the western end of the Tees Valley, a sub-regional grouping that also includes the unitary authorities of Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees. Since becoming a unitary authority in 1997, Darlington Borough Council has consistently worked in partnership with the other Tees Valley authorities, through the agency of Tees Valley Unlimited (TVU), on strategic investment and regeneration planning. Furthermore, Darlington is also a member of the Tees Valley Combined Authority. Created in April 2016, it is a partnership of the five Tees Valley authorities, and aims to drive economic growth and job creation in the area by working closely with the local business community and other partners to make local decisions to support economic growth. Under the devolution deal with the Government, the Combined Authority, chaired by the Tees Valley Mayor, has taken on responsibilities previously held by Westminster and Whitehall; for transport, infrastructure, skills, business investment, housing, culture and tourism.

Darlington is regarded as the 'gateway' to the Tees Valley and to the wider North-East region. Darlington station on the East coast mainline railway connects the Borough and Tees Valley with the rest of the UK, whilst Durham Tees Valley Airport, located within the Borough, provides links to Europe and the world through Amsterdam. Darlington sits at the crossing of the north-south A1 motorway and the east-west A66 trunk road. Location and excellent communications with a high quality of life in a sub-regional context are key assets in Darlington's attractiveness as a place to live and work.

Looking beyond the Tees Valley, Darlington is a place that has helped shape the modern world. The railway age started in Darlington and transformed global horizons. 'Made in Darlington' is stamped on bridges and installations across 6 continents and the Borough is now at the cutting edge of world-leading developments in sub-sea engineering, bio-medicine and digital business technologies. These are all essential connections for Darlington as a sustainable community - acting locally to build social, economic and environmental well-being with global mindfulness.

2 Darlington - About the Borough

Population - According to the 2021 Census Darlington has a population of 107,800 people and is growing. The population has grown 2.1% since the Census 2011 and is higher than the North East average at 1.9% and lower than the national average at 6.6%. There are more females than males: 51.1% of the population is female (55,100) and 48.9% male (52,700).

Demographics - The age structure of the population is changing, it is ageing and living longer. Compared with 2011 there are 11.8% more people aged 50-64 and 19.9% more aged 65 and over. The biggest decline was in the age group 15-24 at 10% and combined with a declining birth rate contribute to the growing older population.

Income - The average gross weekly pay for full time workers in Darlington is £599.0 compared to £613.7 in the North East (ONS annual survey of hours and earnings).

Gross disposable Income (GDHI) per head, which takes into account all forms of incomes not just earnings, in Darlington is estimated to be £18,376 per year, which is above the regional average.

The Darlington economy has a mix of businesses with the largest number 15.4% classed as within the human health and social work activities, 13.5% within retail and wholesale sectors and 9.6% within transport and storage. There are 52,000 employee jobs in Darlington, 36,000 are full time and 16,000 part time. Just under a third of employees work in Health and Social Care and Retail.

Diversity - In comparison to other areas in the UK, Darlington's population is not ethnically diverse with just 5.6% of residents defining themselves as being non-white UK in the Census.

Narrative Report of Darlington Borough Council

There is a significant Gypsy, Roma and Traveller community but its size is not fully known as it is understood these communities are under-represented in the Census.

Your Council - Darlington Borough Council has a gross budget of over £252m and employs around 2,200 staff in full time and part time contracts (excluding schools). Below is the make up of the workforce of the Council:

Headcount (excluding schools)

	Female	Male	Total
Full Time	681	566	1,247
Part Time	715	246	961
Total	1,396	812	2,208

This equates to 1,499.73 FTEs (excluding schools).

Political Structure - As of 31 March 2024, the Council is made up of 50 Councillors for 20 wards, with the political make up as follows:

- Conservative 14
- Labour 24
- Independent Group 0
- Liberal Democrats 3
- Green Party 7
- Independent 2
- Vacant seat(s) 0

The Council has a statutory duty to set a balanced budget and this underwent scrutiny by the Economy and Resources Scrutiny Committee in January 2023. The Council's Medium Term Financial Plan, Capital Strategy and Treasury Management Strategy were all approved by Council in February 2023.

3 Council's Performance

Darlington Council's Plan, 'Delivering Success for Darlington' outlines the council's vision for the borough 'Darlington is a place where people want to live and businesses want to locate, where the economy continues to grow, where people are happy and proud of the borough and where everyone has the opportunity to maximise their potential'. Delivery of the vision will be achieved by focussing on a number of key priorities with partners, as outlined below.

The Council Plan is the overall vision for Darlington's future agreed by Council and it has 4 key priorities which are set out below:

Growing Darlington's Economy by delivering

- More sustainable well-paid jobs
- More businesses
- More homes

And we will support economic growth by keeping the borough:

- Clean
- Safe
- Healthy
- Sustainable
- Well-planned
- On the move

Whilst valuing our heritage and culture

Maximising the Potential of Our Young People

By:

- Working with partners to maximise educational achievement
- Working to remove barriers to young people reaching their potential
- Working at a Tees Valley level to match jobs with skills and training

Narrative Report of Darlington Borough Council

Supporting the Most Vulnerable in the Borough

By:

- Providing care and support when needed
- Working with people to build on their strengths to maximise their potential
- Working with partners

Working with Communities to Maximise their Potential

By:

- Maximising the benefits of a growing economy for all communities
- Targeting services where they are most needed
- Working with partners
- Working with communities

Delivery of the Council Plan is managed via a Performance Management Framework (PMF) of strategic performance measures and narrative updates against key actions, which are refreshed annually. Year end performance across the Council and the priorities are reported by portfolio, with much positive news to build on but also some emerging priorities to take into account.

In terms of the **Stronger Communities portfolio**, good progress has been made over the past year, including:

- Darlington Cares activity continues to enjoy strong support from its 30 members whose employees provide thousands of hours volunteering in the environment, education and social justice. Notable recent joiners are Amazon, Redde, Northgate and Carvers Estate Agents.
- The Bread and Butter Thing (TBBT) operates across 9 hubs providing food to the network of foodbanks operating in Darlington and supporting families through the current cost of living crisis.
- Number Forty opened in the town centre on 2 September 2022 as a safe space in the night time economy. Darlington has Purple Flag status for standards of excellence in managing the night-time economy.
- Estimated unmet need for both alcohol and drug treatment are in decline and are lower than the England averages. Work continues with partners to increase early identification and referral.

With regards to our **Resources portfolio**, key actions undertaken over the last year include:

- The Medium Term Financial Plan (MTFP) for 2024-28 was approved by Council in February 2024 and provides a budget over the life of the plan.
- The Council has invested in 8 joint ventures for house building to date with all sites progressing well and on target to provide dividends. Three projects are completed with the investment repaid and dividends released. Three other joint ventures are ongoing: West Park, Elder Brook Park and the out of borough joint venture with Esh. £50m Investment Fund has £42.65m of regeneration and joint venture commitments against it with further opportunities being explored.
- The percentage of business rates collected in-year in 2023/24 was above the Council's target of 98.0%.
- The number of online transactional services available on the corporate website continues to rise in 23/24

Narrative Report of Darlington Borough Council

Regarding the **Children and Young People portfolio**, key areas of work undertaken in 2023/24 include:

- Children and young people with Special Educational Needs and Disability (SEND) have continued to receive excellent services throughout 2023/24 with more now attending mainstream schools. The Strengthening Families, Protecting Children programme has continued to be embedded across
- Darlington Borough Council's Children's Services, utilising relational practice to ensure timely interventions which support families to stay together and reduce the need for children to come into
- A large proportion of children in care were in a foster placement at the end of March 2024. The proportion of children placed with in-house foster carers or placed with parents has been
- advancing.
- There are currently 52 approved foster care families with a further 17 going through mainstream assessments.
- The proportion of Darlington care leavers Not in Education, Employment or Training (NEET) has remained low at the end of 2023/24.
- Referrals to the Youth Employment Initiative (YEI) have remained steady, month on month during 2023/24 with young people continuing to move into education, employment and training.
- The Zest Theatre cohort participated in turning their experiences, hopes and ambitions into giant artworks which were shared on the railings outside of each school.
- The Holiday Activity and Food (HAF) programme funded by Department of Education is now firmly established at multiple sites across Darlington and engaged with over 2,000 children throughout the Easter 2024 period.

Key actions delivered under the **Economy portfolio** over the past 12 months has included:

- The Towns Fund continues to deliver improvements with new businesses opening along Skinnergate.
- Work on the Northern Echo building continues with architects appointed to work with client departments (Darlington College and DBC Learning and Skills) to develop an Adult Skills Hub on the ground floor and high quality office space on the upper floors.
- Work will commence on Coniscliffe Road in October 2024 to provide permanent facilities for outdoor seating for the cafes and bars in the vicinity.
- The Council continues to develop key economic sites at Central Park, Ingenium Parc and Faverdale to be investor ready. At Central Park, Innovation Central is open for business and securing tenants. At Ingenium Parc is now complete and sites are being marketed. Demand for plots at Faverdale Business Park remain high.
- Housing delivery has seen a drop in 2023/24 largely due to the result of Nutrient Neutrality. Applications are now progressing and gaining consent largely due to the Natural England Nutrient Neutrality credit scheme in which Darlington has fared well helping to unlock around 2000 homes.
- Following the change to its target date to reach carbon neutral the climate change strategy and action plan have been revised.
- TVCA is leading the delivery of the Bank Top Station project, with Darlington Council on the project board alongside TVCA, Department for Transport and LNER.

Narrative Report of Darlington Borough Council

Regarding the **Local Services portfolio**, notable achievements in 2023/24 include:

- The Council remained focused on delivering high quality services and events to meet the needs and expectations of a wide range of local people, ensuring the town centre is animated, vibrant and clean.
- Work with Tees Valley Combined Authority on transport include the delivery of the Darlington Bank Top station rail project, entering into an Enhanced Partnership with bus operators, a programme of interventions on priority bus corridors, further development of walking and cycling schemes and installation of electric vehicles charging points in car parks.
- Work has continued through the period with partners to develop the 2025 celebrations programme. The restored Goods Shed is now the entry point to Hopetown housing a café, shop and digital media experience. Hopetown celebrates the past, present and future of rail travel and engineering brilliance with a £3 million investment in a new interactive permanent exhibition.
- Major refurbishment works at Darlington Library have been completed.
- Modernisation work at Darlington Crematorium service is now complete.

In addition to the significant work undertaken to continue to support residents and tenants following the pandemic, the council's **Health and Housing portfolio** also delivered:

- The Public Health team has continued to progress with a number of priorities including reviewing and refreshing the suicide prevention programme. Make Every Contact Count training was expanded, and the Healthy Lifestyle Survey involved 8,400 local pupils across Darlington.
- Implementing partnership plans for Supplemental Substance Misuse and Recovery (SSMTR) to expand the number of treatment places for adults and young people.
- The toothbrushing scheme in reception and primary schools continues and work continues with local Tees Valley authorities in the delivery of an oral health survey to monitor the dental health of school aged children.
- the Dolphin Centre's main pool re-opened in January 2024 and visitor numbers continue to increase and memberships are the highest they have been.
- All of Darlington Borough Council's social housing stock continued to meet the Decent Homes Standard in 2023-24
- Housing officers continue to promote help and guidance to tenants needing support, with over 2,040 tenants in receipt of Universal Credit (UC). Average rent arrears for tenants receiving UC remains around five weeks.
- The number of homeless presentations remains high with an increase in the need for emergency accomodaion.. A new Preventing Homelessness and Rough Sleeping Strategy was developed in 2024 to meet the current challenges.
- The Lifeline service supports people to live in their own home, it is in demand with a consistent increase in users throughout the year.

Finally, the **Adults portfolio** has contributed to the council plan's vision over the previous year by:

- We continue to work with the voluntary sector on a vulnerability strategy which has recognised isolation and loneliness as being a key factor in individuals vulnerability.
- we continue to have a high uptake of Assistive Technology Toolkit Referrals assigned to Lifeline resulting in equipment being provided.
- Adult social care teams continued to work with the NHS and voluntary sector to support people to return home following discharge from hospital. The proportion of older people who are still at home 91 days after discharge from hospital into reablement or rehabilitation services remains high. This is a consistently high outcome delivered by the service.
- The proportion of adults with a learning disability who live in their own home or with their family continues to be higher than regional and national averages.

Narrative Report of Darlington Borough Council

4 Financial Performance

Economic climate

Since 2010 Darlington Borough Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures and increasing demand within services. The process of balancing the Council's finances is ongoing and will last until at least 2024/25 whilst government policy is being developed.

In common with the rest of local government, the Council has seen a steady reduction in its core funding in recent years. The Government's aim is to phase out non-specific grant funding altogether, instead allowing local authorities to retain a higher proportion of business rates collected locally.

Outturn (revenue and capital)

The financial standing of the Council is robust, with sound financial management practices.

Comparison of Actual with Budget - Revenue

Net Expenditure 2023/24	Budget £'000	Actual £'000	Variance £'000
Departmental Resources			
People Group	77,613	78,998	1,385
Services Group	29,073	25,319	(3,754)
Operations Group	14,301	14,182	(119)
Chief Executive & Economic Growth Group	1,856	1,539	(317)
Council Wide	43	(81)	(124)
Total Departmental Resources	122,886	119,957	(2,929)
Corporate Resources			
Financing Costs	3,477	3,477	0
Joint Venture - Investment Return	(1,816)	(1,816)	0
Contingencies Budget	370	277	(93)
Mid-year Savings	1,200	(190)	(1,390)
Total Corporate Resources	3,231	1,748	(1,483)
Net Expenditure	126,117	121,705	(4,412)
Reserves			
Planned Use of General Reserve	(8,640)	(8,640)	0
Departmental Balances brought forward	(4,961)	(4,961)	0
Departmental Balances carried forward	0	4,104	4,104
ASC ILF 2023/24	(639)	(639)	0
Unallocated Grant Income	0	(302)	(302)
Pay Award	(550)		550
Balance to Reserves	0	60	60
Total Reserves	(14,790)	(10,378)	4,412
Total Resources	111,327	111,327	0

Of the £5.146m departmental underspend, £4.961m is being carried forward. An additional £0.503m contribution is made from general reserves. In 2023/24, there is a planned net contribution from reserves of £8.640m as set out in the 2023-27 Medium Term Financial Plan.

Narrative Report of Darlington Borough Council

Where The Money Comes From and How It Was Spent

The following table explains in more detail the Council's sources of income and what it was actually spent on:

2022/23 £'000	Gross Income	2023/24 £'000	%
(21,377)	Gross Council Rents	(22,425)	7.6
(3,748)	Revenue Support Grant	(4,288)	1.5
(25,777)	General Government Grants	(16,089)	5.5
(19,804)	Business Rates Income	(20,785)	7.0
(28,246)	Dedicated Schools Grant	(29,728)	10.1
(57,944)	Demand on Collection Fund	(61,237)	20.8
(43,569)	Specific Government Grants	(65,344)	22.2
(37,971)	Capital Grants	(10,411)	3.5
(1,669)	Capital Receipts	(4,194)	1.4
(4,594)	Interest and Investment Income	(4,193)	1.4
(54,434)	Income from Fees & Charges	(56,284)	19.1
(299,133)		(294,978)	100.0

How it was spent:

2022/23 £'000	Gross Expenditure	2023/24 £'000	%
5,544	Chief Executive & Economy	8,811	3.2
58,261	Operations	66,618	23.3
146,756	People	161,012	56.2
52,673	Services	50,589	17.6
(712)	Other	0	0.0
262,522		287,030	100.0
305	Precepts & Levies	318	
4,910	Interest Payable	6,058	
4,770	IAS 19 Pension cost adjustment	2,410	
2,428	Amount of non-current assets written off on disposal	9,329	
2,010	Investment property expenditure and change in fair value	345	
5,997	Other	1,939	
20,420		20,399	
282,942	Total Expenditure	307,429	
(16,191)	Surplus for year	12,451	

Narrative Report of Darlington Borough Council

Sources of Funds to meet Capital Expenditure Plans

The total resources available for capital schemes during 2023/24 totalled £178.490m; however not all of the resources were planned to be expended during 2023/24. Some schemes have a build life of longer than one year so the actual planned spend for 2023/24 was £77.069m with an actual spend of £60.565m. The main areas of slippage relate to major projects in Transport and Housing as well as the Railway Heritage Quarter. The slippage into 2024/25 will be financed by unsupported borrowing, grants carried forward, Usable Capital Receipts and Revenue and Capital Contributions.

Capital expenditure 2023/24	Capital Spend Available	Planned Spending 2023/24	Actual	Approved Capital Spend Carried Forward
	£'000	£'000	£'000	£'000
Chief Executive & Economic Growth	31,484	18,408	4,398	27,086
Operations	84,552	35,182	20,382	64,170
People	4,656	1,919	3,044	1,612
Services	57,798	21,560	32,090	25,708
Leased Assets	0	0	651	(651)
Total	178,490	77,069	60,565	117,925
Financed by				
**Corporate Unsupported Borrowing			11,647	
Capital Grants			36,996	
Housing Revenue Contributions			8,003	
Capital Contributions			261	
Housing Revenue Account Capital Receipts			0	
General Fund Capital Receipts			2,491	
Revenue Contributions			1,167	
Total			60,565	

The following is a list of the major items of capital expenditure incurred during the year:

	£'000
Highways & Transport Infrastructure	5,201
Housing Stock - Improvements	13,785
Investment Properties	22
Operational Buildings - Improvements	29,290
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	2,101
Development Services	8,711
Children's Services Improvements to Schools	10
Vehicles, Plant & Equipment	1,445
Total	60,565

The Council is also committed to make payments estimated at £27.138m over the remaining term of the 25 year contract in respect of its PFI scheme (the Education Village and Harrowgate Hill Primary School). These became operational in March 2006 and August 2005 respectively. Both are part of the approved funding of £34.900m by the Department for Education. A recognition of the long-term contract entered into with partners Kajima Darlington Schools Limited can be found in Note 32 in the Notes to the Financial Statements and the liability relating to this contract can be found on the Balance Sheet.

