DARLINGTON BOROUGH COUNCIL

Statement of Accounts

2018/2019

Statement of Accounts 2018/19 of Darlington Borough Council

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2018/19 has been another challenging year for Darlington with the continued austerity measures further reducing Government Funding, however as a Council we have responded well and once again met the savings targets and outturned under budget, adding £0.131m back to general fund reserves.

Between the financial years 2010/11 to 2019/20 the Council has faced unprecedented financial challenges following the Government's response to the worldwide economic downtown by introducing significant public sector spending reductions. In the case of Darlington Borough Council this has meant an overall real terms decrease in government funding of £45.7m anticipated to increase to £50m by 2022/23. To date this has resulted in the Council agreeing reductions to planned expenditure of £57m leading to a reduction of 747 in the Council’s workforce. These income reductions have come at a time when demands for services, in particular social care, are increasing.

The Council undertook a significant consultation exercise in 2016 following an in-depth and detailed review of all services which resulted in the agreement of a Core Offer budget by Council in June 2016. The Council acknowledged that spending would need to be further reduced by £10m per annum by 2019/20, reducing expenditure and services to a statutory level with a small Futures Fund of £2.5m for services which the Council does not have to provide but which add great value to Darlington and its residents.

Whilst the Core Offer is extremely challenging especially given the further pressures that have arisen, particularly in social care, the Council can still deliver the agreed plan but needs to continue to pursue with vigour our 3 conditions of Building Strong Communities, Spending Wisely and Growing the Economy.

In 2018/19 following good progress made on achieving savings, strong cost management and innovative treasury initiatives the Council was in a position to add to the Futures Fund and have identified £4.1m for investment in services in five areas which hold great value to our community.This was subsequently increased to £4.7m in the 2019/20 MTFP.

In setting the criteria for the Futures Fund investments Members first and foremost took the two key priorities held in the Community Strategy of One Darlington Perfectly Placed.

One Darlington aims to make sure that all residents have opportunities for a good quality of life; that inequalities are tackled, the most vulnerable supported and the potential of every resident realised.

Perfectly Placed aims to make sure that Darlington's natural advantages of its transport links, good housing and attractive environment are maximised to create wealth within the economy and to ensure that everyone is able to share in that wealth.

It is planned to allocate the Futures Fund resources predominantly on a one-off basis across the following five themes of Community Safety, Maintain an attractive street scene environment, Maintaining a vibrant town centre, Developing an attractive visitor economy and Neighbourhood renewal.

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

Elizabeth Davison

Assistant Director - Resources
Section 151 Officer
Darlington Borough Council

Narrative Report of Darlington Borough Council

1 An Introduction to Darlington

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 new Tees Valley Mayor, is taking on new 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 - As of 2017, Darlington's population is estimated to be 106,565: a significant increase from 97,900 in 2001.

By 2034 it is estimated that the proportion of Darlington's population aged 65 or above will exceed 25% (currently 20%).

Demographics - Most of the population are long-term residents:

- 64.9% are owner-occupiers
- 15.5% live in social housing

However, 7.8% of the population moves to or leaves Darlington every year.

Darlington has a higher than average proportion of children and older people, compared to the North East of England.

Income - Darlington residents, on average, are estimated to earn below average for the North East, with a median gross annual earnings calculated to be £26,198.

Gross disposable Income (GDHI) per head, which takes into account all forms of incomes not just earnings, in Darlington is estimated to be £15,487 per year, which is slightly below the regional average.

Economy - Over £500 million of public and private sector investment has been attracted into Darlington over the last 5 years.

In terms of employment concentrations against national and regional averages Darlington has comparative advantage in a number of sectors, such as logistics, information & communication and financial & insurance services.

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Diversity - In comparison to other areas in the UK, Darlington's population is not ethnically diverse with just 6.2% of residents defining themselves as being non-white UK in the 2011 Census, compared to 20.3% for England as a whole.

People from Gypsy, Roma and Traveller communities comprise the largest ethnic minority grouping in Darlington.

Your Council - Darlington Borough Council has a gross budget of over £220m and employs around 2,000 staff in full time and part time contracts (excluding schools). Below is the make up of the workforce of the Council:

Headcount

	Female	Male	Total
Full Time	548	527	1,075
Part Time	742	212	954
Total	**1,290**	**739**	**2,029**

This equates to 1,410.72 FTEs.

3 Council's Performance

Darlington's sustainable community strategy (SCS), 'One Darlington: Perfectly Placed' outlines the vision for the borough, as agreed by the Darlington Partnership.

Darlington Partnership brings together all those who are committed to achieving the best for Darlington and its people. Membership includes the Council, NHS, Police, Fire and Rescue Service, business leaders, community and voluntary sector representatives and people from the wider community.The Partnership has two purposes:

- to agree what are the major issues and opportunities for Darlington; and
- to ensure action is being taken to address them

'One Darlington: Perfectly Placed' is the overall vision for Darlington's future agreed by the Partnership members and it has 8 outcomes which are set out below:

We will improve quality of life for all and reduce inequality by ensuring we have:

- Children with the best start in life
- More businesses and more jobs
- A safe and caring community
- More people caring for our environment
- More people active and involved
- Enough support for people when needed
- More people healthy and independent
- A place designed to thrive

In order to achieve these outcomes, the strategy also identifies three conditions which must be met for the vision to be realised.

1. Building Strong Communities

- Enabling people to live fulfilling lives with less involvement from public services:
    - People take personal responsibility
    - People live in communities with strong social capital, where people look out for each other
    - Communities come together and take ownership and responsibility for their neighbourhoods

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2. Spending Every Pound Wisely

- Maximising value for all public services:
  - Public services are planned together and, where sensible, commissioned together
  - Every Pound is spent well on the things that make the most impact

3. Growing the Economy

- Generating income streams, employment and opportunities:
  - We have a strong and vibrant economy
  - We achieve growth in the economy

Delivery of the SCS is managed via a Performance Management Framework (PMF) of strategic performance measures as determined by the Darlington Partnership. Year end performance across the Council and the outcomes is mixed, with much positive news to build on but also some emerging priorities to take into account.

In terms of giving Children the Best Start in Life, good progress has continued to be made over the past year: the percentage of children achieving a good level of development in early years is above average and the proportion of pupils achieving expected standard in reading, writing and maths at Key Stage 2 is improving. Darlington pupils also score above regional and statistical neighbour comparators for Attainment 8 at Key Stage 4 and for the percentage of 19 year olds achieving a Level 3 qualification. However, there are still areas where further work is needed: at all ages there is a significant inequality gap in attainment, with a clear negative correlation discernable at school level between pupil performance and the proportion of pupils classed as disadvantaged. Darlington also scores below all comparator groups for Progress 8 score at Key Stage 4. Data on child obesity also shows that the proportion of children in Darlington measured as obese has been increasing at a faster rate than elsewhere, and is now above the England average and nearing the regional figure.

Regarding the economy, on many indices Darlington continues to outperform regional and national growth trends, including unemployment. This good performance, however, is not always felt by residents, with workplace and residence-based earnings figures both showing significant numbers of people earning low wages and a slightly higher than average proportion of jobs part-time. Average gross disposable household income fell in 2016, likely due to the continuing impact of welfare reforms and Darlington's relatively high over-65 population. Darlington's Gross Value Added (GVA) however continues to be significantly above the regional average and increasing in line with elsewhere.

The Council's contribution to making Darlington a safe and caring community is largely via its input to the multi-agency Community Safety Partnership, a group comprising the five 'responsible authorities' – the Council, the police, health, probation and fire and rescue – to tackle crime, anti-social behaviour, substance misuse, environmental crime and reoffending. This group has been restructured to strengthen ties with the Health and Wellbeing Board and a newly created Multi-Agency Partnership, which allows for quick, operational responses to incidents of anti-social behaviour.

Regarding a safe and caring community, the number of reported crimes fell slightly last year but has increased 16% from two years ago.The biggest increases have been in possession of weapons (although numbers remain small), public order offences and drugs, and reports of sexual and violent crime have increased by 2,000. Big reductions however have been recorded in antisocial behaviour, bicycle theft and burglary, which have coincided with the introduction of a new Council community safety team.

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In terms of More People Caring for Our Environment, the Council has contributed to significant improvements in recycling rates (up 18% since 2013/14, with an equivalent reduction in refuse). Dry recycling has also doubled since 2006/07, and the local composting rate has risen by a third. Volunteers have also continued to contribute significantly to the borough remaining clean and green, with street champions continuing to be very active and increase in number and Darlington Cares - a local organisation comprised of significant local employers in order to coordinate their corporate social responsibility activities - doubled the number of volunteer hours dedicated by members to local litter picks and park improvements, including via a new 'Parks Auction' initiative which was shortlisted for an LGC award.

In terms of encouraging residents to be active and involved, data relating to the proportion of adults who are physically active in Darlington appears to have worsened over the past year however significant work has continued to be undertaken to support residents to be more active, including by the Council's Move More team and sustainable transport service. More broadly, in terms of widening general participation in civic life, a signficant consultation exercise has recently been undertaken into the local library service which will seek to increase membership and usage, and an increase in visitors to the local Head of Steam museum has also been recorded over the last year.

In respect of Enough Support When Needed, the Reablement and Supported Living services achieved an overall rating of ‘Good’ following a Care Quality Commission inspection in October 2018 and, following visits to 5 of the Council's commissioned residential homes, the local Healthwatch found that individuals were very happy with the care and support they received, relatives felt that their family members were looked after, and interactions between residents and staff were very kind and caring. Adult Services also supported more people to remain independent in their own homes, resulting in fewer placements in residential care homes, and an Adults Services social worker won a silver award for Mental Health Social Worker of the Year, in recognition of their dedication and innovative ways of supporting people with mental health. Priorities for the next year will be on continuing to maximise residents' independence, including by improving usage of universal community-based services.

Ensuring that Darlington residents are healthy and independent, out of all the One Darlington outcomes, will require the most sustained and coordinated effort by agencies and residents across the borough. The determinants of health are wide-ranging and complex: our diet, upbringing, education, household income and even where in the borough we live, are just a few of the many factors that combine to predict our life expectancy, for example. Notable achievements over the past year include the Healthy New Towns programme which was been shortlisted for the 2019 LGC Public Health Award. Smoking prevalence in adults has continued to reduce, from 17.3% in 2016 to 14.4% in 2017, and the Council’s Recovery and Wellbeing service, which supports people to overcome substance misuse dependency via a “recovery-orientated” approach, received a positive report from Care Quality Commission (CQC). Key priorities for the next year include developing a sustainable offer of food and activities for children in deprived communities over the school holidays, reviewing our approach to drugs in Darlington, and improving living and environmental conditions for residents living in the private rented sector.

Finally, performance towards 'A Place Designed to Thrive' is generally positive. £25m funding was secured for the redevelopment of Darlington railway station. Agreement was secured to relocate Darlington’s cattle market out of the town centre. In line with the Town Centre Footfall Strategy, a number of actions were undertaken in 2018 to ensure our town centre continues to attract residents, visitors and businesses. 487 new homes were built across the borough in 2018/19, including 141 affordable homes. £4.8m of funding was won from the Department for Transport to improve the highway infrastructure on the eastern side of the town. A new walking and cycling bridge linking the Central Park development with Darlington Rail Station has been constructed, funded by TVCA. In addition, more than 22km of Darlington roads were resurfaced and 6,582 potholes repaired in 2018/19.

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An Ofsted focused visit was conducted on 27 and 28 February 2019 and inspectors considered the Council's arrangements for children who need help and protection, in accordance with the Inspection of Local Authority Children's Services Framework. Specifically Inspectors looked at the arrangements for children in need and those subject to a protection plan, including children receiving help and support from the disabled children service, Life Stages Team.

Darlington Children's Services were last inspected by Ofsted in March 2018 when the overall effectiveness was judged to require improvement to be good. Since then, a stable and committed leadership team with strong political support, has been successful in establishing and maintaining a stable and motivated workforce.

Performance data is comprehensive and quality assurance processes are showing signs of improvement, demonstrating that most children are seen regularly by their social workers but are needed to be seen alone more frequently.

In urgent and high risk situations, progress has been sustained and children are seen quickly to ensure their safety. Assessments continue to be completed within timescales set out by national guidelines, and children's plans are regularly reviewed and updated. The quality of direct work with children is improving, but it is not always evidencing positive impact for all children.

Independent Reviewing Officers have become more effective since the last inspection and they appropriately challenge workers and managers to help progress plans and reduce delay for children.

Senior management recognise there is more to do to ensure that the help and support provided to all children in need of help and protection results in sustained improvements in their lives.

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 2022/23 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.

Following the referendum result in June 2016 which meant that the United Kingdom was to leave the European Union (EU), the formal process began in March 2017 when Article 50 was triggered. The implications of leaving the EU are not fully known but there could be a potential impact on the Council due to reductions in EU funding, a change in interest rates, an increase in expenditure and general impact on the residents of Darlington.

The impact of 'Brexit' will be closely monitored and any adverse effect considered in future plans and reported through the appropriate medium. Indeed the Council has already seen a reduction in investment income as a result of interest rate uncertainty.

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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 2018/19	Budget £'000	Actual £'000	Variance £'000
Departmental Resources			
Children and Adults Services	55,882	53,408	(2,474)
Economic Growth & Neighbourhood Services Group	19,990	18,527	(1,463)
Resources Group	9,833	9,665	(168)
Council Wide	74	(53)	(127)
Total Departmental Resources	85,779	81,547	(4,232)
Corporate Resources			
Financing Costs	915	249	(666)
Contingencies Budget	(2,175)	(2,321)	(146)
Mid-year Savings	425	0	(425)
Futures Fund	2,337	0	(2,337)
Unallocated Grant Income	0	(862)	(862)
Total Corporate Resources	1,502	(2,934)	(4,436)
Net Expenditure	87,281	78,613	(8,668)
Reserves			
Planned Use of General Reserve	(4,743)	(4,743)	0
Departmental Balances brought forward	(1,898)	(1,898)	0
Departmental Balances carried forward	0	2,841	2,841
Futures Fund carried forward	0	2,337	2,337
Contribution to Earmarked Reserves	0	1,200	1,200
Balance to Reserves	0	2,290	2,290
Total Reserves	(6,641)	2,027	8,668
Total Resources	**80,640**	**80,640**	**0**

Of the £4.232M departmental underspend, £2.841M is being carried forward and £1.391M is being returned to general reserves. Of the £4.436M corporate underspend, £2.337M is being carried forward and £2.099M is being returned to general reserves. In 2019/20, there is a planned net use of reserves of £1.457M as set out in the 2019-23 Medium Term Financial Plan.