Narrative Report of Darlington Borough Council

Four Year Capital Programme

The Council continues to deliver a significant capital investment programme in the main funded from the Housing Revenue Account and external funding which is targeted at specific schemes and programmes such as Transport and Schools. In addition there are a number of schemes financed from the Council's own resources.

The Council's 4 year capital programme and its funding can be summarised as follows:

Capital Expenditure and Funding

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Capital Expenditure and funding					
Children, Families and Learning	67	67	67	67	268
Housing (HRA)	27,270	14,485	12,838	13,259	67,852
Transport	3,068	3,068	3,068	3,068	12,272
Other Capital Programmes	1,063	1,063	1,063	1,063	4,252
Council Funded Schemes	2,340	900	250	250	3,740
Self Financing	2,000	8,000	0	0	10,000
Total Spending Plans	35,808	27,583	17,286	17,707	98,384
Resources					
Capital Grants	4,198	4,198	4,198	4,198	16,792
HRA Revenue Contributions	13,455	12,668	12,535	12,956	51,614
HRA Investment Fund	0	0	0	0	0
HRA Capital Receipts	303	303	303	303	1,212
Corporate Resources	15,852	2,414	250	250	18,766
Self Financing	2,000	8,000	0	0	10,000
Total Resources	35,808	27,583	17,286	17,707	98,384

Balance Sheet

The Council's summarised Balance Sheet is shown below:

	As at 31 March 2023 £m	As at 31 March 2024 £m
Non-current assets	522	543
Net current assets - debtors, stock, cash and short term investments less short term creditors and liabilities	(19)	(49)
Long Term Liabilities and Provisions	(185)	(157)
Total Net Assets	318	337
Represented by:		
Usable reserves	133	108
Unusable reserves	185	229
Total Reserves	318	337

Narrative Report of Darlington Borough Council

5 Principal Risks and Uncertainties

Risk Management is an essential part of effective and efficient management and planning and it strengthens the ability of the Council to achieve its objectives and enhance the value of services provided. It is also an important element in demonstrating continuous improvement as well as being part of the Council's Local Code of Corporate Governance that reflects the requirements of the CIPFA / SOLACE Framework of Corporate Governance.

A key element of the Council's planning process is that the areas of potential risk, which could adversely impact on the ability to meet objectives, are identified. These risks are plotted on to a standard likelihood and impact matrix with reference to management controls in place and working. The shaded part of the matrix signifies the area above the 'risk appetite line'. Risks in this region require further specific management i.e. are priorities for improvement that have an appropriate improvement action plan. The risk matrix shown below as reported to Audit Committee on 22 January 2024 highlights that the Council has 9 current Corporate risks that are above the 'risk appetite line'.

SR8 - Investment in regeneration projects is not delivered.

- Within the construction industry there continues to be issues with rises in material prices and high demand for trades and resource to deliver projects of all sizes. These issues are across all sectors, both private and public. Projects delivered prior to these issues materialising may not have built in contingencies into the budget or programme to absorb this. Therefore, this will require programmes and projects to be reviewed on an individual basis for affordability and deliverability as costs and programmes are finalised. Future project budgets will have inflation allowance built in linked to the proposed start and finish dates. Furthermore, we are exploring additional sources of external funding, e.g. government grants and more effective partnership working to share the risk. It is anticipated that as inflation reduces so too will the level of risk.

SR15 - Inability to cope with significant increase in homelessness cases.

- Additional funding has been provided by the Department for Levelling Up, Housing and Communities (DLUCH) for homeless services. More accommodation and support has been commissioned to cope with increased demand and additional staff have been recruited to the Housing Options Team. However, demand for emergency accommodation has remained high with the shortage of appropriate move on accommodation exacerbating the issue.

SR16 - Inability to contain placement costs for children looked after due to lack of sufficient in house placements

- A full Transformation and Efficiency programme is being delivered with the key objective of developing sufficient provision within or close to Darlington that meet the needs of looked after children. This includes in-house foster care, residential care and specialist provision for complex needs. Due to the changing complexities and the demand for placements not just locally, but also regionally and nationally, the work will be informed by other localities, and joint working will take place where this can add value.

SR20 - Increased demand for Adult Services impacts negatively on plans for budget efficiencies

- There is increasing demand for adult social care and support specifically domiciliary care, aides, adaptations and support for people with significant learning disabilities. People are living with multiple conditions and disabilities and require intensive support to remain at home and as independent as possible. Covid has also had a significant impact on people's wellbeing and support needs. Adult Social Care will continue with the Transformation programme, and ensure that all assessments are strength based and outcome focused with the support of the local community. Performance, practice and quality will be continuously monitored and reviewed to ensure that we reduce, delay and prevent people from requiring care and support prematurely. Funding streams and grants from the Department of Health & Social Care will support the demand management and provide some temporary cost mitigation. However, with the introduction of the Integrated Care Systems there is further dialogue required to understand the resources available to support post covid recovery

Narrative Report of Darlington Borough Council

- The increased demands in adult social care have resulted in waiting lists for reviews and assessments. These are mitigated by a risk management matrix to prioritise people with high needs or significant carer issues. With support from the Department of Health and Social Care (DHSC) social discharge fund we have increased workforce capacity through agency, additional hours and fixed term contracts to manage demand however this is currently short term funding.

SR21 - Increased demand for Children's Services impacts negatively on budget

- Work is ongoing within the Transformation Programme to safely reduce the level of risk in children's services. Input to this work has been enhanced with colleagues from Leeds City Council under the DfE sponsored Strengthening Families Programme. The ethos of the work is being continued despite the programme formally ceasing. Childrens Services have also devised a Placement Sufficient strategy based upon increasing our in-house fostering and residential provision to create more cost effective ways of caring for our children and providing greater stability and better outcomes.

SR27 - Failure to respond appropriately to safeguard vulnerable children, in line with national legislation and safeguarding children, thresholds and procedures

- Services are in place to screen contacts and referrals, and to respond should concerns be identified. Pathways for intervention are both internal and multi-agency, and the Council ensures that its own staff understand and apply them robustly.

SR34 - Budget & resource implications arising from the ability to progress and complete schemes/projects in the event of further construction inflation, material supply and resource demands

- Whilst inflation within the Construction industry has softened, material prices remain high and demand for trades and resource to deliver projects of all sizes remains an issue. These issues are across all sectors, both private and public. Projects developed prior to these issues materialising may not have built in contingencies into the budget or programme to absorb this. Therefore, this will require Programmes & Projects to be reviewed on an individual basis for affordability and deliverability as costs and programmes are finalised. Future project budgets will have inflation allowance built in linked to the proposed start and finish dates. Its is anticipated as inflation reduces

SR35 - Potential impact on public transport networks if commercial services do not recover or continue to receive support from Government and routes are withdrawn.

- Bus patronage suffered significantly through the pandemic and post Covid passenger numbers have not recovered to previous levels, putting the viability of commercial services at risk. Additional Government funding has been made available to the Tees Valley Combined Authority (TVCA) as the transport authority to support services at risk and this has been used to secure a number of services in Darlington. However, this funding is time limited and we are working with the TVCA and operators to understand how we can support the network.

SR44 - April 2023 will see the implementation of the CQC inspection framework for Adult Social Care. The significant demands on adult social care, the pressures following covid and the workforce recruitment and retention issues may impact on the ratings resulting in a "requiring improvement" outcome.

- Adult Services have an implementation plan in place, containing identified actions to complete including, user feedback and engagement, evidence of quality of practice and outcomes and strategic leadership and engagement.

Narrative Report of Darlington Borough Council

CORPORATE

LIKELIHOOD	A Very High				
	B High			SR21, SR48	
	C Significant			SR8, SR15, SR16, SR20, SR34, SR35, SR44	
	D Low				SR27
	E Very Low				
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

6 Pension Liabilities

Following the implementation of IAS 19, the accounts show the benefit entitlement earned by employees of the Local Government Pension Scheme in the relevant year rather than the charges to revenue based on employer's contributions payable and payments to pensioners in the year. The effect on the Balance Sheet is to reduce the net worth of the Council by the IAS 19 pension liability of £56.460m (in 2021/22 the IAS 19 pension liability was £181.540m). The Council's Pension fund has to be revalued every 3 years to set future contribution rates and subsequent to the last full actuarial valuation date of 31 March 2022 the deficit is to be recovered over a period of 20 years, as agreed by the Pension Fund Administering Authority with the Actuary. Further information is available in Note 36 in the Notes to the Financial Statements.

7 Treasury Management

On 16 February 2023, Council approved the Treasury Management Strategy for 2023/24. Treasury management performance is reported to Cabinet and Council with detailed reviews being undertaken by Audit Committee.

The financial year 23/24 was a very turbulent year with regards to treasury management. Interest rates remained high due to continued uncertainties within the economic market as well as the conflicts in Ukraine and the Middle East. As a result of this the cost of borrowing remained high with the council therefore reducing its external investments to pay for capital expenditure rather than using borrowing. Internal borrowing has a positive effect on the MTFP's financing costs as generally investment rates are lower than borrowing rates and there would have been a cost of carrying those investments in addition to any counterparty risk there might have been. Investments continued to be made only where it was beneficial to do so and there was a low risk to the Council.

During 2023/24 the Council complied with its legislative and regulatory requirements. The need for borrowing was only increased for capital purposes.

At 31 March 2024, the Council's external debt was £152.878m which is £14.864m higher than the previous year, mainly due to the progression of various capital schemes after Covid. The average interest rate for borrowing was 2.64% up from 2.41% in 2022/23. Investments totalled £36.369m at 31 March 2024 (£40.044m at 31 March 2023) earning interest of 5.09% over the year. Included in the total investments figure were Property Fund units of £29.999m which provided an annualised net return of 0.72%.

Narrative Report of Darlington Borough Council

8 Explanation of the Accounting Statements

This Statement of Accounts has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' (the code) which defines proper accounting practices for local authorities in England and also complies with the Accounts and Audit Regulations 2015. The code is based on International Financial Reporting Standards (IFRS).

Darlington Borough Council's accounts for the year ended 31 March 2024 are set out in the following pages and a glossary of terms is provided on pages 82 to 92.

Movement in Reserves Statement (page 17)

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

Comprehensive Income and Expenditure Statement (page 18)

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

Balance Sheet (page 19)

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

Cash Flow Statement (page 20)

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

Narrative Report of Darlington Borough Council

Expenditure and Funding Analysis (page 22)

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The Supplementary Financial Statements are as follows: (page 67 -79)

Housing Revenue Account (page 67)

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

Collection Fund (page 72)

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

Group Accounts (page 74)

There are a number of criteria by which the Council must determine whether its interests in associates, joint ventures and joint arrangements are significant enough to be included in the Council's consolidated accounts. After consideration of these criteria the Council has determined that it does have material interests and consequently group accounts have been prepared.

The Notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.

Statement of Responsibilities for the Statement of Accounts of Darlington Borough Council

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Executive Director of Resources and Governance;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- approve the Statement of Accounts.

The Executive Director of Resources and Governances' Responsibilities

The Executive Director of Resources and Governance is responsible for the preparation of the Council'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 Executive Director of Resources and Governance has:

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

The Executive Director of Resources and Governance has also:

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

Executive Director's Statement

I certify that this Statement of Accounts has been prepared in accordance with the statutory requirements and proper accounting practices. It presents a true and fair view of the Council's financial position as at 31 March 2024 and the income and expenditure for the year ended 31 March 2024.



Dated: 21-Jun-24

Elizabeth Davison, Group Director of Resources

Recertified

Dated:

Elizabeth Davison, Executive Director of Resources and Governance

Certification of the Statement of Accounts

As Chair of the Audit Committee meeting held on 24 February 2025, I hereby acknowledge that the Statement of Accounts for 2023/24 has been considered and approved by this Committee, in accordance with the Accounts and Audit (England) Regulations 2015, Regulation 8(3).

Dated:

Chair of Audit Committee

Movement in Reserves Statement for Darlington Borough Council for the year ended 31 March 2024

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2022	(23,757)	(50,622)	(27,008)	(578)	(30,875)	(132,840)	(32,408)	(165,248)
<u>Movement in reserves during 2022/23</u>								
Deficit/(Surplus) on the Provision of Services	(13,140)	0	1,119	0	0	(12,021)	0	(12,021)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(140,306)	(140,306)
Total Comprehensive Income and Expenditure	(13,140)	0	1,119	0	0	(12,021)	(140,306)	(152,327)
Adjustments between accounting basis and funding basis under regulations (Note 5)	20,195	0	2,422	(5,392)	(4,559)	12,666	(12,666)	0
Net (Increase)/decrease before Transfers (to)/from Earmarked Reserves	7,055	0	3,541	(5,392)	(4,559)	645	(152,972)	(152,327)
Transfers from/(to) Earmarked Reserves (Note 6)	(4,722)	7,615	0	(1)	(2,893)	(1)	1	0
Decrease/(Increase) in 2022/23	2,333	7,615	3,541	(5,393)	(7,452)	644	(152,971)	(152,327)
Balance at 31 March 2023 carried forward	(21,425)	(43,007)	(23,467)	(5,971)	(38,327)	(132,197)	(185,380)	(317,576)
<u>Movement in reserves during 2023/24</u>								
Deficit/(Surplus) on the Provision of Services	10,500	0	(689)	0	0	9,811	0	9,811
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(29,181)	(29,181)
Total Comprehensive Income and Expenditure	10,500	0	(689)	0	0	9,811	(29,181)	(19,370)
Adjustments between accounting basis and funding basis under regulations (Note 5)	(6,377)	0	(1,791)	(1,685)	24,702	14,849	(14,849)	0
Net decrease/(Increase) before Transfers from/(to) Earmarked Reserves	4,123	0	(2,480)	(1,685)	24,702	24,660	(44,030)	(19,370)
Transfers (to)/from Earmarked Reserves (Note 6)	3,524	(3,524)	0	0	0	0	0	0
(Increase)/decrease in 2023/24	7,647	(3,524)	(2,480)	(1,685)	24,702	24,660	(44,030)	(19,370)
Balance at 31 March 2024 carried forward	(13,779)	(46,529)	(25,947)	(7,656)	(13,626)	(107,537)	(229,409)	(336,945)

Comprehensive Income and Expenditure Statement for Darlington Borough Council for the year ended 31 March 2024

2022/23			2023/24				
Gross Expenditure £'000	Gross Income £'000	Net Expenditure / (Income) £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure / (Income) £'000
5,543	(2,524)	3,019	Chief Executive and Economy	3	8,811	(759)	8,052
58,261	(53,863)	4,398	Operations	3	66,618	(60,031)	6,587
146,755	(70,283)	76,472	People	3	161,012	(91,949)	69,063
52,673	(23,551)	29,122	Services	3	50,589	(20,434)	30,155
(711)	411	(300)	Other	3	0	(2,414)	(2,414)
262,521	(149,810)	112,711	Cost of Services		287,030	(175,587)	111,443
306	0	306	Other operating expenditure	7	318	0	318
2,428	(1,669)	759	Losses/(Gains) on the disposal of non-current assets	7	9,329	(4,194)	5,135
17,687	(6,158)	11,529	Financing and investment income and expenditure	9	10,752	(6,676)	4,076
0	(141,496)	(141,496)	Taxation and non-specific grant income	10	0	(111,161)	(111,161)
282,942	(299,133)	(16,191)	(Surplus)/deficit on Provision of Services		307,429	(297,618)	9,811
		(3,932)	Surplus/(Deficit) on revaluation of Property, Plant and Equipment assets				69
		(140,900)	Actuarial (gains)/losses on pensions assets/liabilities	37			(29,250)
		9	Impairment losses on non-current assets charged to the revaluation reserve				0
		(144,823)	Other Comprehensive Income and Expenditure				(29,181)
		(161,014)	Total Comprehensive Income and Expenditure				(19,370)

Balance Sheet of Darlington Borough Council as at 31 March 2024

As at 31 March 2023 £'000		As at 31 March 2024 £'000	Notes
470,591	Property, Plant and Equipment	486,684	16
12,483	Investment Properties	12,642	17
2,411	Heritage Assets	2,679	18
26,706	Long Term Investments	24,767	38
10,098	Long Term Debtors	16,515	38
522,289	Total Long Term Assets	543,286	
8,000	Short Term Investments	0	38
578	Inventories	244	20
59,704	Short Term Debtors	42,877	22
2,060	Cash and Cash Equivalents	(9,142)	23
70,342	Total Current Assets	33,978	
(18,594)	Short Term Borrowing	(34,109)	38
(68,492)	Short Term Creditors	(45,687)	24
(2,566)	Short Term Provisions	(3,264)	15
(89,652)	Total Current Liabilities	(83,060)	
(7,010)	Long Term Creditors	(5,911)	38
(713)	Long Term Provisions	(843)	25
(121,217)	Long Term Borrowing	(121,084)	38
(56,460)	Other Long Term Liabilities	(29,420)	37
0	Capital Grants Receipts In Advance	0	31
(185,400)	Total Long Term Liabilities	(157,258)	
317,578	Net Assets	336,946	
132,198	Usable Reserves	107,537	28
185,380	Unusable Reserves	229,409	29
317,578	Total Reserves	336,946	

Cash Flow Statement for Darlington Borough Council for the year ended 31 March 2024

2022/23		2023/24
£'000		£'000
16,191	Surplus/(Deficit) on the provision of services	(19,370)
18,833	Adjustments to net deficit on the provision of services for non-cash movements	37,103
10,508	Depreciation and impairment	23,615
5,997	Change in the fair value of investments	1,939
115	Increase in Interest Creditors	515
1,109	Increase/(Decrease) in Creditors	(18,125)
0	Increase in Interest and Dividend Debtors	0
(20,563)	(Increase)/Decrease in Debtors	16,613
1,624	(Decrease) in Inventories	334
15,820	Movement in Pension Liability	2,210
112	Contributions to/(from) Provisions	828
2,428	Carrying amount of non-current assets sold or derecognised	9,311
1,683	Movement in Investment Property Values	(137)
(20,825)	Adjustments for items included in the net (deficit) on the provision of services that are investing and financing activities	(14,587)
(19,156)	Capital Grants credited to the surplus or deficit on provision of services	(10,411)
0	Net adjustment from the sale of short and long term investments	0
0	Premiums or Discounts on the repayment of financial liabilities	0
(1,669)	Proceeds from the sale of non-current assets and investment property	(4,176)
14,199	Net cash flow from/(used in) Operating Activities	3,146
	Investing Activities	
(56,266)	Purchase of property, plant and equipment and investment property	(45,482)
(259,330)	Purchase of short term investments	(273,802)
268,330	Proceeds from the sale of short term investments	281,802
6,449	Proceeds from the sale of property, plant and equipment and investment property	4,176
(4,944)	Other payments for investing activities	(6,942)
2,278	Other capital payments received	527
22,051	Capital grants received	10,411
0	Other receipts from investing activities	
(21,432)	Net cash flow used in Investing Activities	(29,310)
	Financing Activities	
0	Cash receipts of short and long term borrowing	46,000
5,348	Billing Authorities - Council Tax and NNDR adjustments	(1,819)
(1,116)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(1,107)
(11,558)	Repayments of short and long term borrowing	(31,133)
1,307	Other (payments)/receipts for financing activities	3,021
(6,019)	Net cash flow from Financing Activities	14,962
(13,252)	Net decrease in cash and cash equivalents	(11,202)
15,312	Cash and cash equivalents at the beginning of the reporting period	2,060
2,060	Cash and cash equivalents at the end of the reporting period (Note 23)	(9,142)

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2024/25 Code although there are no changes that are expected to have a significant effect on the Council's 2023/24 accounts.