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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:

2017/18 £'000	Gross Income	2018/19 £'000	%
(20,407)	Gross Council Rents	(20,327)	7.9
(9,094)	Revenue Support Grant	(6,334)	2.5
(3,112)	General Government Grants	(8,340)	3.3
(23,456)	Business Rates Income	(23,146)	9.0
(22,411)	Dedicated Schools Grant	(23,355)	9.1
(44,349)	Demand on Collection Fund	(47,455)	18.5
(66,625)	Specific Government Grants	(78,368)	30.6
(12,990)	Capital Grants	(19,100)	7.4
(8,022)	Capital Receipts	(2,747)	1.1
(502)	Interest and Investment Income	(1,807)	0.7
(41,157)	Income from Fees & Charges	(25,507)	9.9
(252,124)		**(256,486)**	100.0

How it was spent:

2017/18 £'000	Gross Expenditure	2018/19 £'000	%
114,980	Children & Adult Services	121,346	50.3
110,491	Economic Growth & Neighbourhood Services Group	111,801	46.3
6,949	Resources	7,328	3.0
606	Other	993	0.4
233,026		**241,468**	100.0
258	Precepts & Levies	265	
6,403	Interest Payable	24,105	
3,820	IAS 19 Pension cost adjustment	4,280	
8,446	Amount of non-current assets written off on disposal	1,604	
341	Investment property expenditure and change in fair value	440	
867	Other	197	
20,135		**30,891**	
253,160	**Total Expenditure**	**272,359**	
1,036	**Deficit for year**	**15,873**	

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Sources of Funds to meet Capital Expenditure Plans

The total resources available for capital schemes during 2018/19 totalled £97.250m; however not all of the resources were planned to be expended during 2018/19. Some schemes have a build life of longer than one year so the actual planned spend for 2018/19 was £49.250m with an actual spend of £39.791m. The main areas of slippage relate to major projects in Transport and Housing as well as Ingenium Parc. The slippage into 2019/20 will be financed by unsupported borrowing, grants carried forward, Usable Capital Receipts and Revenue and Capital Contributions.

Capital expenditure 2018/19	**Capital Spend Available £'000**	**Planned Spending 2018/19 £'000**	**Actual £'000**	**Approved Capital Spend Carried Forward £'000**
Children & Adult Services	5,321	2,321	1,130	4,191
Economic Growth & Neighbourhood Services & Resources	91,500	46,500	35,232	56,268
Leased Assets	429	429	429	0
Total	**97,250**	**49,250**	**36,791**	**60,459**
Financed by				
**Corporate Unsupported Borrowing			11,611	
Capital Grants			9,336	
Housing Revenue Contributions			9,446	
Capital Contributions			4,076	
Housing Revenue Account Capital Receipts			550	
General Fund Capital Receipts			1,772	
Total			**36,791**	

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

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

	£'000
Community Assets Improvements	6
Highways & Transport Infrastructure	7,441
Housing Stock - Improvements	10,953
Investment Properties	5
Operational Buildings - Improvements	9,372
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	968
Development Services	7,456
Children's Services Improvements to Schools	161
Vehicles, Plant & Equipment	429
Total	**36,791**

The Council is also committed to make payments estimated at £48.026m 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.

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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

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Capital Expenditure and funding					
Children, Families and Learning	110	110	110	110	440
Housing (HRA)	22,534	9,634	9,134	7,354	48,656
Transport	4,950	2,670	2,670	2,670	12,960
Other Capital Programmes	869	869	869	869	3,476
Council Funded Schemes	1,736	1,913	400	400	4,449
Total Spending Plans	**30,199**	**15,196**	**13,183**	**11,403**	**69,981**
Resources					
Capital Grants	5,929	3,649	3,649	3,649	16,876
HRA Revenue Contributions	5,854	5,632	5,620	5,620	22,726
HRA Investment Fund	4,780	3,780	3,280	1,500	13,340
HRA Capital Receipts	200	222	234	234	890
HRA Borrowing	11,700	0	0	0	11,700
Corporate Resources	1,736	1,913	400	400	4,449
Total Resources	**30,199**	**15,196**	**13,183**	**11,403**	**69,981**

Balance Sheet

The Council's summarised Balance Sheet is shown below:

	As at 31 March 2018 £m	As at 31 March 2019 £m
Non-current assets	398	415
Net current assets - debtors, stock, cash and short term investments less short term creditors and liabilities	(14)	(21)
Long Term Liabilities and Provisions	(317)	(325)
Total Net Assets	**67**	**69**
Represented by:		
Usable reserves	66	78
Unusable reserves	1	(9)
Total Reserves	**67**	**69**

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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. A risk matrix is shown below with the current Council Corporate risks that are above the 'risk appetite line'.

<u>RISK MATRIX</u>

CORPORATE

LIKELIHOOD	A Very High				
	B High				
	C Significant			**5**	
	D Low				
	E Very Low				
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

There is only 1 corporate risk that is above the 'risk appetite line' and it's further explained below.

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Corporate risk 5 - Council unable to meet its obligations under information governance agenda

As reported to the October 2018 Audit Committee, the Council continues to make steady progress on the implementation of the information governance programme. The Council now has a fairly comprehensive record of its processing activities, with almost all service areas having completed an Information Asset Register (IAR). These are live documents and will be reviewed at least annually. Having completed the IARs the Council has also made significant progress in ensuring all services have GDPR compliant privacy notices in place. These are available via the Council's website. The Internal Audit Work Programme Template has now been updated to include questions aimed at gauging a service's level of compliance with various aspects of GDPR/The Data Protection Act 2018. The Data Protection Officer (DPO) and the Principal Lawyer (Commercial) have updated the Council's procurement documents and Standard Terms and Conditions for the provision of services to ensure any new contracts with data processors are GDPR compliant and have advised Information Asset Owner's (IAOs) to issue variation letters to those contractors who already process personal data on behalf of the Council. The Council has amended the Information Security Incident Management Process to ensure decisions can be made and personal data breaches reported to the ICO, where appropriate, within the 72 hour time limit set in the GDPR. The revised process includes a standard and consistent risk assessment method. Since the October 2018 report the Council has implemented a Data Protection Impact Assessment Tool (DPIA) to ensure DPIAs are undertaken in all instances where they are legally required. The DPO has also issued advice on what the Council needs to do to ensure its CCTV is compliant with GDPR and the advice of the Surveillance Camera Commissioner's advice, and met with the IAO earlier this month to progress that work.

6 Significant Areas with Financial Implications

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 £175.650m (in 2017/18 the IAS 19 pension liability was £168.400m). 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 2016 the deficit is to be recovered over a period of 21 years, as agreed by the Pension Fund Administering Authority with the Actuary. Further information is available in Note 37 in the Notes to the Financial Statements.