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2024.

Classification of Liabilities as Current or Non-Current (Amendments to IAS1) issued January 2020

Lease Liability in Sale and Leaseback (Amendments to IFRS 16) issued September 2022

Non Current Liabilities with Covenants (amendments to IAS1) issued October 2022

International Tax Reform: Pillar Two Model Rules (Amendments to IAS12) issued May 2023

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued May 2023

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 41, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events:

The critical judgements made in the Statement of Accounts are:

- The Council has a number of interests in other entities that fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. During 2023/24 the Council has assessed its interests in the 8 Joint Ventures with Esh Homes Ltd of which the owns 50% of the share capital of the Companies and concluded that they will be consolidated into its group accounts.
- In line with accounting standards and the Code, all maintained schools in the Borough are now considered to be entities controlled by the Council. Rather than produce group accounts, the income, expenditure, assets, liabilities, reserves and cashflows of each school are recognised in the Council's single entity accounts.
- Where the land and building assets used by the school are owned by an entity other than the Council, school or School Governing Body then it is included on the Council's Balance Sheet.
- As at the 31 March 2024 the Council has no Voluntary Aided (VA) schools.
- In the current economic climate there is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that assets of the Council might be impaired as a result of a need close facilities and reduce levels of service provision.
- The Council continues to assess the degree of componentisation within its non-current asset portfolio, as part of the 5 year rolling programme of non-current asset valuations. On an annual basis the Council will review capital expenditure to assess if any new material components have been added to the Council's non-current asset portfolio.
- Judgement is required to determine whether the Council can be reasonably assured that the conditions of grant and contribution income received have been met before recognising them as income in the Comprehensive Income and Expenditure Statement. Where conditions require specified expenditure to have taken place, the grant monies will not be recognised until this has happened. Equally where conditions specify that a grant or contribution must be repaid in the event of non-expenditure, the income is not recognised until the conditions of the grant have been met.
- The Council is deemed to control the education services provided under the PFI agreement in the schools and also to control the residual value of at the end of the agreement. The accounting policies and PFI schemes and similar contracts have been applied to the Education Village and Harrowgate Hill Primary School which became operational in March 2006 and August 2005 respectively. The Education Village transferred to Academy status on 1 April 2012 so has therefore been removed from the Council's Balance Sheet. Harrowgate Hill is recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- The Council has a 2.91% shareholding in Teesside International Airport and with the adoption of IFRS 9 Financial Instruments it is now classified at fair value and although the airport has been acquired by Goosepool 2019 Ltd which is a subsidiary of the Tees Valley Combined Authority (TVCA), the Council's shareholding is unaffected as is its valuation. The new standard sets out that investments in equity should be as fair value through profit and loss unless there is an irrevocable election to designate the asset as fair value through comprehensive income. The shareholding is a strategic investment and not held for trading and therefore the Council has opted to designate it as fair value through other comprehensive income (FVOCI). This means that there would be no impact on the revenue budget and that any gains or losses on the valuation of the shareholding will be transferred to a Financial Instruments Revaluation Reserve.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

3 Expenditure and Funding Analysis

2023/24	Reported for resource management	Adjustment to arrive at the net amount chargeable to the General Fund and HRA Balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Group	£'000	£'000	£'000	£'000	£'000
Chief Executive and Economy	1,942	466	2,408	5,645	8,053
Operations	14,802	(8,342)	6,460	127	6,587
People	80,071	(11,019)	69,052	11	69,063
Services	27,087	(4,036)	23,051	7,104	30,155
Other	(5,184)	2,770	(2,414)	0	(2,414)
Net Cost of Services	118,718	(20,161)	98,557	12,887	111,444
Other income and expenditure	(110,838)	13,923	(96,915)	(4,718)	(101,633)
(Surplus)/deficit on Provision of Services	7,880	(6,238)	1,642	8,169	9,811
Opening General Fund, HRA and Earmarked Reserves Balance at 1 April 2023			(87,897)		
Add surplus on General Fund and HRA Balance in Year			1,642		
Closing General Fund, HRA and Earmarked Reserves Balance at 31 March 2024 **			<u>(86,255)</u>		

** For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement.

2022/23	Reported for resource management	Adjustment to arrive at the net amount chargeable to the General Fund and HRA Balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Group	£'000	£'000	£'000	£'000	£'000
Chief Executive and Economy	1,281	320	1,601	1,418	3,019
Operations	18,747	(5,349)	13,398	(9,000)	4,398
People	69,613	3,963	73,576	2,896	76,472
Services	20,695	(252)	20,443	8,679	29,122
Other	(5,136)	4,836	(300)	0	(300)
Net Cost of Services	105,200	3,518	108,718	3,993	112,711
Other income and expenditure	(104,115)	7,627	(96,488)	(32,414)	(128,902)
Deficit/(surplus) on Provision of Services	1,085	11,145	12,230	(28,421)	(16,191)
Opening General Fund, HRA and Earmarked Reserves Balance at 1 April 2021			(105,249)		
Plus surplus on General Fund and HRA Balance in Year			12,230		
Closing General Fund, HRA and Earmarked Reserves Balance at 31 March 2022			<u>(93,019)</u>		

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

3a Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Adjustments between Accounting Basis and Funding Basis				
	2023/24				
2023/24	Adjustments for Capital Purposes	Net change for Pensions Adjustments	Statutory Adjustments	Non Statutory Adjustments	Total Adjustments
Group	£'000	£'000	£'000	£'000	£'000
Chief Executive and Economy	4,323	(10)	1,134	198	5,645
Operations	1,899	(46)	(176)	(1,550)	127
People	3,602	(86)	(772)	(2,733)	11
Services	7,463	(58)	(241)	(60)	7,104
Other	0	0	0	0	0
Net Cost of Services	17,287	(200)	(55)	(4,145)	12,887
Other income and expenditure from the Expenditure and Funding Analysis	(11,850)	2,410	577	4,145	(4,718)
Difference between General fund deficit and Comprehensive Income and Expenditure deficit	5,437	2,210	522	0	8,169

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Adjustments between Accounting Basis and Funding Basis				
	2022/23				
2022/23	Adjustments for Capital Purposes	Net change for Pensions Adjustments	Statutory Adjustments	Non Statutory Adjustments	Total Adjustments
Group	£'000	£'000	£'000	£'000	£'000
Chief Executive and Economy	437	532	561	(112)	1,418
Operations	(8,804)	2,098	113	(2,407)	(9,000)
People	341	4,799	(713)	(1,531)	2,896
Services	6,105	3,621	0	(1,047)	8,679
Other	0	0	0	0	0
Net Cost of Services	(1,921)	11,050	(39)	(5,097)	3,993
Other income and expenditure from the Expenditure and Funding Analysis	(40,699)	4,770	(1,582)	5,097	(32,414)
Difference between General fund (surplus)/deficit and Comprehensive Income and Expenditure deficit	(42,620)	15,820	(1,621)	0	(28,421)

3b Expenditure and income analysed by nature

The Council's expenditure and income is analysed as follows:	2022/23	2023/24
	£'000	£'000
Expenditure		
Employee benefits expenses	88,289	88,437
Other service expenses	175,632	176,079
Depreciation, impairment & other capital charges	13,242	27,860
Interest payments	3,045	4,231
Precepts and levies	306	318
Payments to Housing Capital Receipts Pool	0	0
Amounts of non-current assets written off on disposal	2,428	9,329
Total expenditure	282,942	306,254
Income		
Fees, charges and other service income	(76,428)	(81,824)
Capital receipts	(1,669)	(4,194)
Interest and investment income	(4,594)	(4,193)
Income from council tax and business rates	(77,748)	(94,206)
Revenue grants and contributions	(100,723)	(101,615)
Capital grants and contributions	(37,971)	(10,411)
Total income	(299,133)	(296,443)
Deficit/(surplus) on the provision of services	(16,191)	9,811

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

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

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

The items in the Council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.075M for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability of £29m to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption as advised by the Actuary would result in a decrease in the pension liability of £6.86m for funded LGPS benefits. However, the assumptions interact in complex ways.
Fair Value Measurements	When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs) their fair value is measured using the following valuation techniques: For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; and for Level 3 inputs, valuations based on; most recent valuations adjusted to current valuation by the use of indexation and impairment review. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in assumptions could affect the fair value of the Council's assets and liabilities.	The Council uses a combination of indexation techniques, beacon valuations and discounted cash flow (DCF) models to measure the fair value of its Investment Properties, Surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area repairs backlogs, beacon classifications and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement of these areas.
Business Rates Appeals	Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2023/24 and earlier years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2024. The estimate has been calculated using the latest Valuation Office ratings list of appeals and the analysis of successful appeals to date. Following the 2017 revaluation a new check, challenge, appeal process has been introduced, the impact of which is still highly uncertain at the present moment. A provision of £1.564m has been made for the estimated success of future appeals for losses for the period ended 31/03/24.	An increase over the forthcoming year of 10% in value of successful appeals would have the effect of adding £0.319m to the overall provision.
Arrears	At 31 March 2024, the Council had a balance of sundry debtors of £12.395m. A review of significant balances suggested that an impairment of doubtful debts of 34.84% (£4.318m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts wouldn't require a substantial additional amount to be set aside as an allowance, due to the current policy in place.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

5 Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

2023/24	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pension costs (transferred from the Pensions Reserve)	(2,079)	(131)	0	0	0
Financial instruments (transferred to the Financial Instruments Adjustment Account)	267	176	0	0	0
Council tax and NDR (transfers to Collection Fund)	66	0	0	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(76)	0	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(14,213)	(10,266)	0	0	(10,411)
Dedicated Schools Grant	848	0	0	0	0
Investment Funds	(1,939)	0	0	0	0
Total Adjustments to Revenue Resources	(17,126)	(10,221)	0	0	(10,411)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	4,176	0	(4,176)	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	5,406	427	0	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,167	8,003	0	0	0
Total Adjustments between Revenue and Capital Resources	10,749	8,430	(4,176)	0	0
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	2,491	0	0
Application of capital grants to finance capital expenditure	0	0	0	0	35,113
Cash payments in relation to deferred capital receipts	0	0	0	0	0
Total Adjustments to Capital Resources	0	0	2,491	0	35,113
Total Adjustments	(6,377)	(1,791)	(1,685)	0	24,702
2022/23 Comparative Figures	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pension costs (transferred from the Pensions Reserve)	(14,953)	(867)	0	0	0
Financial instruments (to)/(from) the Financial Instruments Adjustment Account)	273	176	0	0	0
Council tax and NDR (transfers from Collection Fund)	5,659	0	0	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(5)	0	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	8,048	(10,660)	0	0	(19,156)
Dedicated Schools Grant	3,199	0	0	0	0
Investment Funds	(5,997)	0	0	0	0
Total Adjustments to Revenue Resources	(3,776)	(11,351)	0	0	(19,156)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,669	0	(1,669)	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	3,300	484	0	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	187	13,289	0	0	0
Total Adjustments between Revenue and Capital Resources	5,156	13,773	(1,669)	0	0
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	1,056	0	0
Application of capital grants to finance capital expenditure	0	0	0	0	33,412
Cash payments in relation to deferred capital receipts	0	0	(4,779)	0	0
Total Adjustments to Capital Resources	0	0	(3,723)	0	33,412
Total Adjustments	1,380	2,422	(5,392)	0	14,256

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

6 Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back to earmarked reserves to meet General Fund and HRA expenditure in 2021/22.

	Balance at 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance at 31 March 2023 £'000	Transfers Out 2023/24 £'000	Transfers In 2023/24 £'000	Balance at 31 March 2024 £'000
General Fund	24,979	(3,555)	0	21,424	(10,691)	3,046	13,779
Earmarked Reserves:	24,979	(3,555)	0	21,424	(10,691)	3,046	13,779
2025 Bicentennial Celebration Reserve	0	-23	1000	977	(120)	0	857
2025 Rail Heritage Fund	496	-24		472	(184)	0	288
Academisation Costs	0	0	0	0	0	245	245
Balances held by schools under scheme of delegation	1,070	(1,068)	1,074	1,076	(1,074)	1,073	1,075
Biodiversity Net Gain Grant	0	0	39	39	0	2	41
Blackwell Pensions Reserve	64	0	6	70	0	5	75
Budget Support Reserve	0	(1)	326	325	(325)	0	0
Building Control	0	0	0	0	(58)	58	0
Business Central Planned Maintenance & Other Costs	3	0	0	3	0	0	3
CCG Joint Working	453	0	0	453	(319)	0	134
Civic Theatre Restoration Levy	(1,169)	(113)	0	(1,282)	(93)	0	(1,375)
Climate Change Reserve	92	(15)	0	77	(52)	0	25
Collection Fund Reserve	15,512	(16,858)	8,670	7,324	(11,393)	11,544	7,475
Covid Earmarked Reserve	621	(87)	292	826	0	0	826
Crematorium Refurbishment Fund	(117)	0	256	139	0	30	169
Crematorium - Mercury Abatement Additional Fees	948	(227)	0	721	0	0	721
Crematorium - Mercury Abatement Environmental Levy	478	(404)	0	74	0	0	74
Digital Apprenticeship Services Account	254	0	89	343	(343)	0	0
Direct Payments Contingency Reserve	220	0	0	220	0	0	220
DLO Provisions Earmarked Reserve	0	0	0	0	(137)	2,188	2,051
Dolphin Centre Planned Maintenance	132	0	36	168	0	74	242
Earmarked Departmental Reserves	5,760	(5,760)	4,961	4,961	(4,961)	4,104	4,104
Eastbourne 3G Playing Pitch Sinking Fund	87	0	17	104	0	26	130
Education Village	350	(350)	0	0	0	0	0
Enterprise Zone NNDR	1,108	(117)	221	1,212	(331)	490	1,371
Experience Darlington	38	(38)	0	0	0	0	0
Feethams House ERDF Payback	0	(109)	0	(109)	(110)	0	(219)
Feethams House Planned Maintenance	50	0	27	77	0	29	106
Feethams House TVCA Reserve	(171)	0	0	(171)	0	0	(171)
Former Blackwell Golf Club Grounds	5	0	0	5	0	0	5
Futures Fund	1,386	(434)	100	1,052	(646)	60	466
Hippodrome Activity Plan	82	(2)	0	80	(48)	0	32
Hippodrome Planned Maintenance	122	0	43	165	0	49	214
Hippodrome Systems Fund	0	0	41	41	0	17	58
Housing Budget Support Reserve	0	0	484	484	0	0	484
ICT Infrastructure	1,543	0	0	1,543	0	0	1,543
IFRS9 Property Funds Fair Value	500	0	0	500	0	2,390	2,890
Insurance Fund	3,388	(61)	103	3,430	(23)	130	3,537
Local Authority EU Exit Preparation	315	0	0	315	0	0	315
Local Council Tax Support Schemes	1,415	0	0	1,415	(1,415)	0	0
Morton Palms - Homes England	297	0	0	297	0	0	297
Municipal Elections Reserve	95	0	21	116	(18)	0	98
Organisational Headroom (Project Preparation)	90	0	0	90	0	0	90
Performance Reward Grant Reserve	(136)	0	0	(136)	0	136	0
Permit Scheme for Road & Street Works	(3)	0	3	0	0	0	0
Public Health Reserve	1,170	(29)	185	1,326	(146)	0	1,180
Redundancy & Decommissioning Reserve	550	(45)	0	505	(52)	0	453
Revenue Contribution to Capital Outlay	906	(163)	1,150	1,893	(993)	453	1,353
Revenue Grants Unapplied	5,195	(5,195)	3,992	3,992	(3,992)	6,452	6,452
Ring-fenced Planning Fees	274	0	55	329	(36)	0	293
Risk Reserve	5,350	0	0	5,350	0	0	5,350
Street Scene Volunteering	71	(30)	0	41	(11)	25	55
Stronger Communities Fund	0	(50)	50	0	(50)	50	0
Town Support Fund	232	(28)	300	504	(96)	123	531
Trading Standards Legal Fees	0	0	42	42	0	58	100
Traffic Signal Replacements Reserve	132	0	33	165	0	34	199
Transformation Fund	200	0	0	200	0	0	200
VAT Reserve	1,163	0	0	1,163	(129)	757	1,791
Waste Management SPV-LA	0	0	0	0	0	75	75
	50,621	(28,591)	23,616	43,007	(27,155)	30,677	46,528
Housing Revenue Account	27,008	(3,541)	0	23,467	0	2,480	25,947
	27,008	(3,541)	0	23,467	0	2,480	25,947