Business Rates Retention Scheme

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

The main aim of the scheme is to give councils greater incentive to grow businesses in their area, although it does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency (VOA) and hence business rates outstanding as at 31 March 2019. As such the Council is required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. Due to the 2010 and 2017 Revaluation the total provision outstanding at the end of 2018/19 has been reviewed and reduced to £1.812m.

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Treasury Management

On 22 February 2018 the Council approved the Treasury Management Strategy for 2018/19. Treasury management performance is reported to Cabinet and Council with detailed reviews being undertaken by Audit Committee.

With regards treasury management, the financial year 2018/19 presented similar circumstances to previous years. Investments continued to be made only where there was low risk, for the Council this manifested itself in the continuing reliance on internal borrowing (reduced external investments and using the money to pay for capital expenditure rather than borrowing). However some £25m of this was externalised in order to invest in Property Funds. The remaining Internal borrowing still had 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.

During 2018/19 the Council complied with its legislative and regulatory requirements. The need for borrowing was only increased for capital purposes.

At 31 March 2019, the Council's external debt was £179.161m which is £19m more than the previous year. The average interest rate for borrowing was down to 3.06% from 3.84% in 2017/18. Investments totalled £55.849m at 31 March 2019 (£52.433m at 31 March 2018) earning interest of 0.74% over the year. Included in the total investments figure were Property Fund units of £29.999m which provided an annualised net return of 2.41%.

7 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 2019 are set out in the following pages and a glossary of terms is provided on pages 91 to 103.

Movement in Reserves Statement (page 16)

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 17)

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.

Narrative Report of Darlington Borough Council

Balance Sheet (page 18)

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 19)

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.

Expenditure and Funding Analysis (page 21)

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 75 - 87)

Housing Revenue Account (page 75)

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 80)

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 83)

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 witth effect from 1 June, 2018 that officer is the Assistant Director, Resources;

- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and

- approve the Statement of Accounts.

The Assistant Director, Resources' Responsibilities

The Assistant Director, Resources 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 Assistant Director,Resources 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 Assistant Director, Resources has also:

- kept proper accounting records which were up to date; and

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Assistant 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 2019 and the income and expenditure for the year ended 31 March 2019.

E J Davison

Dated: 31 May 2019

Elizabeth Davison
Assistant Director, Resources

Recertified

Dated:

Elizabeth Davison
Assistant Director, Resources

Certification of the Statement of Accounts

As Chair of the Audit Committee meeting held on 31 July 2019, I hereby acknowledge that the Statement of Accounts for 2018/19 has been considered and approved by this Committee, in accordance with the Accounts and Audit (England) Regulations 2015, Regulation 8(3).

______________________________________ Dated: __________________________

Councillor Scott Durham - Chair of Audit Committee

Movement in Reserves Statement for Darlington Borough Council for the year ended 31 March 2019

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2017	(17,336)	(16,523)	(15,925)	(3,282)	(11,260)	**(64,326)**	(8,827)	**(73,153)**
Movement in reserves during 2017/18								
Deficit/(Surplus) on the Provision of Services	3,712	0	(2,676)	0	0	**1,036**	0	**1,036**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	5,494	**5,494**
Total Comprehensive Income and Expenditure	3,712	0	(2,676)	0	0	**1,036**	5,494	**6,530**
Adjustments between accounting basis and funding basis under regulations **(Note 5**)	(6,309)	0	4,717	(637)	(583)	**(2,812)**	2,812	**0**
Net (Increase)/decrease before Transfers (to)/from Earmarked Reserves	(2,597)	0	2,041	(637)	(583)	(1,776)	8,306	6,530
Transfers (to)/from Earmarked Reserves **(Note 6**)	(830)	830	0	0	0	**0**	0	**0**
(Increase)/Decrease in 2017/18	**(3,427)**	**830**	**2,041**	**(637)**	**(583)**	**(1,776)**	**8,306**	**6,530**
Balance at 31 March 2018 carried forward	**(20,763)**	**(15,693)**	**(13,884)**	**(3,919)**	**(11,843)**	**(66,102)**	**(521)**	**(66,623)**
Movement in reserves during 2018/19								
Deficit/(Surplus) on the Provision of Services	17,567	0	(1,694)	0	0	**15,873**	0	**15,873**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	(10,694)	**(10,694)**
Total Comprehensive Income and Expenditure	17,567	0	(1,694)	0	0	**15,873**	(10,694)	**5,179**
Adjustments between accounting basis and funding basis under regulations (**Note 5**)	(20,818)	0	(1,097)	301	(6,070)	**(27,684)**	27,684	**0**
Net (Increase)/decrease before Transfers (to)/from Earmarked Reserves	(3,251)	0	(2,791)	301	(6,070)	**(11,811)**	16,990	5,179
Transfers from/(to) Earmarked Reserves **(Note 6**)	5,668	(5,668)	0	0	0	**0**	0	**0**
Decrease/(increase) in 2018/19	**2,417**	**(5,668)**	**(2,791)**	**301**	**(6,070)**	**(11,811)**	**16,990**	**5,179**
Balance at 31 March 2019 carried forward	**(18,346)**	**(21,361)**	**(16,675)**	**(3,618)**	**(17,913)**	**(77,913)**	**16,469**	**(61,444)**

Comprehensive Income and Expenditure Statement for Darlington Borough Council for the year ended 31 March 2019

2017/18					2018/19		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure / (Income) £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure / (Income) £'000
114,980	(61,816)	53,164	Children & Adult Services	3	121,345	(57,533)	63,812
110,491	(84,670)	25,821	Economic Growth & Neighbourhood Services	3	111,801	(84,251)	27,550
6,949	(2,505)	4,444	Resources Group	3	7,329	(1,586)	5,743
606	0	606	Other	3	993	(2,197)	(1,204)
233,026	**(148,991)**	**84,035**	**Cost of Services**		**241,468**	**(145,567)**	**95,901**
1,125	0	1,125	Other operating expenditure	7	937	0	937
8,446	(8,022)	424	Losses/(Gains) on the disposal of non-current assets	7	1,604	(2,747)	(1,143)
10,563	(2,111)	8,452	Financing and investment income and expenditure	9	28,350	(3,797)	24,553
0	(93,000)	(93,000)	Taxation and non-specific grant income	10	0	(104,375)	(104,375)
253,160	**(252,124)**	**1,036**	**(Surplus)/deficit on Provision of Services**		**272,359**	**(256,486)**	**15,873**
		(6,127)	Surplus on revaluation of Property, Plant and Equipment assets				(1,298)
		10,510	Actuarial (gains)/losses on pensions assets/liabilities	37			(9,440)
		74	Impairment losses on non-current assets charged to the revaluation reserve				44
		1,037	Deficit on the revaluation of available-for-sale financial assets	38			0
		5,494	**Other Comprehensive Income and Expenditure**				**(10,694)**
		6,530	**Total Comprehensive Income and Expenditure**				**5,179**

Balance Sheet of Darlington Borough Council as at 31 March 2019

As at 31 March 2018 £'000		As at 31 March 2019 £'000	Notes
355,741	Property, Plant and Equipment	367,019	16
9,073	Investment Properties	8,639	17
3,483	Heritage Assets	3,483	18
28,396	Long Term Investments	29,437	38
1,547	Long Term Debtors	6,393	38
398,240	**Total Long Term Assets**	414,971	
2,001	Short Term Investments	0	38
265	Inventories	679	20
20,458	Short Term Debtors	23,467	22
23,209	Cash and Cash Equivalents	24,673	23
280	Assets Held For Sale	280	
46,213	**Total Current Assets**	49,099	
(30,039)	Short Term Borrowing	(39,164)	38
(29,478)	Short Term Creditors	(29,989)	24
(1,054)	Short Term Provisions	(888)	15
(60,571)	**Total Current Liabilities**	(70,041)	
(12,653)	Long Term Creditors	(11,498)	38
(999)	Long Term Provisions	(964)	25
(132,722)	Long Term Borrowing	(142,727)	38
(168,400)	Other Long Term Liabilities	(175,650)	37
(2,485)	Capital Grants Receipts In Advance	(1,746)	31
(317,259)	**Total Long Term Liabilities**	(332,585)	
66,623	**Net Assets**	61,444	
66,102	Usable Reserves	77,913	28
521	Unusable Reserves	(16,469)	29
66,623	**Total Reserves**	61,444	

Cash Flow Statement for Darlington Borough Council for the year ended 31 March 2019

2017/18 £'000		2018/19 £'000
(1,037)	Deficit on the provision of services	**(15,873)**
37,692	Adjustments to net deficit on the provision of services for non-cash movements	28,627
(23,670)	Adjustments for items included in the net (deficit) on the provision of services that are investing and financing activities	(21,842)
12,985	**Net cash flow from/(used in) Operating Activities**	**(9,088)**
	Investing Activities	
(35,659)	Purchase of property, plant and equipment and investment property	(29,618)
(182,544)	Purchase of short term and long term investments	(149,398)
161,111	Proceeds from the sale of short term investments	150,830
8,022	Proceeds from the sale of property, plant and equipment and investment property	2,747
16,485	Capital grants received	18,361
(32,585)	**Net cash flow used in Investing Activities**	**(7,078)**
	Financing Activities	
45,000	Cash receipts of short and long term borrowing	37,505
1,140	Billing Authorities - Council Tax and NNDR adjustments	(223)
(1,192)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(1,172)
(12,000)	Repayments of short and long term borrowing	(18,500)
(49)	Other (payments)/receipts for financing activities	20
32,899	**Net cash flow from Financing Activities**	**17,630**
13,299	**Net increase in cash and cash equivalents**	**1,464**
9,910	**Cash and cash equivalents at the beginning of the reporting period**	23,209
23,209	**Cash and cash equivalents at the end of the reporting period (Note 23)**	**24,673**

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

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 2019/20 Code although there are no such changes that are expected to have a significant effect on the Council's 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 until 1 April 2020.

IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.

IFRIC 22 Foreign Currency Transactions and Advance Considerations clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not envisage having any material transactions within the scope of the amendment.

IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This will have no material impact on the Council's single entity accounts or the group accounts.

IFRS 9 Financial Instruments: prepayment features with negative compensation amends IFRS 9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to which this will apply.

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 2018/19 the Council has assessed its interests in the 3 Joint Ventures with Esh Homes Limited of which the Council 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 cash flows 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 not included on the Council's Balance Sheet.

- As at the 31 March 2019 the Council now only has 1 Voluntary Aided (VA) school and the legal ownership of the school land land and buildings rests with the Diocese. The relevant Diocese has granted a licence to the school to use the land and buildings and under this licence arrangement the rights of use of the land and buildings have not transferred to the school and thus are not included on the Council's Balance Sheet.

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

- The Council continues to assess the degree of componentisation within its non-current asset portfolio, as part of the 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 the schools 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 Durham Tees Valley Airport and up to 31 March 2018 the shareholding was held as an 'Available-for-Sale Asset' and measured at fair value each year. With the adoption of IFRS 9 Financial Instruments, the 'Available-for-Sale' asset category is no longer available. The new standard sets out that investments in equity should be classified 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.This means that any gains or losses on the valuation of the shareholding will be transferred to a Financial Instruments Revaluation Reserve.

3 Expenditure and Funding Analysis

2018/19 Group	Reported for resource management £'000	Adjustment to arrive at the net amount chargeable to the General Fund and HRA Balances £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Children & Adult Services	55,037	5,089	**60,126**	3,686	**63,812**
Economic Growth & Neighbourhood Services	19,535	(3,916)	**15,619**	11,931	**27,550**
Resources	9,869	(5,598)	**4,271**	1,472	**5,743**
Other	(53)	(708)	**(761)**	(443)	**(1,204)**
Net Cost of Services	**84,388**	**(5,133)**	**79,255**	**16,646**	**95,901**
Other income and expenditure	(81,977)	(3,320)	**(85,297)**	5,269	**(80,028)**
(Surplus)/deficit on Provision of Services	**2,411**	**(8,453)**	**(6,042)**	**21,915**	**15,873**
Opening General Fund, HRA and Earmarked Reserves Balance at 1 April 2018			(50,340)		
Less deficit on General Fund and HRA Balance in Year			(6,042)		
Closing General Fund, HRA and Earmarked Reserves Balance at 31 March 2019 *			**(56,382)**		

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

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

2017/18 Group	Reported for resource management £'000	Adjustment to arrive at the net amount chargeable to the General Fund and HRA Balances £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Children & Adult Services	51,517	3,956	**55,473**	(2,309)	**53,164**
Economic Growth & Neighbourhood Services	18,117	(71)	**18,046**	7,775	**25,821**
Resources	8,530	(4,261)	**4,269**	175	**4,444**
Other	(89)	499	**410**	196	**606**
Net Cost of Services	**78,075**	**123**	**78,198**	**5,837**	**84,035**
Other income and expenditure	(81,499)	2,745	**(78,754)**	**(4,245)**	**(82,999)**
Deficit/(surplus) on Provision of Services	**(3,424)**	**2,868**	**(556)**	**1,592**	**1,036**
Opening General Fund, HRA and Earmarked Reserves Balance at 1 April 2017			(49,784)		
Plus surplus on General Fund and HRA Balance in Year			(556)		
Closing General Fund, HRA and Earmarked Reserves Balance at 31 March 2018 *			**(50,340)**		

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

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 2018/19**			
2018/19 **Group**	**Adjustments for Capital Purposes** **£'000**	**Net change for Pensions Adjustments** **£'000**	**Other Differences** **£'000**	**Total Adjustments** **£'000**
Children & Adult Services	325	5,192	(1,831)	**3,686**
Economic Growth & Neighbourhood Services	8,308	5,409	(1,785)	**11,932**
Resources	74	1,518	(121)	**1,471**
Other	0	291	(734)	**(443)**
Net Cost of Services	**8,707**	**12,410**	**(4,471)**	**16,646**
Other income and expenditure from the Expenditure and Funding Analysis	(21,415)	4,280	22,404	**5,269**
Difference between General fund deficit and Comprehensive Income and Expenditure deficit	**(12,708)**	**16,690**	**17,933**	**21,915**