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

7 Other Operating Expenditure

	2022/23 £'000	2023/24 £'000
Parish Council precepts	191	198
Levies	115	120
Payments to the Government Housing Capital Receipts Pool	0	0
(Gains)/Losses on the disposal of non-current assets	759	5,135
Total	1,065	5,453

8 Officers' Remuneration

8 a) Officer Remuneration in Bands

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

Remuneration band	2022/23				2023/24			
	Number of employees			No. of redundancies included in total	Number of employees			No. of redundancies included in total
	Schools	Non - schools	Total		Schools	Non- schools	Total	
£50,000 - £54,999	5	46	51	0	8	63	71	0
£55,000 - £59,999	4	26	30	0	3	42	45	0
£60,000 - £64,999	1	3	4	0	5	10	15	0
£65,000 - £69,999	1	4	5	1	1	8	9	0
£70,000 - £74,999	0	1	1	0	0	2	2	0
£75,000 - £79,999	0	1	1	0	1	1	2	0
£80,000 - £84,999	1	3	4	0	0	1	1	0
£85,000 - £89,999	2	1	3	0	2	3	5	0
£90,000 - £94,999	0	1	1	0	1	1	2	0
£95,000 - £99,999	1	3	4	0	0	1	1	0
£100,000 - £104,999	0	1	1	0	1	2	3	0
£105,000 - £109,999	0	1	1	0	0	2	2	0
£110,000 - £114,999	0	0	0	0	0	0	0	0
£115,000 - £119,999	0	0	0	0	0	0	0	0
£120,000 - £124,999	0	2	2	0	0	0	0	0
£125,000 - £129,999	0	1	1	0	0	2	2	0
£130,000 - £134,999	0	0	0	0	0	0	0	0
£135,000 - £139,999	0	0	0	0	0	1	1	0
£140,000 - £144,999	0	0	0	0	0	0	0	0
£145,000 - £149,999	0	0	0	0	0	0	0	0
£150,000 +	0	1	1	0	0	1	1	0
	15	95	110	1	22	140	162	0

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

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

8 b) Disclosure of Remuneration for Senior Employees 2023/24

	Post Holder (required if salary exceeds £150,000)	Salary	Expenses Allowances	Retirement Package	Total Remuneration (excl pension contributions)	Employer pension contributions	Total Remuneration (incl pension contributions)
		£	£	£	£	£	£
Chief Executive	Ian Williams	158,521	0	0	158,521	27,217	185,738
Group Director of People		139,566	0	0	139,566	23,876	163,442
Group Director of Operations		129,467	0	0	129,467	22,011	151,478
Group Director of Services		129,467	0	0	129,467	21,468	150,935
Director of Public Health		63,484	0	0	63,484	3,600	67,084
Assistant Director - Economic Growth		109,866	0	0	109,866	19,006	128,872
Director of Partnerships		60,418	0	0	60,418	11,056	71,474

Disclosure of Remuneration for Senior Employees 2022/23

	Post Holder (required if salary exceeds £150,000)	Salary	Expenses Allowances	Retirement Package	Total Remuneration (excl pension contributions)	Employer pension contributions	Total Remuneration (incl pension contributions)
		£	£	£	£	£	£
Chief Executive		153,160	0	0	153,160	27,383	180,543
Group Director of People		125,921	0	0	125,921	22,313	148,234
Group Director of Operations		120,164	0	0	120,164	21,196	141,360
Group Director of Services		120,164	0	0	120,164	20,629	140,793
Director of Public Health		96,760	0	0	96,760	13,914	110,674
Assistant Director - Economic Growth		102,429	0	0	102,429	18,163	120,592
Director of Partnerships		58,375	0	0	58,375	11,150	69,525

8 c) Exit Packages

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

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
							£	£
£0 - £20,000	1	0	9	8	10	8	16,040	56,826
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 +	0	0	0	0	0	0	0	0
Total	1	0	9	8	10	8	16,040	56,826

9 Financing and Investment Income and Expenditure

	2022/23 £'000	2023/24 £'000
Interest payable and similar charges	4,910	6,058
Pensions interest cost and expected return on pensions assets (Note 37)	4,770	2,410
Interest receivable and similar income	(4,594)	(4,193)
Income and expenditure in relation to investment properties and changes in their fair value (Note 17)	832	(1,030)
Gains on trading operations	(386)	(1,108)
Property Fund changes in fair value measurement	5,997	1,939
Total	11,529	4,076

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

10 Taxation and Non Specific Grant Income

	2022/23 £'000	2023/24 £'000
Council tax income	(57,944)	(61,237)
Business rates income	(19,804)	(23,425)
Top Up Grant		(9,545)
Non-ringfenced government grants	(25,778)	(6,544)
Capital grants and contributions	(37,970)	(10,411)
Total	(141,496)	(111,162)

11 Material Items of Income and Expense

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

12 Trading Operations

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

	2022/23		2023/24	
	Turnover £'000	Surplus / (Deficit) £'000	Turnover £'000	Surplus / (Deficit) £'000
Building Cleaning	649	(180)	676	(267)
Construction	10,458	165	11,895	650
Catering	1,870	407	2,075	414
Highways and Sewerage	8,196	181	8,175	435
Maintenance	6,892	558	6,713	493
School Meals-Best Value	348	(84)	248	(68)
Surplus on Trading Accounts	28,413	1,047	29,782	1,657

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

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

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

Grounds Maintenance - Surplus bedding plant stock grown at the Council's Nursery is sold to various external clients including local authorities and other public bodies. The Council Nursery was disposed of prior to 2022/23.

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

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

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

13 External Audit Costs

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

	2022/23 £'000	2023/24 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	112	235
Fees payable with regard to external audit services carried out by the appointed auditor for the 20/21 year rebased	15	(1)
Fees payable with regard to external audit services carried out by the appointed auditor for the 21/22 year rebased	15	113
Fees payable with regard to external audit services carried out by the appointed auditor for the 22/23 year rebased		19
Fees payable for the certification of grant claims and returns for the year	18	35
Fees payable in respect of other services provided during the year	0	0
Total	160	401

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

14 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school/nursery provider.

Details of the deployment of DSG receivable for 2023/24 are as follows:

	Central Expenditure £'000	ISB £'000	Total £'000
Final DSG for 2023/24 before Academy and high needs recoupment			109,685
Academy & high needs recoupment recouped 2023/24			(79,823)
Total DSG after academy & high needs recoupment for 2022/23			29,862
Plus: Brought forward from 2022/23			3,199
Less: Carry-forward to 2024/25 agreed in advance			0
Agreed initial budgeted distribution in 2022/23	19,285	13,776	33,061
In-year adjustments	674	(326)	348
Final budget distribution in 2022/23	19,959	13,450	33,409
Less: Actual central expenditure	15,139	0	15,139
Less: Actual ISB deployed to schools	0	14,222	14,222
Plus: Local authority contribution for 2022/23	0	0	0
In -year carry-forward Surplus(Deficit) to 2023/24	4,820	(772)	4,048
Plus : Carry forward to 2023/24 agreed in advance			0
Carry-forward to 2024/25			4,048
DSG unusable reserve at the end of 2022/23			(5,896)
Addition to DSG unusable reserve at the end of 2023/24			0
Total of DSG unusable reserve at the end of 2023/24			(5,896)
Net DSG position at the end of 2023/24			(1,848)

15 Short Term Provisions

	NDR Appeals £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2023	(866)	(1,700)	(2,566)
Additional Provisions made in 2023/24	(698)	0	(698)
Amounts Settled in 2023/24	0	0	0
Unused amounts reversed in 2023/24	0	0	0
Balance at 31 March 2024	(1,564)	(1,700)	(3,264)

NDR appeals - A provision was created for potential outstanding appeals against NDR ratings that should be settled in the next year. The provision is a requirement due to the change in legislation in the distribution of income of the new Business Rates Retention scheme as it used to be the responsibility of Central Government.

There is a provision of £1.700m that was created in 2019/20 to offset a potential repayment to HMRC.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

16 Property, Plant and Equipment

Movements in 2023/24:	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Surplus	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2023	188,055	125,940	29,747	8,256	29,590	60	381,648	8,885
Additions	13,799	7,891	1,445	27	23,111	0	46,273	14
Accumulated depreciation & impairment Written Off to Gross Carrying Amount	(2,036)	(2,180)	0	0	0	0	(4,216)	(217)
Revaluation increase recognised in the Revaluation Reserve	(105)	(232)	0	0	0	0	(337)	378
Revaluation increases / (decreases) recognised in the Deficit on the Provision of Services	(8,204)	(8,207)	0	(0)	0	0	(16,410)	0
Derecognition - disposals	(720)	(4,236)	(95)	(4)	(4,417)	0	(9,472)	0
Derecognition - other	0	0	0	0	0	0	0	0
Assets reclassified to/from Held for Sale	0	0	0	0	0	0	0	0
Assets reclassified to/from Investment Properties	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	(12,007)	0	0	12,007	0	0	0
At 31 March 2024	190,790	106,969	31,097	8,279	60,291	60	397,485	9,061
Accumulated Depreciation and Impairment								
At 1 April 2023	208	1,438	17,823	157	93	12	19,731	693
Depreciation charge	2,059	1,958	1,334	0	0	0	5,351	156
Depreciation & Impairment written out to the Deficit on the Provision of Services	(2,036)	(2,180)	0	0	0	0	(4,216)	(217)
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment reversals recognised in the Deficit on the Provision of Services	0	67	0	0	58	0	126	0
Derecognition - disposals	(8)	0	(95)	0	(40)	0	(144)	0
Other movements in depreciation and impairment	0	(63)	0	0	63	0	0	0
At 31 March 2024	223	1,220	19,062	157	174	12	20,848	633
Net book value								
at 31 March 2024	190,566	105,749	12,035	8,122	60,116	48	376,637	8,427
at 31 March 2023	187,847	124,502	11,924	8,099	29,497	48	361,917	8,192

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Comparative Movements in 2022/23	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Surplus	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2022	189,813	109,847	30,863	8,217	20,640	60	359,440	8,701
Additions	14,708	18,118	632	39	6,002	0	39,499	0
Accumulated depreciation & impairment Written Off to Gross Carrying Amount	(1,922)	(2,239)	0	0	0	0	(4,161)	(250)
Revaluation increase recognised in the Revaluation Reserve	(637)	3,487	0	0	0	0	2,850	432
Revaluation increases/(decreases) recognised in the Deficit on the Provision of Services	(12,207)	664	0	0	0	0	(11,543)	0
Derecognition - disposals Assets reclassified to Investment Properties	(1,700)	(989)	(1,748)	0	0	0	(4,437)	0
Assets reclassified from Investment Properties							0	0
Other movements in cost or valuation		(2,948)			2,948		0	1
At 31 March 2023	188,055	125,940	29,747	8,256	29,590	60	381,648	8,885
Accumulated Depreciation and Impairment								
At 1 April 2022	194	1,978	18,244	157	31	12	20,615	772
Depreciation charge	1,937	1,771	1,327	0	0	0	5,035	171
Depreciation written out to the Surplus on the Provision of Services	(1,922)	(2,239)	0	0	0	0	(4,161)	(250)
Impairment losses recognised in the Revaluation Reserve	0	9	0	0	0	0	9	0
Impairment reversals recognised in the Surplus on the Provision of Services	0	237	0	0	4	0	241	0
Derecognition - disposals	0	(261)	(1,748)	0	0	0	(2,009)	0
Other movements in depreciation and impairment		(58)			58			
At 31 March 2023	208	1,438	17,823	157	93	12	19,731	693
Net book value								
at 31 March 2023	187,848	124,501	11,924	8,099	29,497	48	361,918	8,192
at 31 March 2022	189,619	107,869	12,619	8,060	20,609	48	338,825	7,929

Infrastructure Assets

In November 2022, CIPFA issued an Update to the 2021/22 (and 2022/23) Code of Practice on Local Authority Accounting. This Update allows for the movement between the opening and closing balance of infrastructure assets to be presented on a net book value (rather than gross cost/accumulated depreciation) basis for a temporary period up to and including 2024/25, in recognition that authorities do not typically hold sufficiently granular detail regarding historical expenditure on their infrastructure assets in order to accurately account for derecognitions on a gross basis.

Furthermore, an amendment to the Local Authorities (Capital Finance and Accounting) Regulations was also laid in November 2022 which permits local authorities, when they replace a component of an infrastructure asset, to determine the carrying amount to be derecognised in respect of that replaced component as nil. This statutory override also applies up to and including 2024/25. Darlington Borough Council has made this determination in respect of its 2020/21 Statement of Accounts.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Infrastructure assets have therefore been excluded from the previous tables which analyse the movement on Property, Plant and Equipment on a gross book value/accumulated depreciation basis. The movement on infrastructure assets is instead presented in the following note, along with a reconciliation to total Property, Plant and Equipment as reported on the Balance Sheet and elsewhere in these financial statements.

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Movements in 2023/24:	Infrastructure Assets		Other Property, Plant & Equipment		Total Property, Plant & Equipment		PFI Assets Included in Property, Plant & Equipment
	£'000		£'000		£'000		£'000
Net Book Value At 1 April 2023	108,672		361,918		470,590		7,929
Additions	5,201		46,273		51,474		
Depreciation Charge	(3,791)		(5,351)		(9,143)		(156)
Revaluation increase/decrease recognised in the Revaluation			(337)		(337)		432
Revaluation increase/decreases recognised in the Deficit on the Provision of Services			(16,410)		(16,410)		0
Impairment losses recognised in the Deficit on the Provision of Services	(34)		(126)		(161)		0
Disposals			(9,328)		(9,328)		0
Assets reclassified to/from Held for Sale					0		0
Assets reclassified to/from Investment Properties					0		0
Other movements in cost or valuation					0		0
At 31 March 2024	110,046	0	376,637	0	486,684	0	8,205

Movements in 2022/23:	Infrastructure Assets		Other Property, Plant & Equipment		Total Property, Plant & Equipment		PFI Assets Included in Property, Plant & Equipment
	£'000		£'000		£'000		£'000
Net Book Value At 1 April 2022	98,210		334,953		433,163		7,929
Additions	14,748		39,499		54,247		0
Depreciation Charge	(3,791)		(5,035)		(8,826)		(156)
Revaluation increase recognised in the Revaluation Reserve	0		3,238		3,238		432
Revaluation (decreases)/increases recognised in the Deficit on the Provision of Services	0		(8,059)		(8,059)		0
Impairment losses recognised in the Deficit on the Provision of Services	(494)		(250)		(744)		0
Disposals			(2,428)		(2,428)		0
Assets reclassified to/from Held for Sale	0		0		0		0
Assets reclassified to/from Investment Properties	0		0		0		0
Other movements in cost or valuation	0		0		0		0
At 31 March 2023	108,672	0	361,918	0	470,591	0	8,205

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Depreciation

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

- Council Dwellings - 60 years.
- Other Land and Buildings - over the life of the property as estimated by the valuer. As an indication the majority of buildings are depreciated over 60 years, car parks for 20 years and Community Assets have indefinite lives;
- Vehicles, Furniture & Equipment - typically between 2 and 15 years
- Plant - over the life of the asset as estimated by the valuer
- Infrastructure Assets - typically up to 40 years

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

All valuations were carried out by Align Property Partners, of Northallerton, North Yorkshire DL6 2YD with valuations of land and buildings carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

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

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus £'000	Total Property, Plant & Equipment £'000	PFI Assets Included in Property, Plant & Equipment £'000
Carried at historical cost	0	7,422	12,035	110,047	8,122	60,116	48	197,789	1,160
valued at fair value as at:									
31 March 2024	190,567	26,056	0	0	0	0	0	216,623	7,280
31 March 2023	0	14,106	0	0	0	0	0	14,106	0
31 March 2022	0	34,196	0	0	0	0	0	34,196	0
31 March 2021	0	17,658	0	0	0	0	0	17,658	0
31 March 2020	0	6,311	0	0	0	0	0	6,311	0
Total Cost or Valuation	190,567	105,749	12,035	110,047	8,122	60,116	48	486,684	8,440

Capital Commitments

At 31 March 2024 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment that were budgeted to cost £35.798m in future years, of which £4.198m will be funded from grant, £13.758m from the Housing Revenue Account, £13.512m to be prudentially borrowed, £2.330m from corporate resources and £2.000m to be self financing. Similar commitments at 31 March 2023 were £34.109m. The commitments at 31 March 2024 are:

Scheme	Total Estimate £'000
Housing - new build	15,815
Housing - various other enhancements including heating replacement, internal planned maintenance & roofing	11,455
School condition allocations	67
Highway maintenance	1,206
Integrated Transport	1,862
Disabled Facilities	1,063
A167 Victoria Road Culvert	1,400
Hippodrome Accessible Changing	30
Economic Growth investment Fund (EGIF)	500
Capitalised Repairs	250
Other	150
Self Financing Schemes	2,000
	<u>35,798</u>

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

17 Investment Properties

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

	2022/23 £'000	2023/24 £'000
Rental income from investment property	1,178	1,238
Direct operating expenses arising from investment property	(327)	(345)
Net gain	851	893

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

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

	2022/23 £'000	2023/24 £'000
Balance at start of the year	14,147	12,483
Additions:		
Purchases	0	0
Subsequent Expenditure	19	22
Disposals	0	0
Net loss/gain from fair value adjustments	(1,683)	137
Transfers from Property, Plant and Equipment	0	0
Balance at end of the year	12,483	12,642

Fair Value Hierarchy

All the Council's investment portfolio has been assessed as level 3 for valuation purposes.

18 Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Art Collection £'000	Civic Regalia £'000	Railway Museum £'000	Total Assets £'000
Cost or Valuation				
1 April 2022	1,091	540	730	2,361
Additions	0		50	50
31 March 2023	1,091	540	780	2,411
Cost or Valuation				
1 April 2023	1,091	540	780	2,411
Additions	0	0	0	0
Revaluation	0	0	268	268
31 March 2024	1,091	540	1,048	2,679

The Council holds a range of heritage assets comprising the Borough Art Collection, the Railway Museum Collection and various pieces of Civic Regalia. The Art Collection was valued by an external valuer in 19/20 at £1.091m. The Civic Regalia was valued by an external valuer in 21/22 at £0.540m. External valuations are reviewed periodically. The Railway Museum Collection is reported in the balance sheet at insurance valuation (based on market values) at £0.780m and is updated annually. In addition, the Council has on loan certain items from the National Railway Museum with an insurance valuation of £1.100m. Because of the nature of the loan agreement these assets are not included within the Council's Balance Sheet. The Council's heritage asset holdings are substantially static with low numbers of acquisitions or donations and no recent disposals.

Further information

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

The Council owns over 150 items of Civic Regalia ranging from dinner and silverware to the Chains of Office.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

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

19 Impairment Losses

During 2023/24, the Council has recognised impairment losses of £0.143m (£0.744m in 2022/23) in relation to its land and buildings.

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

Impairments have been charged as follows:

	31 March 2023 £'000	31 March 2024 £'000
Comprehensive Income and Expenditure Statement		
Chief Executive & Economic Growth	250	109
Operations	0	0
People	0	0
Services	494	34
	744	143

20 Inventories

	Consumable Stores		Maintenance Materials		Client Services Work In Progress		Total	
	2022/23	2023/24	2022/23	2023/24	2021/22	2023/24	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at start of year	165	183	119	492	(82)	(97)	202	578
Purchases	1,293	1,390	1,011	1,123	0	0	2,304	2,513
Recognised as an expense in the year	(1,275)	(1,387)	(638)	(1,433)	(15)	(27)	(1,928)	(2,847)
Balance at year-end	183	186	492	182	(97)	(124)	578	244

21 Pooled Budgets

The Better Care Fund (BCF) has been established by the Government to support the introduction of a fully integrated health and social care system. Section 75 of the National Health Services Act 2016 gives powers to Local Authorities and Integrated Commissioning Board (ICB) to establish and maintain pooled funds to support the outcomes of the BCF.

The Council has entered into a pooled budget arrangement with Darlington Integrated Commissioning Board for the provision of health and social care services to meet the needs of the population of the borough of Darlington.

The services being commissioned or provided by the Council or Darlington ICB depend upon the needs of the service recipient. The Council and Darlington CCG has an ongoing Section 75 agreement in place for funding these services and this is reviewed annually.

	2022/23 £'000	2023/24 £'000
Revenue Funding provided to the Pooled Budget		
Darlington Borough Council	114	261
Better Care Funding	3,160	3,160
Darlington Clinical Commissioning Group	1,479	1,030
	4,753	4,451
Expenditure met from the Pooled Budget		
Darlington Borough Council	114	252
Better Care Funding	2,936	2,951
Darlington Clinical Commissioning Group	1,022	1,030
	4,072	4,233
Net (deficit)/surplus arising on the Pooled Budget during the year	681	218
The Revenue surplus has been carried forward to be funded from 2020/21 commitments within the BCF.		
Capital Funding provided to the Pooled Budget		
Better Care Funding	1,063	1,063
Expenditure	1,063	1,063
Net Surplus arising on the Pooled Budget during the year	0	0

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

22 Short Term Debtors

	As at 31 March 2023 £'000	As at 31 March 2024 £'000
Central government bodies	2,094	3,190
Other local authorities	17,111	1,654
NHS bodies	790	1,355
Other Entities and Individuals	45,239	41,551
Payments in Advance	2,538	4,138
Provision for Bad and Doubtful Debts	(8,068)	(9,011)
	59,704	42,877

23 Cash and Cash Equivalents

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

	As at 31 March 2023 £'000	As at 31 March 2024 £'000
Cash held by the Council	160	163
Bank current accounts / (Overdraft)	(145)	(15,675)
Short-term deposits	2,045	6,370
Total cash and cash equivalents	2,060	(9,142)

24 Short Term Creditors

	As at 31 March 2023 £'000	As at 31 March 2024 £'000
Central government bodies	(8,398)	(4,988)
Other local authorities	(1,957)	(2,816)
NHS bodies	(1,235)	(1,822)
Other entities and individuals	(56,902)	(36,061)
Total	(68,492)	(45,687)

25 Long Term Provisions

	Other £'000	Total £'000
Balance at 1 April 2023	(713)	(713)
Additional provisions made in 2023/24	(180)	(180)
Amounts used in 2023/24	0	0
Unused amounts reversed in 2023/24	50	50
Balance at 31 March 2024	(843)	(843)

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 £50,000 excess in respect of each and every claim on the liability policy. A balance of £685,577 on this account represents claims made and still outstanding as at 31 March 2024 which are within these excesses.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

26 Leases

Council as Lessee

- Finance Leases

The Council currently has one finance lease but the fair value as determined by the external valuer is deemed to be nominal and is recognised as Property, Plant and Equipment on the Council's Balance Sheet. It has an annual lease payment of £2,326.

- Operating Leases

The Council has acquired vehicles, furniture and equipment under operating leases. Payments made during the year in respect of these leases amount to £0.471m (£0.551m in 2022/23).

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

	31 March 2023 £'000	31 March 2024 £'000
Not later than 1 year	346	471
Later than 1 year and not later than 5 years	800	812
Later than 5 years	0	0
	1,146	1,283

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

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

Council as Lessor

- Finance Leases

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

- Operating Leases

The Council leases various Land and Buildings to third parties under operating leases. The leases are primarily to provide suitable affordable accommodation for local businesses but also includes the lease of buildings that enable the delivery of community services such as Community Centres. During 2023/24 £1.768m (£1.266m in 2022/23) was received by the Council in relation to these leases.

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

	31 March 2023 £'000	31 March 2024 £'000
Not later than 1 year	1,266	1,768
Later than 1 year and not later than 5 years	3,302	4,549
Later than 5 years	5,938	7,630
	10,506	13,947

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

27 Contingent Liabilities

At 31 March 2023, the Council had the following contingent liabilities:

During 1992/93 Municipal Mutual Insurance (MMI) ceased accepting new business. MMI and its policyholders, including local authorities, have established a Scheme of Arrangement for the orderly run down of the company. MMI's future liabilities under its old policies cannot be fully quantified until all of the claims, current and yet to be made, have been settled. There is a Scheme of Arrangement in place that if MMI does not have enough assets to meet the claims and liabilities it can clawback from major policy holders part of the claims paid from October 1993.

This scheme was triggered in November 2012 and Darlington Borough Council has paid £0.236m up to 31st March 2024. This represents 25% of claims paid by MMI excluding the first £0.050m of claims. During 2018/19 the Council commissioned a further actuarial report from a firm of advisors, independent of MMI, who estimate at this time that the clawback amount could be as much as 50% of all claims excluding the first £50,000, this could be as much as £0.472m. As a result the Council has a contingent liability of £0.236m, this being the 50% that the Council could be liable for less the amount paid over to MMI to date (£0.236m).

Furthermore, the Council will be liable for 25% of all new claims that have been incurred but not yet been reported but this could increase to 50% of all new claims, therefore, a figure for this contingent liability is unknown at this time. It is intended that further Actuarial reports will be commissioned on a regular basis.

Darlington is one of a consortium of partners, forming a Community Interest Company (CIC) Achieving Real Change for Communities (ARCC). The ARCC is a CIC without shareholdings supported by Darlington and 8 other organisations. There is a Deed of Guarantee in place of £14.120m in the event of significant failures in performance of which Darlington's potential liability is £2.450m rising to £3.530m in the unlikely event of failure by the private guarantors to meet their obligations.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

28 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

	31 March 2023 £'000	31 March 2024 £'000
General Fund	21,425	13,779
Earmarked Reserves	37,937	39,001
Housing Revenue Account	23,467	25,947
Schools Revenue Balances	1,076	1,076
Revenue Grant Unapplied	3,992	6,452
Capital Receipts Reserve	5,972	7,656
Capital Grants Unapplied	38,327	13,626
Total Usable Reserves	132,197	107,537

General Fund - Resources available to meet future running costs for services other than council housing.

Earmarked reserves - are shown in Note 6 and are resources set aside for future spending plans.

Housing Revenue Account - Resources available to meet future running costs for social housing.

Schools Revenue Balances - Surplus balances of locally managed schools which are committed to be spent on the education service.

Revenue Grant Unapplied - The balance is in respect of revenue grants that have been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from the grant has not been incurred at the Balance Sheet date.

Capital Receipts Reserve - Proceeds of non-current asset sales available to meet future capital investment.

Capital Grants Unapplied - The balance is in respect of capital grants that have been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from the grant has not been incurred at the Balance Sheet date.

29 Unusable Reserves

	31 March 2023 £'000	31 March 2024 £'000
Revaluation Reserve	49,128	46,035
Capital Adjustment Account	217,545	238,287
Financial Instruments Revaluation Reserve	(3,293)	(5,233)
Financial Instruments Adjustment Account	(15,998)	(15,556)
Pensions Reserve	(56,460)	(29,420)
Deferred Capital Receipts Reserve	0	0
Collection Fund Adjustment Account	(2,217)	(2,151)
Accumulated Absences Account	(629)	(705)
Dedicated Schools Grant Adjustment Account	(2,697)	(1,848)
Total Unusable Reserves	185,379	229,409

Revaluation Reserve

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

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

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

	2022/23 £'000	2023/24 £'000
Balance at 1 April	46,747	49,128
Upward revaluation of assets	4,298	7,735
Downward revaluation of assets and impairment losses not charged to the Deficit/(surplus) on the Provision of Services	(1,020)	(7,804)
Surplus on revaluation of non-current assets not posted to the Deficit/(surplus) on the Provision of Services	3,278	(69)
Difference between fair value depreciation and historical cost depreciation	(760)	(855)
Accumulated gains on assets sold or scrapped	(137)	(2,169)
Amount written off to the Capital Adjustment Account	(897)	(3,024)
Balance at 31 March	49,128	46,035

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Capital Adjustment Account (CAA)

The CAA absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets for financing and acquisition, construction or enhancement of those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The CAA is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The CAA contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The CAA also contains revaluation gains on accumulated Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 5 provides details of the source of all transactions posted to the CAA, apart from those involving the Revaluation Reserve.

	2022/23 £'000	2023/24 £'000
Balance at 1 April	186,687	217,545
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(9,561)	(9,285)
Revaluation losses on Property, Plant and Equipment	(8,498)	(20,427)
Revaluation gains used to reverse previous revaluation losses	439	4,034
Revenue expenditure funded from capital under statute	(1,343)	(2,101)
Capital Expenditure classed as De-minimis	(83)	(63)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(2,291)	(7,160)
	(21,337)	(35,002)
Adjusting amount written out of the Revaluation Reserve	759	855
Net written out amount of the cost of non-current assets consumed in the year	(20,578)	(34,147)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,056	2,491
Use of the Major Repairs Reserve to finance new capital expenditure	0	0
Capital grants and contributions credited to the CIES that have been applied to capital financing	1,390	2,144
Application of grants to capital financing from the Capital Grants Unapplied Account	33,412	35,113
	3,784	5,833
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	13,476	9,171
	53,118	54,752
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,682)	137
Balance at 31 March	217,545	238,287

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when instruments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and gains are realised.

	2022/23 £'000	2023/24 £'000
Balance at 1st April	2,704	(3,293)
Surplus on revaluation of Financial Instrument Revaluation Reserve	2,704	(3,293)
Financial Instruments held under Fair Value through Profit and Loss subject to MHCLG Statutory Over-ride *	(5,997)	(1,940)
Balance at 31st March	(3,293)	(5,233)

* The Ministry for Housing, Communities and Local Government (MHCLG) (now DLUHC) introduced a statutory over-ride to protect the General Fund balance from any fluctuations in fair value movements in quoted investment funds. The Council has 3 such property funds, namely CCLA, Hermes and Lothbury. This over-ride expires on 31 March 2025 and unless extended, all fair value movements will then impact upon the General Fund balance.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that is outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2024 will be charged to the General Fund over the next 40 years.

	2022/23 £'000	2023/24 £'000
Balance at 1 April	(16,446)	(15,998)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	
Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements	448	442
Balance at 31 March	(15,998)	(15,556)

Pensions Reserve

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

	2022/23 £'000	2023/24 £'000
Balance at 1 April	(181,540)	(56,460)
Actuarial (losses) / gains on pensions assets and liabilities	140,900	29,550
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(25,480)	(12,630)
Employer's pension contributions and direct payments to pensioners payable in the year	9,660	10,120
Balance at 31 March	(56,460)	(29,420)

Deferred Capital Receipts Reserve

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

	2022/23 £000	2023/24 £000
Balance at 1 April	0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0
Balance at 31 March	0	0

Collection Fund Adjustment Account

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

	2022/23 £'000	2023/24 £'000
Balance at 1 April	(7,876)	(2,217)
Amount by which council tax and non-domestic rates income credited to the CIES is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	5,659	66
Balance at 31 March	(2,217)	(2,151)

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Accumulated Absences Account

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

	2022/23 £'000	2023/24 £'000
Balance at 1 April	(624)	(629)
Settlement or cancellation of accrual made at the end of the preceding year	624	629
Amounts accrued at the end of the current year	(629)	(705)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory	(629)	(705)
Balance at 31 March	(629)	(705)

Dedicated Schools Grant (DSG) Adjustment Account

The dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools budget. Where the authority has incurred a deficit on its schools budget in years beginning 1 April 2020 ending 31 March 2026, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

	2022/23 £'000	2023/24 £'000
Balance at 1st April	(5,896)	(2,697)
Transfer of High Needs Block deficit balance at 1 April from Dedicated Schools Grant earmarked reserve		
Restated Opening Balance	(5,896)	(2,697)
In year High Needs Block	719	175
Safety Valve	2,480	674
Balance at 31st March	(2,697)	(1,848)

30 Capital Expenditure and Capital Financing

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

	2022/23 £'000	2023/24 £'000
Opening Capital Financing Requirement	226,283	228,658
Capital Investment		
Property, Plant and Equipment	54,247	52,465
Investment Properties	19	22
Long Term Debtors	4,944	6,055
Revenue Expenditure Funded from Capital Under Statute	1,343	1,961
Other	83	63
Sources of Finance		
Capital receipts	(1,056)	(2,491)
Repayment of JV loans	(5,073)	(500)
Government grants and other contributions	(34,873)	(37,257)
Sums set aside from revenue:		
Direct revenue contributions	(13,476)	(9,170)
MRP/loans fund principal	(2,669)	(4,727)
Deferred liabilities movement	(1,115)	(1,106)
Closing Capital Financing Requirement	228,658	233,973
Explanation of movements in year		
Minimum Revenue Provision (MRP)	(3,784)	(5,833)
Increase in underlying need to borrowing (unsupported by government financial assistance)	6,159	11,147
Increase in Capital Financing Requirement	2,375	5,315

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

31 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24:

	2022/23 £'000	2023/24 £'000
Credited to Taxation and Non Specific Grant Income		
Council Tax income	57,944	61,237
Business Rates Income	15,138	23,425
Business Rates Top Up Grant	7,297	9,545
Non-ringfenced Government grants	16,375	6,544
Capital Grants and Contributions	37,971	10,411
	134,725	111,162
Non-Ringfenced Grant Detail		
Revenue Support Grant	3,748	4,288
Services Grant	1,579	927
New Homes Bonus Grant	1,880	567
SF Grant	0	500
Local Council Tax Support Schemes	0	262
NNDR1 S31	4,982	0
Other	810	0
Lower Tier Services Grant	150	0
DSG Safety Valve Grant	2,480	0
Top Up Adjustment	746	0
	16,375	6,544
Capital Grant Income		
Hybrid Business Innovation Centre	0	2,873
DFT Local Plan	1,585	2,473
Railway Heritage Quarter	10,058	1,991
High Needs Capital Funding	1,736	1,467
Basic need Grant	0	1,035
Other	261	572
Towns Fund Capital	10,010	0
TVCA Station Gateway	6,586	0
Homes England Neasham Road	3,173	0
ERDF Business Central 2	1,989	0
TVCA LCWIP Woodland Road	1,337	0
DFT Severe Weather Recovery & Pothole Fund	1,236	0
	37,971	10,411
	134,725	108,522
Taxation and Non-Specific Grant Income		
Credited to Net Cost of Services		
Dedicated Schools Grant (DSG)	28,246	29,728
Housing Benefit Subsidy (Rent Allowances & Rebates)	20,337	22,654
Public Health Grant	8,831	9,119
Social Care Grant	4,915	8,445
Improved Better Care Fund (IBCF)	4,488	4,488
The Private Finance Initiative (PFI)	3,200	3,200
Household Support Fund	2,414	2,353
Unaccompanied Asylum Seeking Children Grant	648	1,467
Pupil Premium	1,143	1,241
Market Sustainability and Fair Cost of Care Fund	338	1,174
DSG Safety Valve Grant	0	1,010
Adult Education Funding from Tees Valley Combined Authority	349	844
Market Sustainability and Improvement Fund - Workforce Development	0	762
Adult Education & 16-19 Funding from Education & Skills Funding Agency	598	744
Adult Social Care Discharge Fund	418	629
Holiday Activities and Food Programme	373	553
Supplementary Substance Misuse Treatment & Recovery	316	518
Early Years Supplementary Grant	0	408
Housing Benefit and Localised Council Tax Support Administration Subsidy Funding	155	348
Homelessness Prevention Grant	229	305
Asylum Dispersal Grant	116	288
Youth Justice Grant	272	287
Staying Close Childrens Social Care Grant	0	241
Domestic Abuse Support to Victims	234	228
Levy Account Surplus Grant	192	192
Teachers Pay Grant	0	192
Recovery Premium Funding	154	187
Mayoral Income	0	149
Towns Fund	145	147
Homes for Ukraine Sponsor Thank You Grant	0	142
Capability Fund Project	409	137
Homes for Ukraine Tariff Grant	1,050	136
Streamline Grant	0	130