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Adjustments between Accounting Basis and Funding Basis 2017/18			
2017/18 Group	Adjustments for Capital Purposes £'000	Net change for Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Children & Adult Services	792	(1,089)	(2,012)	**(2,309)**
Economic Growth & Neighbourhood Services	15,809	(983)	825	**15,651**
Resources	(3,937)	(463)	(3,301)	**(7,701)**
Other	0	166	30	**196**
Net Cost of Services	**12,664**	**(2,369)**	**(4,458)**	**5,837**
Other income and expenditure from the Expenditure and Funding Analysis	(12,634)	3,820	4,569	**(4,245)**
Difference between General fund (surplus)/deficit and Comprehensive Income and Expenditure deficit	**30**	**1,451**	**111**	**1,592**

3b Expenditure and income analysed by nature

The Council's expenditure and income is analysed as follows:	Restated 2017/18 £'000	201819 £'000
Expenditure		
Employee benefits expenses	60,684	76,742
Other service expenses	150,576	150,738
Depreciation, impairment & other capital charges	25,926	19,480
Interest payments	6,403	22,858
Precepts and levies	258	265
Payments to Housing Capital Receipts Pool	867	672
Amounts of non-current assets written off on disposal	8,446	1,604
Total expenditure	**253,160**	**272,359**
Income		
Fees, charges and other service income	(70,297)	(74,645)
Capital receipts	(8,022)	(2,747)
Interest and investment income	(502)	(1,807)
Income from council tax and business rates	(67,805)	(70,601)
Revenue grants and contributions	(92,508)	(87,586)
Capital grants and contributions	(12,990)	(19,100)
Total income	**(252,124)**	**(256,486)**
Deficit/(surplus) on the provision of services	**1,036**	**15,873**

N.B. 2017/18 has been restated due to employee costs being overstated and Other service expenses being understated.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

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 2019 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 £0.043M for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability of £168m 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 £9.2900m 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 2018/19 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 2019. The estimate has been calculated using the latest Valuation Office ratings list of appeals and the analysis of successful appeals to date. The Council's share (49%) of the business rate appeals provision at this date amounted to £0.101m which is a reduction of £0.169m compared to the previous year. Following the 2017 revaluation a new check, challenge, appeal process has been introduced, the impact of which is highly uncertain at the present moment. A provision of £0.787m has been made for the estimated success of future appeals for losses for the period ended 31/03/19.	An increase over the forthcoming year of 10% in value of successful appeals would have the effect of adding £0.181m to the overall provision.
Arrears	At 31 March 2019, the Council had a balance of sundry debtors of £6.091m. A review of significant balances suggested that an impairment of doubtful debts of 25.97% (£1.582m) 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 2019

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.

2018/19	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'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)	(15,816)	(874)	0	0	0
Financial instruments (transferred to the Financial Instruments Adjustment	(17,648)	41	0	0	0
Council tax and NDR (transfers to Collection Fund)	286	0	0	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(45)	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)	8,737	(9,719)	0	0	(19,100)
Investment Funds	475	0	0	0	0
Total Adjustments to Revenue Resources	**(24,011)**	**(10,552)**	**0**	**0**	**(19,100)**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,747	0	(2,747)	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(726)	0	726	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,172	629	0	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	8,826	0	0	0
Total Adjustments between Revenue and Capital Resources	**3,193**	**9,455**	**(2,021)**	**0**	**0**
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	2,322	0	0
Application of capital grants to finance capital expenditure	0	0	0	0	13,030
Total Adjustments to Capital Resources	**0**	**0**	**2,322**	**0**	**13,030**
Total Adjustments	**(20,818)**	**(1,097)**	**301**	**0**	**(6,070)**

2017/18 Comparative Figures	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'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)	(1,378)	(72)	0	0	0
Financial instruments (to/(from) the Financial Instruments Adjustment	(128)	(10)	0	0	0
Council tax and NDR (transfers from Collection Fund)	841	0	0	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	52	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)	(14,043)	(9,254)	0	0	(12,990)
Total Adjustments to Revenue Resources	**(14,656)**	**(9,336)**	**0**	**0**	**(12,990)**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	8,022	0	(8,022)	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(867)	0	867	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,192	629	0	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	13,424	0	0	0
Total Adjustments between Revenue and Capital Resources	**8,347**	**14,053**	**(7,155)**	**0**	**0**
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	6,518	0	0
Application of capital grants to finance capital expenditure	0	0	0	0	12,407
Total Adjustments to Capital Resources	**0**	**0**	**6,518**	**0**	**12,407**
Total Adjustments	**(6,309)**	**4,717**	**(637)**	**0**	**(583)**

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

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 2018/19.

	Balance at 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31 March 2019 £'000
General Fund	17,336	(1,898)	5,325	20,763	(2,841)	424	18,346
	17,336	**(1,898)**	**5,325**	**20,763**	**(2,841)**	**424**	**18,346**
Earmarked Reserves:							
Achieving Real Change for Communities	1,000	(1,000)	0	0	0	0	0
Balances held by schools under scheme of delegation	961	(959)	706	708	(706)	943	945
Blackwell Pensions Reserve	39	0	6	45	0	6	51
Building Control	(205)	0	74	(131)	0	21	(110)
Civic Theatre Restoration Levy	(298)	(498)	0	(796)	(189)	0	(985)
Collection Fund Reserve	2,199	(1,158)	2,327	3,368	(821)	3,839	6,386
Crematorium - Mercury Abatement Reserve Additional Fees	87	0	0	87	(30)	211	268
Crematorium Refurbishment Fund	91	(106)	28	13	(47)	58	24
Dedicated Schools Grant Reserve	0	(1,239)	0	(1,239)	(1,664)	0	(2,903)
Digital Apprenticeship Services Account	0	0	132	132	0	64	196
Direct Payments Contingency Reserve	26	0	95	121	0	116	237
Dolphin Centre Planned Maintenance	0	0	32	32	0	33	65
Earmarked Departmental Reserves	1,745	(1,745)	1,898	1,898	(1,898)	2,841	2,841
Eastbourne 3G Playing Pitch Sinking Fund	11	0	15	26	0	15	41
Enterprise Zone NNDR	193	0	203	396	0	203	599
Experience Darlington	0	0	140	140	0	31	171
Former Blackwell Golf Club Grounds	4	0	2	6	0	6	12
Hippodrome Activity Plan	0	0	0	0	0	172	172
ICT Infrastructure	482	0	161	643	0	310	953
Insurance Fund	2,110	(507)	491	2,094	0	289	2,383
Local Development Fund Public Enquiry	80	0	0	80	0	0	80
Local Authority EU Exit Preparation	0	0	0	0	0	105	105
Performance Reward Grant Reserve	(32)	(25)	0	(57)	(5)	0	(62)
Mercury Abatement Fund	423	(55)	264	632	(47)	85	670
Morton Palms - Homes England	0	0	0	0	0	1,000	1,000
Organisational Headroom (Project Preparation)	100	(10)	0	90	0	0	90
Public Health Reserve	511	(39)	0	472	0	103	575
Redundancy & Decommissioning Reserve	974	0	0	974	(187)	0	787
Revenue Contribution to Capital Outlay	2,750	(2,143)	1,268	1,875	0	629	2,504
Revenue Grants Unapplied	3,242	(3,242)	3,819	3,819	(3,819)	3,948	3,948
Ring-fenced Planning Fees	0	0	58	58	0	70	128
Street Scene Volunteering	0	(17)	124	107	(17)	0	90
Traffic Signal Replacements Reserve	30	0	70	100	0	0	100
	16,523	**(12,743)**	**11,913**	**15,693**	**(9,430)**	**15,098**	**21,361**
Housing Revenue Account	15,925	(2,041)	0	13,884	0	2,791	16,675
	15,925	**(2,041)**	**0**	**13,884**	**0**	**2,791**	**16,675**

7 Other Operating Expenditure

	2017/18 £'000	2018/19 £'000
Parish Council precepts	156	161
Levies	102	104
Payments to the Government Housing Capital Receipts Pool	867	672
(Gains)/Losses on the disposal of non-current assets	424	(1,143)
Total	**1,549**	**(206)**

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

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	2017/18					2018/19			
	Number of employees					Number of employees			
	Schools	Non - schools	Total	No. of redundancies included in total		Schools	Non- schools	Total	No. of redundancies included in total
£50,000 - £54,999	3	10	13	0		2	20	22	0
£55,000 - £59,999	2	5	7	0		1	7	8	0
£60,000 - £64,999	1	2	3	1		2	2	4	1
£65,000 - £69,999	1	2	3	1		0	2	2	0
£70,000 - £74,999	1	3	4	1		0	0	0	0
£75,000 - £79,999	0	2	2	1		1	1	2	0
£80,000 - £84,999	1	2	3	1		0	3	3	0
£85,000 - £89,999	0	6	6	2		1	3	4	0
£90,000 - £94,999	0	0	0	0		0	0	0	0
£95,000 - £99,999	1	1	2	1		0	2	2	0
£100,000 - £104,999	0	0	0	0		0	0	0	0
£105,000 - £109,999	0	0	0	0		0	0	0	0
£110,000 - £114,999	0	1	1	1		0	0	0	0
£115,000 - £119,999	0	2	2	0		0	0	0	0
£120,000 - £124,999	0	1	1	0		0	2	2	0
£125,000 - £129,999	0	0	0	0		0	0	0	0
£130,000 - £134,999	0	1	1	1		0	0	0	0
£135,000 - £139,999	0	0	0	0		0	0	0	0
£140,000 - £144,999	0	0	0	0		0	1	1	0
£145,000 - £149,999	0	0	0	0		0	0	0	0
£150,000 +	0	1	1	1		0	0	0	0
	10	**39**	**49**	**11**		**7**	**43**	**50**	**1**

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

8 b) Disclosure of Remuneration for Senior Employees 2018/19

	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	Ada Burns	25,625	0	0	25,625	5,817	31,442
Managing Director (wef 1 June 2018)		124,477	0	0	124,477	28,068	152,545
Director of Neighbourhood Services and Resources (see below)		19,675	0	0	19,675	4,655	24,330
Director of Economic Growth & Neighbourhood Services		120,412	0	0	120,412	27,333	147,745
Director of Children and Adult Services		120,412	0	0	120,412	27,333	147,745
Director of Public Health		97,000	0	0	97,000	13,949	110,949
Assistant Director Resources		96,763	0	0	96,763	21,965	118,728

The Chief Executive retired on 31 May 2018 as part of a restructure of the Senior Management Team and the post was deleted from the establishment.

The post of Managing Director was created from 1 June 2018

The post of Director of Neighbourhood Services and Resources was removed from the establishment from 1 June 2018

The Director of Economic Growth post was changed to Director of Economic Growth and Neighbourhood Services from 1 June 2018

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

Disclosure of Remuneration for Senior Employees 2017/18 - Restated

	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	Ada Burns	153,750	0	201,000	354,750	32,902	387,652
Director of Neighbourhood Services and Resources		123,051	0	0	123,051	26,333	149,384
Director of Economic Growth		118,051	0	0	118,051	25,263	143,314
Director of Children and Adult Services		118,051	0	0	118,051	25,263	143,314
Director of Public Health		97,000	0	0	97,000	13,949	110,949

N.B. All of the Salaries above (apart from the Chief Executive) have been restated as they were wrongly shown in the 2017/18 Statement of Accounts.

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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £	2018/19 £
£0 - £20,000	15	5	29	18	44	23	254,843	205,668
£20,001 - £40,000	0	0	7	4	7	4	189,248	118,102
£40,001 - £60,000	1	0	3	0	4	0	195,454	0
£60,001 - £80,000	0	0	2	0	2	0	142,265	0
£80,001 - £100,000	1	0	1	0	2	0	163,655	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 +	0	0	1	0	1	0	201,000	0
Total	17	5	43	22	60	27	1,146,465	323,770

9 Financing and Investment Income and Expenditure

	2017/18 £'000	2018/19 £'000
Interest payable and similar charges	6,403	24,105
Pensions interest cost and expected return on pensions assets (**Note 37**)	3,820	4,280
Interest receivable and similar income	(502)	(1,807)
Income and expenditure in relation to investment properties and changes in their fair value (**Note 17**)	(155)	(282)
Gains on trading operations	(1,114)	(1,268)
Property Fund changes in fair value measurement	0	(475)
Total	**8,452**	**24,553**

10 Taxation and Non Specific Grant Income

	2017/18 £'000	2018/19 £'000
Council tax income	(44,349)	(47,455)
Business rates income	(23,456)	(23,146)
Non-ringfenced government grants	(12,205)	(14,674)
Capital grants and contributions	(12,990)	(19,100)
Total	**(93,000)**	**(104,375)**

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

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:

	2017/18			2018/19	
	Turnover £'000	Surplus / (Deficit) £'000		Turnover £'000	Surplus / (Deficit) £'000
Building Cleaning	584	(73)		560	(109)
Construction	13,248	643		5,606	834
Catering	1,170	60		1,476	371
Grounds Maintenance	228	8		264	7
Highways and Sewerage	9,147	510		6,514	582
Maintenance	3,329	343		4,147	396
School Meals-Best Value	709	(24)		714	(30)
Surplus on Trading Accounts	28,415	1,467		19,281	2,051

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

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

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

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

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

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

School Meals-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:

	2017/18 £'000	2018/19 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	93	72
Fees payable for the certification of grant claims and returns for the year	9	10
Fees payable in respect of other services provided during the year	11	10
Total	**113**	**92**

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

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 2018/19 are as follows:

	Central Expenditure £'000	ISB £'000	Total £'000
Final DSG for 2018/19 before Academy recoupment			85,636
Academy figure recouped 2018/19			(62,064)
Total DSG after academy recoupment for 2018/19			**23,572**
Final Early Years Adjustment 2017/18 (DSG adjusted 2018/19)			(128)
Sub-total			23,444
Plus Brought Forward from 2017/18			(1,239)
Carry Forward to 2019/20 agreed in advance			0
Final DSG for distribution in 2018/19			**22,205**
Agreed initial budget distribution in 2018/19 (**note a**)	10,045	75,148	85,193
In Year Adjustments (**note b**)	(1,302)	(61,686)	(62,988)
Final budget distribution for 2018/19	**8,743**	**13,462**	**22,205**
Less actual central expenditure	11,758	0	11,758
Less Actual ISB deployed to Schools	0	13,349	13,349
Carry Forward to 2019/20	**(3,015)**	**113**	**(2,902)**

Notes:

a. Initial budget allocation as per Section 251 statement, based on indicative DSG allocation received December 2017
b. Includes carry forward from 2017/18 and 2018/19 in year DSG adjustments included within the final allocation, e.g. additional high needs allocation, recoupment, and Early Years adjustments