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Individual Placement Support	0	121
Universal Infant Free School Meals	134	116
Mainstream Schools Additional Grant	0	112
Discretionary Housing Payments	188	104
Rough Sleeping Initiative (Cold Weather Fund)	138	101
Virtual School Heads Social Worker Implementation Grant	100	100
Independent Living Fund	749	0
Homes for Ukraine Education Grant	249	0
Reopening High Streets Safely Fund	186	0
LA Supplementary Grant	168	0
Light Transport Fund	167	0
North East Community Discharge Grant	145	0
Capacity & Productivity Grant	130	0
Step Up Grant	117	0
Council Tax Rebates Final Assessment NBF	114	0
SF Grant	26	0
Other	2,094	1,972
Total	84,275	95,072
Total Credited to Net Cost of Services	84,275	95,072

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

	2022/23 £'000	2023/24 £'000
Capital Grants Receipts in Advance		
Developer Contribution	0	0
	0	0

	2022/23 £'000	2023/24 £'000
Revenue Grants Receipts in Advance		
Sales, Fees & Charges Grant	564	0
Council Tax Rebate Grant - Discretionary element	77	0
Clinically Extremely Vulnerable Support	378	0
Practical Support for Self-Isolation	203	0
Energy Support Bills	542	0
Other	469	0
	2,233	0

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

32 Private Finance Initiative

Education PFI Scheme

2023/24 was year 19 of the Council's 25 year PFI scheme for the construction, maintenance and operation of four schools, the Education Village (a federation of schools comprising Springfield, Beaumont Hill and Haughton Schools) and Harrowgate Hill Primary School, which became operational in March 2006 and August 2005 respectively. The Education Village Schools converted to Academy status on 1 April 2012 under the provisions of the Academies Act 2010.

(1) Harrowgate Hill

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

(2) Education Village

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

Property, Plant and Equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 16.

Payments

The Council makes an agreed payment each year, part of which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2023 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2024/25	2,748	1,099	335	4,182
Payable within 2 to 5 years	11,697	4,369	816	16,882
Payable within 6 to 10 years	4,437	1,542	95	6,074
Total	18,882	7,010	1,246	27,138

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

	2022/23 £'000	2023/24 £'000
Balance outstanding at start of year	9,233	8,118
Payments during the year	(1,115)	(1,106)
Balance outstanding at end of year	8,118	7,012

33 Members' Allowances

Details of the amounts paid to each Member of the Council are published annually and can be viewed on the Darlington Borough Council website. The total amount paid to Members in respect of basic, special responsibility and travel and subsistence allowance was £602,623 (2022/23 £656,771).

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

34 Related Parties

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

Central Government

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are included within Note 31 and the amounts outstanding from/to various government departments are summarised in Notes 22/24.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2023/24 is shown in Note 33. Councillors are subject to the Council's Member Code of Conduct. The Register of Members' Interests and declarations of interests relating to specific items of discussion at meetings are available for inspection.

During 2023/24, the Council had transactions with the following entities in which Members were deemed to have the potential to control or have significant influence over that entity;

	Expenditure		Income		Creditors		Debtors	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
Education Village Academy Trust	3,493	0	(1,468)	0	(2)	0	168	0
St Aidan's Church of England Academy	91	151	(50)	(49)	0	0	0	8
TOTAL	3,584	151	(1,518)	(49)	(2)	0	168	8

During 2023/24, the Council paid £3.867m (£4.615m in 2022/23) to and received £0.024m (£0.016m in 2022/23) from other entities in which Members declared an interest on their Members' Interest forms but in which they were not deemed to have the potential to control or have significant influence over those entities. At the end of the year the Council was owed £0.181m from these entities (£0.200m in 2022/23) and was owed £0.003m from these

Senior Officers

The Council's senior managers may influence financial and operating policies through the professional advice to elected Members and through the management decisions they make under delegated powers. Such officers are subject to the Council's Employee Code of Conduct and professional bodies' standards. There are no related party transactions between the Council and its senior managers that require disclosure in 2023/24 (none in 2022/23).

Other Public Bodies

The Council received £6,474,985 (£5,565,871 in 2022/23) from the NHS. The Council paid £6,794,658 (£5,428,087 in 2022/23) to the NHS. At the year end there was £14 (£46,932 in 2022/23) owed to the NHS and there was £1,559,948 (£1,062,551 in 2022/23) owed to the NHS.

Entities Controlled or influenced by the Council

The Council has financial relationships with a number of related companies, those considered significant due to the level of investment are detailed below.

Eastbourne Joint Venture Limited

This is a joint venture arrangement with Esh Homes Limited of which the Council owns 50% of the share capital of the Company. The Company was established to develop 60 homes on the former Eastbourne School land that was declared surplus in July 2016.

Heighington Joint Venture Limited

This is a joint venture arrangement with Esh Homes Limited of which the Council owns 50% of the share capital of the Company. The Company was established to develop 43 homes (including 9 affordable) at Heighington.

Middleton St George Joint Venture Limited

This is a joint venture arrangement with Esh Homes Limited of which the Council owns 50% of the share capital of the Company. The Company was established to develop 55 homes (including 5 affordable) at Middleton St George.

West Park Joint Venture Limited

This is a joint venture arrangement with Esh Homes Limited of which the Council owns 50% of the share capital of the Company. The Company was established to develop 224 homes (including affordable) at West Park.

Neasham Road Joint Venture Limited

This is a joint venture arrangement with Esh Homes Limited of which the Council owns 50% of the share capital of the Company. The Company was established to develop 155 homes at Neasham.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Esh/DBC Joint Venture

This is a joint venture arrangement with Esh Homes Limited of which the Council owns 50% of the share capital of the Company. The Company was established to develop 71 homes (including affordable) at Springwell.

Blackwell Grange Joint Venture Limited

This is a joint venture arrangement with Esh Homes Limited of which the Council owns 50% of the share capital of the Company. The Company was established to develop 44 homes at Blackwell Grange.

Hurworth Grange Joint Venture Limited

This is a joint venture arrangement with Esh Homes Limited of which the Council owns 50% of the share capital of the Company. The Company was established to develop 144 homes at Neasham Cell C (Hurworth Gardens).

Teesside International Airport Limited (TIAL) (formerly Durham Tees Valley Airport Limited (DTVA))

89% shareholding of the Airport is owned by Goosepool 2019 Limited, who is in turn a 75% subsidiary of Tees Valley Combined Authority. The other 11% of the shares are held by the Tees Valley local authorities of which the Council holds 2.91% of the total shareholding in the airport. For the year ended 31 March 2023, Teesside International Airport Limited made an operating loss of £4.456m (£11.883m for year ended 31 March 2022) and a loss of £4.456m after taxation (loss of £11.883m for the year ended 31 March 2022).

Further information regarding the Company's accounts can be obtained from Companies House or its registered office at Teesside Airport Business Suite, Teesside International Airport Ltd, Darlington, DL2 1LU.

35 Pension Schemes Accounted for as Defined Contribution Schemes

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

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

In 2023/24, the Council paid £0.971m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2022/23 were £0.933m and 23.68%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 37.

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

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

In 2023/24 the Council paid £0.014m to the NHS Pension scheme in respect of former NHS staff retirement benefits, representing 14.38% of pensionable pay. The figures for 2022/23 were £0.024m and 14.38%. There were no contributions remaining payable at the year end.

36 Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two post employment schemes.

The disclosures below relate to the funded liabilities within the Durham County Council Pension Fund which is part of the Local Government Pension Scheme (LGPS).

The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits earned over the period covered by this disclosure are set out in 'The Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment)

There are arrangements in place for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Funding / Governance Arrangements of the LGPS

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement.

An actuarial valuation of the Fund was carried out at 31 March 2022 and as part of that valuation a new Rates and Adjustment Certificate has been produced for the three year period from 1 April 2023.

The Fund Administering Authority, Durham County Council is responsible for the governance of the Fund.

Assets

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employers' liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole is shown in the disclosures split by quoted and unquoted investments.

Transactions Relating to Post-Employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2022/23 £'000	2023/24 £'000	2021/22 £'000	2022/23 £'000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service cost	(20,700)	(10,180)	0	0
• gains from settlements	(10)	(40)	0	0
Financing and Investment Income and Expenditure				
• net interest expense	(4,600)	(2,160)	(170)	(250)
Total Post Employment Benefit Charged to the Deficit/(Surplus) on the Provision of Services	(25,310)	(12,380)	(170)	(250)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• return on plan assets (excl the amount included in the net interest expense)	28,950	(12,810)	0	
• actuarial losses arising on changes in financial assumptions	(216,780)	(14,540)	(810)	(40)
• actuarial gains/(losses) arising on changes in demographic assumptions		(6,690)	230	(150)
• actuarial gains/(losses) due to liability experience	47,410	5,220	560	(240)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(165,730)	(41,200)	(190)	(680)
Movement in Reserves Statement				
• reversal of net charges made to the Deficit/(Surplus) on the Provision of Services for post employment benefits in accordance with the Code	25,310	12,380	170	250
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to the scheme	9,000	9,730		
• retirement benefits payable to pensioners			670	690

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement from 1 April 2009 to 31 March 2023 is a gain of £210.740m (to 31 March 2023 a gain of £181.580m).

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2022/23 £'000
Fair value of assets	377,640	404,030	0	0
Present value of funded defined benefit obligation	(428,400)	(428,620)	(5,700)	(4,830)
Net liability recognised on the balance sheet	(50,760)	(24,590)	(5,700)	(4,830)

Assets and Liabilities in Relation to Post Employment Benefits

Pension Scheme Assets comprised:

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

	Asset Split at 31 March 2023			Asset Split at 31 March 2024		
	Quoted %	Unquoted %	Total %	Quoted %	Unquoted %	Total %
Equities	48.5	5.2	53.7	47.5	6.8	54.3
Property	1.4	6.4	7.8	1.4	5.2	6.6
Government Bonds	12.7	0.0	12.7	10.3	0.0	10.3
Corporate Bonds	4.4	0.0	4.4	9.6	0.0	9.6
Multi Asset Credit	15.1	0.0	15.1	15.2	0.0	15.2
Cash	1.8	0.0	1.8	1.8	0.0	1.8
Other	4.5	0.0	4.5	2.2	0.0	2.2
	88.4	11.6	100.0	88.0	12.0	100.0

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
Opening defined benefit obligation balance at 1 April	(571,780)	(428,400)	(6,670)	(5,700)
Current service cost	(20,700)	(10,180)	0	
Interest expense on defined benefit obligation	(15,310)	(19,820)	(170)	(250)
Contributions by scheme participants	(3,070)	(3,360)	0	0
Actuarial gains on liabilities - financial assumptions	216,780	14,540	810	40
Actuarial losses/(gains) on liabilities - demographic assumptions	0	6,690	230	150
Actuarial losses/(gains) on liabilities - experience	(47,410)	(5,220)	(560)	240
Net Benefits paid out	13,100	17,170	660	690
Past Service cost (inc curtailments)	(10)	(40)	0	
Closing defined benefit balance at 31 March	(428,400)	(428,620)	(5,700)	(4,830)

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme		Discretionary Benefits	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
Opening fair value of assets balance at 1 April	396,910	377,640	0	0
Interest income on assets	10,710	17,660	0	0
Remeasurement (losses)/gains on assets	(28,950)	12,810	0	0
Contributions by the employer	9,000	9,730	660	690
Contributions by scheme participants	3,070	3,360	0	0
Net Benefits paid out	(13,100)	(17,170)	(660)	(690)
Closing fair value of assets balance at 31 March	377,640	404,030	0	0

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

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

The actual gain on scheme assets in the year was £30.470m (2022/23: loss of £18.240m).

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £29.420m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an increase in the net worth from £317.578m to £336.946m. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2025 is £9.960m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2023 are £0.210m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by AonHewitt Limited, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2022.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2022/23	2023/24	2022/23	2023/24
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	22.2	21.7	22.2	21.7
• Women	24.4	24.0	24.4	24.0
Longevity at 65 for future pensioners (aged 45 at accounting date):				
• Men	23.5	23.0	n/a	n/a
• Women	25.5	25.1	n/a	n/a
Rate of Inflation (CPI)	2.7%	2.6%	2.7%	2.6%
Rate of increase in salaries	3.7%	3.6%	n/a	n/a
Rate of increase in pensions	2.7%	2.6%	2.7%	2.6%
Pension accounts revaluation rate	2.7%	2.6%	n/a	n/a
Rate for discounting scheme liabilities	4.7%	4.8%	4.7%	4.8%

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption	Decrease in Assumption
	£m	£m
Longevity (increase or decrease by 1 year)	11.14	(11.14)
Rate of increase in salaries (increase or decrease by 0.1% p.a.)	0.86	(0.86)
Rate of increase in pensions (increase or decrease by 0.1% p.a.)	6.43	(6.43)
Rate for discounting scheme liabilities (increase or decrease by 0.1% p.a.)	(6.86)	6.86

The liability calculated above includes an allowance for the McCloud/Sargeant judgement in line with last years valuation, as well as an allowance for full indexation on all Guaranteed Minimum Pension's (GMP).

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

37 Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000
Cash Equivalents Short Term Deposits (See Note 23)	0	0	2,060	(9,142)
Short Term Investments (Per Balance Sheet)	0	0	8,000	0
Loans and Receivables at amortised cost	0	0	10,060	(9,142)
Fair Value through Profit and Loss	26,706	24,767	0	0
Total Investments	26,706	24,767	10,060	(9,142)
Debtors				
Loans and Receivables	10,098	16,515	0	0
Financial assets carried at contract amounts (Debtors)	0	0	8,901	11,322
Total Debtors	10,098	16,515	8,901	11,322
Borrowings				
Financial liabilities (principal amount)	121,239	121,103	17,000	32,000
Add Accrued Interest	0	0	1,594	2,109
Less Other accounting adjustments	(22)	(19)	0	0
Financial Liabilities at amortised cost	121,217	121,084	18,594	34,109
Total Borrowings (Per Balance Sheet)	121,217	121,084	18,594	34,109
PFI and finance lease liabilities	7,010	5,911	1,107	1,100
Total other long term creditors (Per Balance Sheet)	7,010	5,911	1,107	1,100
Financial liabilities carried at contract amount	0	0	2,587	3,433
Total Creditors	0	0	2,587	3,433

Items of Income, Expense, Gains and Losses

	2022/23		2023/24	
	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000
Net gains/(losses) on:				
Financial Assets measured at fair value through profit and loss		(5,997)		(1,939)
Financial Assets measured at fair value through other comprehensive income	0	0	0	0
Total gains / (losses)	0	(5,997)	0	(1,939)
Interest Income:				
Financial Assets measured at amortised cost		(4,594)		(4,193)
Other Financial Assets measured at fair value through other comprehensive income	0	0	0	0
Total interest income	0	(4,594)	0	(4,193)
Interest Expense		0		0

Fair Value of Financial Assets

Reclassification and remeasurement of financial assets at 31st March 2024

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting.

The Teesside International Airport (TIAL) shareholding is a strategic investment and not held for trading and therefore the Council has opted to designate it as fair value through Other Comprehensive Income. This means that there is no impact on the revenue budget and any gains or losses will be therefore transferred to the Financial Instruments Revaluation Reserve.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

The Council holds a £30.000m pooled investment in 3 separate property funds and as a result of the change in accounting standards in 2018/19, under IFRS 9 the MHCLG have agreed a temporary override to allow Local Authorities time to adjust their portfolio of all pooled investments. The statutory override is in place until March 2025.

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques to measure them.

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value Hierarchy	Valuation technique used to measure fair value	As at 31 March 2023 £'000	As at 31 March 2024 £'000
Fair Value through Profit and Loss				
Property Funds	Level 2	Unadjusted quoted prices in active markets for identical shares - Bid price	26,706	24,767

Fair Values of Assets and Liabilities

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

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

The fair values calculated are as follows:

	31 March 2023		31 March 2024	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Financial Liabilities:				
PWLB Debt	108,414	101,590	108,278	94,286
Non PWLB debt	29,600	33,377	44,600	47,072
PFI Debt	21,398	24,867	21,398	22,904
Total Debt	159,412	159,834	174,276	164,262
Creditors	2,587	2,587	3,433	3,433

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2023) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £94.286m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date which has been assumed as the PWLB new borrowing rates. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £108.278m would be valued at £94.286m. But if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge based on the redemption interest rates, an early redemption charge of £26.625m for the additional interest which will not now be paid. The exit price for the PWLB loans including the penalty charge would be £94.286m.

The fair value of the assets is greater than the carrying amount because the Council's portfolio of investments includes a fixed rate investment where the interest rate payable is higher than the rates available for similar investments in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31st March 2023) arising from a commitment to receive interest from lenders above current market rates.

	31 March 2023		31 March 2024	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Financial Assets				
Debtors	8,901	8,901	11,322	11,322

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

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

38 Nature and Extent of Risks Arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a treasury policy statement and treasury management clauses within the Constitution;
- by approving annually in advance prudential indicators for the following three years limiting the Council's overall borrowing including:
 - its maximum and minimum exposures to fixed and variable rates;
 - its maximum annual exposure to investments maturing beyond 1 year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 16 February 2023 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2023/24 was set at £247.730m. This was the maximum amount of external borrowings and other long term liabilities allowed. This was subsequently updated to £245.331m in the revised strategy.
- The Operational Boundary was expected to be £181.077m. This is the expected level of borrowing and other long term liabilities during the year. This was subsequently updated to £148.025m in the revised strategy.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40% based on the Council's net debt.
- The maximum and minimum exposure to the maturity structure of debt are shown in the note relating to refinancing and maturity risk.

Risk Management is carried out by a central treasury team under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

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

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

- UK institutions Credit rating of Short Term F1, Long Term A- or equivalent
- Non UK institutions Credit rating of Short Term F1+, Long Term AA- or equivalent
- UK institutions provided with support from the UK Government.

The full Investment Strategy for 2023/24 was approved by full Council on 16 February 2023 and is available on the Council's website.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

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

	Amount at 31 March 2024 £'000	Historical experience of default %	Lowest Long Term and Fund Rating	Estimated maximum exposure to default and uncollectability at 31 March 2024 £'000	Estimated maximum exposure at 31 March 2024 £'000
Deposits with banks and Financial Institutions					
BNP Paribas MMF	1,370	0.000	AAA	0	0
Federated MMF	5,000	0.000	AAA	0	0
Total	6,370				

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

The Council does not generally allow credit for customers, such that £9.877m of the £12.395m balance shown in the balance sheet as part of short term debtors is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2023 £'000	31 March 2024 £'000
Debts on Payment plans	1,408	1,948
Less than 3 months	494	1,007
3 to 6 months	193	806
6 months to 1 year	1,591	2,363
More than 1 year	3,377	3,753
	7,063	9,877

Liquidity Risk

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

The maturity analysis of financial assets is as follows:

	31 March 2023 £'000	31 March 2024 £'000
Less than 1 year	10,045	6,370
	10,045	6,370

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

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Refinancing and Maturity Risk

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

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

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

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

	Approved Maximum Limits	31 March 2024	31 March 2023 £'000	31 March 2024 £'000
Less than 1 year	40%	21%	17,000	32,000
Between 1 and 2 years	50%	0%	0	0
Between 2 and 5 years	60%	8%	8,000	8,000
Between 5 and 10 years	80%	2%	7,372	7,372
More than 10 years	100%	69%	105,642	105,506
Total			138,014	152,878

Market Risk

Interest Rate Risk

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

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

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

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

According to this assessment strategy, at 31 March 2024, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	761
Increase in interest receivable on variable rate investments	(721)
Impact on Surplus or Deficit on the Provision of Services	40
Share of overall impact debited to the HRA	441
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) includes PFI contract.	26,625

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

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Price Risk

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

The Council holds investment units in property funds that have been classified as Fair Value through Profit and Loss, however the Council has elected to use the 5 year override as allowed by CIPFA (and the Government) to allocate to Fair Value through Other Comprehensive Income, therefore any gains or losses on prices will be taken to the Financial Instrument Revaluation Reserve. A loss of £1.939m was recognised in 2023/24 in relation to the Council's holding in the property funds.

A general shift of 5% in the general price of units (positive or negative) would have resulted in a £1.238m gain or loss in the Financial Instrument Revaluation Reserve.

Foreign Exchange Risk

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

39 Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Group Director of Operations on 21 June 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no significant post balance sheet events to be disclosed.

40 Statement of Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. The principal accounting policies have been applied consistently throughout the year.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

The Statement of Accounts has been prepared on a 'going concern' basis, which assumes that the functions of the Council will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which the Council operates. As a result of this, it would not therefore be appropriate for the financial statements to be provided on anything other than a going concern basis.

The mitigating factor underpinning the going concern assessment is that the Council continues to have available general fund balances to balance the budget where necessary. At the end of 24/25 the general fund balance is forecast to be £12.343m. Additionally, the Council's cash flow forecasts anticipate that cash balances will remain in a positive position for at least 12 months following the date of the audit opinion and do not forecast a need to borrow apart from potentially replacing short term borrowing that will mature in the period. The Council has undertaken cash flow modelling through to June 2025 which demonstrates the Council's ability to work within its Capital Financing Requirement and cash management framework with a minimum cash balance forecast during the period of £5m.

b) Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance is written down and a charge made to revenue for the income that might not be collected. The Council has adopted a de minimis level of £500 for year-end accruals which means that they are not included in the accounting statements.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

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

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

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

c) Cash and cash equivalents

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

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

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

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

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

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

e) Charges to Revenue for Non-Current Assets

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

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

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

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

f) Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income an Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

g) Employee Benefits

Benefits Payable During Employment

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

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

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the relevant service line or, where applicable, to a corporate service line at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post Employment Benefits

Employees of the Council are members of three separate pension schemes:

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the Durham County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.8% (based on the indicative rate of return on high quality corporate bonds).
- The assets of Durham County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

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

- Service cost comprising:
 - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined obligation the beginning of the period to the net defined benefit of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets - excluding amounts included in net interest on the net defined liability (asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Durham County Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities not accounted for as an expense.

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

Discretionary Benefits

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

h) Events After the Reporting Period

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

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

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

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

i) Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

The Council has the facility to make loans at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the recipients of the loans, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the Comprehensive Income and expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected

The Council has a portfolio of a number of loans to local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

Financial Assets Measured at Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

Fair value measurements of financial assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs - inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs - unobservable inputs for the asset.

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

An equity instrument can be elected into a FVOCI treatment rather than a FVPL treatment if it is not held for trading. The Council has reviewed its assets that would be measured at FVPL on the basis of the business model and has elected to classify instruments as either FVPL or FVOCI on an instrument by instrument basis based on the assessed benefit to the Council from the chosen classification.

As far as Teesside International Airport shares are concerned the Council has elected to treat them as an equity instrument which is not held for trading and therefore will be utilising the FVOCI treatment.

Instruments entered into before 1st April 2006

The Council has a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts to the extent that it is shown in contingent liabilities (note 27).

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

j) Government Grants and Contributions

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

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

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

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

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

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

k) Heritage Assets

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

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

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment (see page 65). If any heritage assets are disposed of then the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital

l) Interests in Companies and Other Entities

The Code of Practice on Local Authority Accounting 2023/24 requires local authorities to produce group accounts to reflect significant activities provided to council taxpayers by other organisations in which an authority has an interest. The Council has reviewed its interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures against the criteria in the Code and concluded that there are such material interests that require the preparation of group accounts. In the Council's own single-entity accounts, the interest in companies and other entities are recorded as financial assets at cost, less any provision for losses.

m) Inventories and Long Term Contracts

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

n) Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

o) Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

p) Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

q) Property, Plant and Equipment

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

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- infrastructure, community assets and assets under construction - depreciated historical cost;
- dwellings - current value, determined using the basis of existing use value for social housing (EUUV - SH);
- school buildings - current value, but because of their specialised nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- surplus assets - the current value measurement basis is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUUV).

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

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

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

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

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

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

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Assets valued higher than £1m that are made up from different components and whose cost is significant in relation to the total cost of the item are depreciated on a component by component basis. The components used are host (structure), externals, services and roof. Once separated, depreciation is charged across each components useful life as appropriate.

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

Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

r) Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council carries the assets used under the contract on its Balance Sheet as part of property, plant and equipment (unless the PFI scheme is a school that has subsequently transferred to Academy status and then it will be removed from the Council's Balance Sheet).

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

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

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

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

s) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in note 27 to the accounts.

Contingent Assets

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

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

t) Reserves

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

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

u) Revenue Expenditure Funded from Capital under Statute

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

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

v) Value Added Tax (VAT)

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

If the Council was unable to recover exempt input tax it would be included as an expense in the Comprehensive Income and Expenditure Statement.

w) Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority.

The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

x) Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in highest or best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability.

y) Exceptional Items

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

Housing Revenue Account for Darlington Borough Council for the year ended 31 March 2024

HRA Income and Expenditure Statement

As at 31 March 2023		As at 31 March 2024	Notes
£'000		£'000	
	<u>Expenditure</u>		
(5,945)	Repairs and maintenance	(6,054)	
(7,344)	Supervision and management	(8,587)	
(100)	Rent, rates, taxes and other charges	(160)	
(4)	Increased provision for bad and doubtful debts	(199)	7
	<u>Depreciation of non-current assets:</u>		
(1,937)	On HRA dwellings	(2,059)	6
0	On Non-HRA dwellings	0	6
0	Impairment of Fixed Assets	0	3
(2,918)	Revaluation (Loss) / Gain on Fixed Assets	(8,204)	3
0	Revenue Expenditure funded from Capital under Statute	0	4
0	Debt management costs	0	
(18,248)	Total Expenditure	(25,263)	
	<u>Income</u>		
21,000	Dwelling rents	21,896	
377	Non-dwelling rents	529	
3,290	Charges for services & facilities	4,312	
1,080	Contribution towards Expenditure	1,159	
25,747	Total Income	27,896	
7,499	Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	2,633	
(605)	HRA Share of other amounts included in the whole Authority net costs of services	(70)	
6,894	Net income for HRA Services	2,563	
	HRA Share of Operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(2,355)	Interest Payable and Similar Charges	(2,339)	
	Gain on sale on HRA non-current assets		
409	Interest and Investment Income	526	
(261)	Pension Interest Cost and Expected Return on Pension Assets	(144)	
4,687	Surplus for the Year on HRA Services	606	

Housing Revenue Account for Darlington Borough Council for the year ended 31 March 2024

Movement on the HRA Statement

As at 31 March 2023		As at 31 March 2024	As at 31 March 2024
£'000		£'000	£'000
27,008	Balance on the HRA at the end of the previous year		23,467
4,687	Surplus for the year on the HRA Income and Expenditure Statement	606	
	Adjustments between accounting basis and funding basis under statute:		
(176)	Difference between amounts charged to Income and Expenditure for amortisations of premiums and discounts and the charge for the year determined in accordance with statute	(176)	
4,855	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	10,266	
(485)	Voluntary set aside for debt repayment	(427)	
(13,289)	Capital expenditure funded by the HRA	(8,003)	
(4,408)	Net decrease before transfers to reserves	2,266	
	Transfers (to) or from earmarked reserves:		
1,396	Net charges made for retirement benefits in accordance with IAS19	752	
0	Other transfers from/(to) earmarked reserves	0	
(529)	Employer's contributions payable to the Durham County Council Pension Fund and retirement benefits payable direct to pensioners.	(538)	
867	Transfers from reserves	214	
(3,541)	Increase in year on the HRA		2,480
23,467	Balance on the HRA at the end of the current year		25,947

Notes to the Housing Revenue Account for Darlington Borough Council for the year ended 31 March 2024

1 Housing Stock

1 April 2023		31 March 2024
	<u>Number and types of dwellings</u>	
2,580	Houses	2,567
2,336	Flats	2,335
13	Maisonettes	13
344	Bungalows	344
5,273	Total dwellings	5,259
	<u>Balance Sheet values</u>	
£000		£000
50	Land	48
186,962	Houses	189,681
836	Other property	837
187,848	Total net Balance Sheet value	190,566
	Operational Assets	
186,962	Dwellings	189,681
0	Other Land & buildings	0
186,962		189,681
886	Non-operational assets	885
187,848	Total net Balance Sheet value	190,566

2 Vacant Possession Values

The vacant possession value of dwellings as at 31st March in the financial year is £424.131m (£417.926m in 2022/23).

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

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

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

3 Impairment/Revaluation of Non-current assets

These charges occur where there is a material reduction in the value of a non-current asset during an accounting period. Impairment/revaluation charges of £8.204m (£2.918m in 2022/23) were charged to the Income and Expenditure Statement in 2023/24. This represents £0.000m (£0.000m in 2021/22) of capital expenditure incurred in the year that did not add value to the current housing stock valuation and £8.204m (£2.918m in 2022/23) following a re-valuation exercise carried out during the year.

Notes to the Housing Revenue Account for Darlington Borough Council for the year ended 31 March 2024

4 Revenue Expenditure funded from Capital under Statute

Capital expenditure in 2023/24 included expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets and has been charged as expenditure to the HRA Income and Expenditure Account. Grants received towards the cost of this expenditure can be regarded as revenue grants despite their classification as capital. In 2023/24 Revenue Expenditure funded from Capital under Statute was nil (nil in 2022/23), capital grants treated as revenue totalled nil (nil in 2022/23).

5 Capital Expenditure

Capital expenditure within the HRA during 2023/24 was as follows :

2022/23 £'000		2023/24 £'000
14,571	Houses	13,761
137	Other property	27
14,708	Total capital expenditure	13,788

Total capital expenditure on land, houses and other property within the HRA during 2023/24 was funded via the following

2022/23 £'000		2023/24 £'000
433	Usable capital receipts	0
13,289	Revenue	8,003
986	Other Grant Funding	5,785
0	Capital Contribution	0
14,708	Total capital expenditure	13,788

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

2022/23 £'000		2023/24 £'000
1,716	Houses	1,087
1,716	Total capital receipts	1,087

6 Depreciation of Non-current Assets

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

2022/23 £'000		2023/24 £'000
1,937	Houses	2,059
0	Vehicle, Plant & Equipment	0
1,937	Total charge for depreciation	2,059
	Operational Assets	
1,937	Dwellings	2,059
0	Vehicle, Plant & Equipment	0
1,937	Total charge for depreciation	2,059

Notes to the Housing Revenue Account for Darlington Borough Council for the year ended 31 March 2024

7 Rent Arrears

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

2022/23		2023/24
£'000		£'000
1,132	Gross rent arrears as at 31 March	1,217

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

Year Ended		Year Ended
31 March		31 March
2023		2024
£'000		£'000
338	Opening provision for uncollectable debts	654
(15)	Amounts written off in the year	(165)
331	Increase/(decrease) in provision for the year	155
654	Closing provision for uncollectable debts	644

Collection Fund for Darlington Borough Council for the year ended 31 March 2024

2022/23		2023/24			Notes
		Council Tax	Non-domestic rates	Total	
Total					
£'000		£'000	£'000	£'000	
	<u>Income</u>				
(70,595)	Income from Council Tax	(74,698)	0	(74,698)	2
(30,425)	Income from Business Rates	0	(29,579)	(29,579)	3
	Contributions				
(6,902)	Darlington Borough Council	(724)	(1,824)	(2,548)	
(6,842)	Central Government	0	(1,861)	(1,861)	
(150)	Office of Durham Police Crime & Victims' Commissioner	(103)	0	(103)	
(28)	County Durham and Darlington Fire & Rescue Authority	(47)	(37)	(84)	
(114,942)	Total Income	(75,572)	(33,301)	(108,873)	
	<u>Expenditure</u>				
	Precepts and demands				
74,025	Darlington Borough Council	62,075	16,042	78,117	
15,757	Central Government	0	16,349	16,349	
8,280	Office of the Durham Police and Crime Commissioner	8,886	0	8,886	
4,096	County Durham and Darlington Fire & Rescue Authority	3,993	327	4,320	
38	Transitional Protection payment - NNDR	0	(1,354)	(1,354)	
	Business Rates				
145	Costs of collection	0	144	144	
	Impairment of Bad or Doubtful Debts / Appeals				
1,034	Write offs	754	(68)	686	
(321)	Movement in net provision	4	68	72	
0	Increase in Provision for Appeals		1,424	1,424	
103,054	Total Expenditure	75,712	32,932	108,644	
(11,888)	Collection Fund deficit for the year	140	(369)	(229)	
15,862	Collection Fund deficit balance b/fwd	796	3,178	3,974	
(11,888)	Collection Fund deficit for the year	140	(369)	(229)	
3,974	Collection Fund deficit balance c/fwd	936	2,809	3,745	
	Allocated to:				
2,217	Darlington Borough Council	775	1,405	2,180	
1,589	Central Government	0	1,377	1,377	
94	Office of the Durham Police and Crime Commissioner	111	0	111	
74	County Durham and Darlington Fire & Rescue Authority	50	27	77	
3,974		936	2,809	3,745	

Notes to the Collection Fund of Darlington Borough Council for year ended 31 March 2024

1 Collection Fund

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

The Collection Fund is an agent's statement that reflects the statutory obligations for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates (NDR).

2 Income From Council Tax

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

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

The Council's tax base i.e. the number of chargeable dwellings in each band (adjusted for discounts and exemptions) and converted to an equivalent number of Band D dwellings was calculated as follows and approved by Full Council in February 2023:

Band	A	B	C	D	E	F	G	H
Chargeable Dwellings	10,177	6,905	5,807	5,404	3,864	1,835	1,062	75
Ratio	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

The Council set a basic council tax in 2023/24 of £1,777.33 (£1,692.84 in 2022/23), being the amount payable in respect of properties in Band D for services provided by Darlington Borough Council.

The Office of the Durham Police, Crime and Victims' Commissioner set a Band D council tax in 2023/24 of £255.24 (£240.24 in 2022/23) for their services.

County Durham and Darlington Fire & Rescue Service set a Band D council tax in 2023/24 of £114.69 (£109.69 in 2022/23) for their services.

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

3 Income Collectable From Business Rate payers

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

The Council retains 49% with the remainder distributed to Central Government (50%) and the other 1% to the County Durham Fire & Rescue Authority.

Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. Darlington is a top up authority and in 2023/24 it received a grant of £8.156m.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office and hence business rates outstanding as at 31 March 2024. As such authorities are required to make a provision for these amounts in the same proportion as the precepting shares (49:50:1). In 2023/24 the total provision was reviewed and increased to £3.192m.

The total national non-domestic rateable value at 31st March 2024 was £90.316m (£87.285m in 2022/23). The non-domestic rating multiplier for 2022/23 was 51.2p per £ (51.2p per £ in 2022/23) and the small business non-domestic rating multiplier for 2022/23 was 49.9p per £ (49.9p per £ in 2022/23).

Group Accounts of Darlington Borough Council as at 31 March 2024

Group Accounts

Introduction

The CIPFA Code of Practice requires that where a Council has material financial interests and significant level of control over one or more entities, it should prepare group accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

The Group Accounts show the full extent of the Council's wider assets and liabilities. Whilst the Group Accounts are not primary statements, they provide transparency and enable comparison with other entities that have different corporate entities.

Joint Venture

"A joint venture is a joint arrangement whereby the parties that have joint control of the arrangements have rights to the net assets of the arrangement".

The Council has a number of joint venture arrangements with Esh who is a house building developer and these arrangements have been incorporated into the group accounts of the Council. These comprise the following:

- Eastbourne JV Limited
- Heighington JV Limited
- Middleton St George JV Limited
- West Park JV Limited
- Neasham Road JV Limited
- EshDBC JV Limited
- Blackwell Grange JV Limited
- Hurworth Grange JV Limited

The objective of the joint ventures is first and foremost to develop various sites within the borough with a view to providing housing (including affordable housing) and secondly to provide the Council with an income stream to supplement its resources.

The Council's share of all of the joint ventures is 50% and each joint venture is registered as a separate entity in its own right with each of the shareholders having equal rights to the profits (or losses) of each entity.

The Group Accounts include the following:

- Group Movement in Reserves - shows the movement in the year on the Council's single entity usable and unusable reserves together with the Council's share of the Group reserves.
- Group Comprehensive Income and Expenditure Statement - summarises the resources that have been generated and consumed in providing services and managing the Group during the year.
- Group Balance Sheet - summarises the financial position of the Council and its joint ventures as a whole. It shows the value of the group assets and liabilities at the end of the financial year.
- Group Cash Flow Statement - shows the changes in cash and cash equivalents of the Group during the year

Group Accounting Policies

The joint ventures have prepared their financial statements in compliance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102. This gives the entity certain disclosure exemptions, subject to certain conditions, but this doesn't materially effect the Council's Group Accounts.

Group Movement in Reserves Statement for Darlington Borough Council for year ended 31 March 2024

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000	Authority's share of the reserves of joint ventures £'000	Total Council Reserves (Group Accounts) £'000
Balance at 31 March 2022	(23,757)	(47,991)	(27,008)	(578)	(33,769)	(133,103)	(32,408)	(165,511)	(1,091)	(166,602)
<u>Movement in reserves during 2022/23</u>										
Deficit/(Surplus) on the Provision of Services	(12,877)	0	1,119	0	0	(11,758)	0	(11,758)	0	(11,758)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(140,306)	(140,306)	(1,259)	(141,565)
Total Comprehensive Income and Expenditure	(12,877)	0	1,119	0	0	(11,758)	(140,306)	(152,064)	(1,259)	(153,323)
Adjustments between accounting basis and funding basis under regulations (Note 5)	20,195	0	2,422	(5,392)	(4,559)	12,666	(12,666)	0	0	0
Net (Increase)/decrease before Transfers (to)/from Earmarked Reserves	7,318	0	3,541	(5,392)	(4,559)	908	(152,972)	(152,064)	(1,259)	(153,323)
Transfers from/(to) Earmarked Reserves (Note 6)	(4,985)	4,984	0	(1)	1	(1)	1	0	0	0
Decrease/(Increase) in 2022/23	2,333	4,984	3,541	(5,393)	(4,558)	907	(152,971)	(152,064)	(1,259)	(153,323)
Balance at 31 March 2023 carried forward	(21,425)	(43,007)	(23,467)	(5,971)	(38,327)	(132,196)	(185,380)	(317,576)	(2,350)	(319,926)
<u>Movement in reserves during 2023/24</u>										
Deficit/(Surplus) on the Provision of Services	10,500	0	(689)	0	0	9,811	0	9,811	0	9,811
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(29,181)	(29,181)	(2,009)	(31,190)
Total Comprehensive Income and Expenditure	10,500	0	(689)	0	0	9,811	(29,181)	(19,370)	(2,009)	(21,379)
Adjustments between accounting basis and funding basis under regulations (Note 5)	(6,377)	0	(1,791)	(1,685)	24,702	14,849	(14,849)	0	0	0
Net (Increase)/decrease before Transfers (to)/from Earmarked Reserves	4,123	0	(2,480)	(1,685)	24,702	24,660	(44,030)	(19,370)	(2,009)	(21,379)
Transfers (to)/from Earmarked Reserves (Note 6)	3,524	(3,524)	0	0	0	0	0	0	0	0
(Increase)/decrease in 2023/24	7,647	(3,524)	(2,480)	(1,685)	24,702	24,660	(44,030)	(19,370)	(2,009)	(21,379)
Balance at 31 March 2024 carried forward	(13,779)	(46,529)	(25,947)	(7,656)	(13,626)	(107,537)	(229,409)	(336,946)	(4,359)	(341,305)

Group Comprehensive Income and Expenditure Statement for Darlington Borough Council for year ended 31 March 2024

2022/23			2023/24				
Gross Expenditure £'000	Gross Income £'000	Net Expenditure / (Income) £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure / (Income) £'000
5,543	(2,524)	3,019	Chief Executive and Economy	3	8,811	(759)	8,052
58,261	(53,863)	4,398	Operations	3	66,618	(60,031)	6,587
146,755	(70,283)	76,472	People		161,012	(91,949)	69,063
52,673	(23,551)	29,122	Services	3	50,589	(20,434)	30,155
(711)	411	(300)	Other	3	0	(2,414)	(2,414)
262,521	(149,810)	112,711	Cost of Services		287,030	(175,587)	111,443
306	0	306	Other operating expenditure	7	318	0	318
2,428	(1,669)	759	Losses/(Gains) on the disposal of non-current assets	7	9,329	(4,194)	5,135
17,687	(6,158)	11,529	Financing and investment income and expenditure	9	10,752	(6,676)	4,076
0	(141,496)	(141,496)	Taxation and non-specific grant income	10	0	(111,161)	(111,161)
282,942	(299,133)	(16,191)	(Surplus)/deficit on Provision of Services		307,429	(297,618)	9,811
		(1,259)	Joint ventures accounted for on an equity basis				(2,009)
		(3,932)	Surplus on revaluation of Property, Plant and Equipment assets				69
		(140,900)	Actuarial losses on pensions assets/liabilities	37			(29,250)
		9	Impairment losses on non-current assets charged to the revaluation reserve				0
	(146,082)		Other Comprehensive Income and Expenditure				(31,190)
	(162,273)		Total Comprehensive Income and Expenditure				(21,379)

Group Balance Sheet of Darlington Borough Council as at 31 March 2024

As at 31 March 2023 £'000		As at 31 March 2024 £'000
470,591	Property, Plant and Equipment	486,684
12,483	Investment Properties	12,642
2,411	Heritage Assets	2,679
26,706	Long Term Investments	24,767
2,350	Investments in joint ventures	4,359
10,098	Long Term Debtors	16,515
524,639	Total Long Term Assets	547,646
8,000	Short Term Investments	0
578	Inventories	244
59,704	Short Term Debtors	42,877
2,060	Cash and Cash Equivalents	(9,142)
70,342	Total Current Assets	33,978
(18,594)	Short Term Borrowing	(34,109)
(68,492)	Short Term Creditors	(45,687)
(2,566)	Short Term Provisions	(3,264)
(89,652)	Total Current Liabilities	(83,060)
(7,010)	Long Term Creditors	(5,911)
(713)	Long Term Provisions	(843)
(121,217)	Long Term Borrowing	(121,084)
(56,460)	Other Long Term Liabilities	(29,420)
0	Capital Grants Receipts In Advance	0
(185,400)	Total Long Term Liabilities	(157,258)
319,928	Net Assets	341,305
132,198	Usable Reserves	107,537
2,350	Usable Reserves - Group Accounts	4,359
185,380	Unusable Reserves	229,409
319,928	Total Reserves	341,305

Group Cash Flow Statement for Darlington Borough Council for the year ended 31 March 2024

2022/23		2023/24
£'000		£'000
16,191	(Surplus)/Deficit on the provision of services	(19,370)
18,833	Adjustments to net deficit on the provision of services for non-cash movements	37,103
10,508	Depreciation and impairment	23,615
5,997	Change in the fair value of investments	1,939
115	Decrease in Interest Creditors	515
1,109	Increase in Creditors	(18,125)
0	Increase in Interest and Dividend Debtors	0
(20,563)	Decrease in Debtors	16,613
1,624	Increase/(Decrease) in Inventories	334
15,820	Movement in Pension Liability	2,210
112	Contributions to/(from) Provisions	828
2,428	Carrying amount of non-current assets sold or derecognised	9,311
1,683	Movement in Investment Property Values	(137)
(20,825)	Adjustments for items included in the net (deficit) on the provision of services that are investing and financing activities	(14,587)
(19,156)	Capital Grants credited to the surplus or deficit on provision of services	(10,411)
0	Premiums or Discounts on the repayment of financial liabilities	0
0	Proceeds from the sale of non-current assets and investment property	0
(1,669)		(4,176)
14,199	Net cash flow from/(used in) Operating Activities	3,146
	Investing Activities	
(56,266)	Purchase of property, plant and equipment and investment property	(45,482)
(259,330)	Purchase of short term investments	(273,802)
268,330	Proceeds from the sale of short term investments	281,802
6,449	Proceeds from the sale of property, plant and equipment and investment property	4,176
(4,944)	Other payments for investing activities	(6,942)
22,051	Other capital payments received	10,411
(21,432)	Net cash flow used in Investing Activities	(29,310)
	Financing Activities	
0	Cash receipts of short and long term borrowing	46,000
5,348	Billing Authorities - Council Tax and NNDR adjustments	(1,819)
(1,116)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(1,107)
(11,558)	Repayments of short and long term borrowing	(31,133)
1,307	Other (payments)/receipts for financing activities	3,021
(6,019)	Net cash flow from Financing Activities	14,962
(13,252)	Net decrease in cash and cash equivalents	(11,202)
15,312	Cash and cash equivalents at the beginning of the reporting period	2,060
2,060	Cash and cash equivalents at the end of the reporting period (Note 23)	(9,142)

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

Report on the audit of the financial statements

Disclaimer of opinion on the financial statements

We were appointed to audit the financial statements of Darlington Borough Council ("the Council") and its joint ventures ("the Group") for the year ended 31 March 2024, which comprise the Council Movement in Reserves Statement, Council Comprehensive Income and Expenditure Statement, Council Balance Sheet, Council Cash Flow Statement, Council Housing Revenue Account, Council Collection Fund, the Group Movement in Reserves Statement, Group Comprehensive Income and Expenditure Statement, Group Balance Sheet, Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We do not express an opinion on the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31 March 2024, by 28 February 2025 ('the backstop date').

The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.

Responsibilities of the Executive Director – Resources and Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Executive Director – Resources and Governance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Executive Director – Resources and Governance is also responsible for such internal control as the Executive Director – Resources and Governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director – Resources and Governance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Executive Director – Resources and Governance is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Council and Group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Matter on which we are required to report by exception

We are required to report to you if, in our view we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in this respect.

Responsibilities of the Council

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency, and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

We are also required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

Use of the audit report

This report is made solely to the members of Darlington Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume

responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the National Audit Office has communicated the work we are required to undertake as component auditors for the Whole of Government Accounts.

[signature]

Gavin Barker
Key Audit Partner

For and on behalf of Forvis Mazars LLP

Forvis Mazars
Bank Chambers
26 Mosely Street
Newcastle upon Tyne
NE1 1DF

[Date]

Glossary of Darlington Borough Council

Accounting Period

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

Accruals

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

Accounting Policies

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

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

Accounting policies do not include estimation techniques.

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

Actuarial Gains and Losses

Actuaries assess financial and non-financial information provided by the Pension Authority to project levels of future pension fund requirements. For a defined benefit pension scheme, the changes in actuarial deficits or surpluses can arise because:

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

Agency

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

Asset

An item owned by the Council, which has a monetary value. Assets are defined as current or non-current.

- Current assets will be consumed or cease to have value within the next financial year, e.g. stocks and debtors;
- Non-current assets provide benefits to the Council and to services it provides for a period of more than one year, for example, land, buildings, vehicles and equipment;
- intangible assets are non-financial fixed assets, such as software licences, that do not have physical substance but are identifiable and are controlled through custody or legal rights.

Associate

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

Audit

An independent examination of the Council's activities, either by internal audit or the Council's external auditor, who are Ernst & Young LLP.

Authorised Limit

This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

Balance Sheet

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

Balances

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

Budget

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

Glossary of Darlington Borough Council

Capital Adjustment Account

This account accumulates the write-down of the historical cost of Property, Plant and Equipment as they are consumed by depreciation and impairments or written off on disposal. It accumulates the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Charges

A charge to services for the use of non-current 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 non-current asset.

Capital Financing

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

Capital Financing Requirement

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

Capital Grants

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

Capital Receipts

The proceeds from the disposal of land or other capital 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.

Carrying Amount

The Balance Sheet value recorded of either an asset or liability.

CIPFA

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

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

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

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and NDR and its distribution to other local government bodies and Central Government.

Community Assets

This is a category of Property, Plant and Equipment that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency

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

Glossary of Darlington Borough Council

Contingency

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

Contingent Asset

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

Contingent Liability

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

Corporate and Democratic Core (CDC)

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

Council Tax

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

Council Tax Requirement

This is the estimated revenue expenditure on General Fund services that needed to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

Creditor

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

Current Service Costs (Pensions)

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

Curtailment

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous year.

Debt Outstanding

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

Debtor

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

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses.

Deferred Charges

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

Defined Benefit Pension Scheme

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

Defined Contribution Scheme

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all of the employee benefits relating to employee service in the current and prior periods.

Glossary of Darlington Borough Council

Depreciation

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

Discretionary Benefits (Pensions)

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

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

Entity

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

Estimation Techniques

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

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

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

Exceptional Items

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

Expected Return on Pension Assets

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

Expenditure

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

Extraordinary Items

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

Events after the Balance Sheet Date

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

Fair Value

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

Finance Lease

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

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Glossary of Darlington Borough Council

Fixed Assets

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

General Fund

This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government Grants.

Going Concern

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

Government Grants

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

Heritage Assets

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

Housing Act Advances

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

Housing Benefits

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

Housing Revenue Account (HRA)

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

IFRS

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

Impairment

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

Income

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

Income and Expenditure Account

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

Infrastructure Assets

A class of fixed assets belonging to the Council whose life is of indefinite length and which are not usually capable of being sold. Examples include roads, highways, footpaths, bridges and water facilities.

Intangible Assets

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

Interest Cost (Pensions)

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

Glossary of Darlington Borough Council

IAS 1 - Presentation of Financial Statements

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

IAS 7 - Cash Flow Statements

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

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

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

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

IAS 16 - Property, Plant and Equipment

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

IAS 17 - Leases

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

IAS 19 - Employee Benefits

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

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

IAS 24 - Related Party Disclosures

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

IAS 32 Financial instruments: Presentation

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

IAS 36 - Impairment of Assets

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

Glossary of Darlington Borough Council

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets

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

Inventories

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

Investments (Pension Fund)

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

Investments - Long Term

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

Investment Properties

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

Joint Venture

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

Liability

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

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

Lender Option Borrower Option (LOBO)

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

Loans Outstanding

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

Materiality

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

Minimum Revenue Provision (MRP)

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

Net Book Value

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

Glossary of Darlington Borough Council

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 (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

National Non-Domestic Rates (NNDR)

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

Net Worth

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

Non-Distributed Costs

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

Non-Operational Assets

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

Operating Lease

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

Operational Assets

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

Past Service Costs (Pensions)

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

Pension Scheme Liabilities

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

Post Balance Sheet Events

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

Precept

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

Prior Year Adjustment

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

Private Finance Initiative (PFI)

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

Glossary of Darlington Borough Council

Projected Unit Method

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

Property, Plant & Equipment (PPE)

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles

Provision

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

Provision for Credit Liabilities

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

Prudence

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

Prudential Framework

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

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

Public Works Loan Board (PWLB)

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

Rateable Value

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

Related Parties

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

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

Related Party Transactions

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

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

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

Glossary of Darlington Borough Council

Remuneration

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

Reserves - Usable

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

Reserves - Unusable

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

Residual Value

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

Retirement Benefits

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

Revaluation Reserve

This Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Balances

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

Revenue Contributions

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

Revenue Expenditure

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

Revenue Expenditure Funded by Capital Under Statute (REFCUS)

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

Revenue Support Grant

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

SeRCOP

CIPFA's Service Reporting Code of Practice establishes proper practices with regard to consistent financial reporting for services in England and Wales. It is given legislative backing by regulations which identify the accounting practices it propounds as proper practice under the Local Government Act 2003. It aims to:

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

Scheme Liabilities

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

Specific Grants

Government grants to Local Authorities in aid of particular services.

Glossary of Darlington Borough Council

Temporary Borrowing / Investment

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

Total Cost

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

Trust Funds

Funds administered by the Council for such purposes as charities and specific projects.

Unapportionable Central Overheads

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

Useful Life

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

Work In Progress

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

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