15 Short Term Provisions

	NNDR Appeals £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2018	(1,054)	0	**(1,054)**
Amounts Settled in 2018/19	148	0	**148**
Unused amounts reversed in 2018/19	18	0	**18**
Balance at 31 March 2019	**(888)**	**0**	**(888)**

NNDR appeals - A provision was created for potential outstanding appeals against NNDR 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.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

16 Property, Plant and Equipment

Movements in 2018/19:	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2018	153,447	102,007	31,739	99,198	9,237	2,173	62	**397,863**	8,396
Additions	10,937	9,528	429	7,419	6	1,295	0	**29,614**	0
Accumulated depreciation & impairment Written Off to Gross Carrying Amount	(2,771)	(769)	0	0	0	0	0	**(3,540)**	0
Revaluation increase recognised in the Revaluation Reserve	86	1,212	0	0	0	0	0	**1,298**	0
Revaluation decreases recognised in the Deficit on the Provision of Services	(6,919)	(2,603)	0	0	0	0	0	**(9,522)**	0
Derecognition - disposals	(1,604)	0	0	0	0	0	0	**(1,604)**	0
Assets reclassified from Investment Properties	0	124	0	0	0	0	0	**124**	
Other movements in cost or valuation	0	(5,207)	0	0	0	5,207	0	**0**	0
At 31 March 2019	**153,176**	**104,292**	**32,168**	**106,617**	**9,243**	**8,675**	**62**	**414,233**	**8,396**
Accumulated Depreciation and Impairment									
At 1 April 2018	146	1,479	16,734	23,514	206	31	12	**42,122**	445
Depreciation charge	2,529	1,343	1,491	2,975	0	0	0	**8,338**	147
Depreciation written out to the Deficit on the Provision of Services	(2,521)	(760)	0	0	0	0	0	**(3,281)**	0
Impairment losses recognised in the Revaluation Reserve	0	44	0	0	0	0	0	**44**	0
Impairment reversals recognised in the Deficit on the Provision of Services	0	(9)	0	0	0	0	0	**(9)**	0
Derecognition - disposals	0	0	0	0	0	0	0	**0**	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	**0**	0
At 31 March 2019	**154**	**2,097**	**18,225**	**26,489**	**206**	**31**	**12**	**47,214**	**592**
Net book value									
at 31 March 2019	**153,022**	**102,195**	**13,943**	**80,128**	**9,037**	**8,644**	**50**	**367,019**	**7,804**
at 31 March 2018	**153,301**	**100,528**	**15,005**	**75,684**	**9,031**	**2,142**	**50**	**355,741**	**7,951**

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

Comparative Movements in 2017/18	Restated Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2017	147,900	92,739	31,889	91,203	9,148	16,072	62	**389,013**	8,384
Additions	15,667	10,788	421	8,114	89	0	0	**35,079**	12
Accumulated depreciation & impairment Written Off to Gross Carrying Amount	(2,684)	(3,433)	0	0	0	0	0	**(6,117)**	0
Revaluation increase recognised in the Revaluation Reserve	978	5,149	0	0	0	0	0	**6,127**	0
increases/(decreases) recognised in the Deficit on the Provision of Services	(6,564)	(10,386)	0	0	0	0	0	**(16,950)**	0
Derecognition - disposals	(2,035)	(6,564)	(571)	(119)	0	0	0	**(9,289)**	0
Other movements in cost or valuation	185	13,714	0	0	0	(13,899)	0	**0**	0
At 31 March 2018	**153,447**	**102,007**	**31,739**	**99,198**	**9,237**	**2,173**	**62**	**397,863**	**8,396**
Accumulated Depreciation and Impairment									
At 1 April 2017	197	3,245	15,621	20,840	206	143	12	**40,264**	285
Depreciation charge	2,413	1,358	1,684	2,727	0	0	0	**8,181**	148
Depreciation written out to the Surplus on the Provision of Services	(2,430)	(3,178)	0	0	0	0	0	**(5,608)**	0
Impairment losses recognised in the Revaluation Reserve	0	74	0	0	0	0	0	**74**	0
Impairment reversals recognised in the Surplus on the Provision of Services	9	43	0	0	0	0	0	**52**	0
Derecognition - disposals	(53)	(166)	(571)	(52)	0	0	0	**(842)**	0
Other movements in depreciation and impairment	10	103	0	0	0	(112)	0	**1**	12
At 31 March 2018	**146**	**1,479**	**16,734**	**23,514**	**206**	**31**	**12**	**42,122**	**445**
Net book value									
at 31 March 2018	**153,301**	**100,528**	**15,005**	**75,684**	**9,031**	**2,142**	**50**	**355,741**	**7,951**
at 31 March 2017	**147,703**	**89,494**	**16,268**	**70,363**	**8,942**	**15,929**	**50**	**348,749**	**8,099**

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 buildings are depreciated over 60 years, car parks for 20 years and Community Assets have indefinite lives;
- Vehicles, Furniture & Equipment - between 3 and 12 years
- Plant - over the life of the asset as estimated by the valuer
- Infrastructure Assets - 30 years

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

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 external valuers (Kier) 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	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	0	2,224	13,943	80,128	9,037	8,644	50	**114,026**	1,304
valued at fair value as at:									
31 March 2019	153,022	28,243	0	0	0	0	0	**181,265**	6,647
31 March 2018	0	34,110	0	0	0	0	0	**34,110**	0
31 March 2017	0	6,856	0	0	0	0	0	**6,856**	0
31 March 2016	0	16,665	0	0	0	0	0	**16,665**	0
31 March 2015	0	14,097	0	0	0	0	0	**14,097**	0
Total Cost or Valuation	**153,022**	**102,195**	**13,943**	**80,128**	**9,037**	**8,644**	**50**	**367,019**	**7,951**

Capital Commitments

At 31 March 2019 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment that were budgeted to cost £30.199m in future years, of which £5.929m will be funded from grant, £10.834m from the Housing Revenue Account, £11.700m to be prudentially borrowed and £1.736m from corporate resources. Similar commitments at 31 March 2018 were £25.427m. The commitments at 31 March 2019 are:

Scheme	**Total Estimate £'000**
Housing - new build	16,480
Housing - various other enhancements including heating replacement, internal planned maintenance & roofing	6,054
School condition allocations	110
Highway maintenance	1,689
Local Growth Fund	425
National Productivity Investment Fund	1,855
Integrated Transport	886
Pothole Action Fund	95
Disabled Facilities	869
Economic Growth Investment Fund	336
Highways maintenance etc	1,000
Other	400
	30,199

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

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:

	2017/18 £'000	2018/19 £'000
Rental income from investment property	495	722
Direct operating expenses arising from investment property	(16)	(124)
Net gain	**479**	**598**

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:

	2017/18 £'000	2018/19 £'000
Balance at start of the year	8,831	9,073
Additions:		
Purchases	0	0
Subsequent Expenditure	567	5
Disposals	0	0
Net loss from fair value adjustments	(67)	(315)
Transfers from Property, Plant and Equipment	0	(124)
Adjustment due to historic imbalance	(258)	0
Balance at end of the year	**9,073**	**8,639**

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 2017	**758**	**565**	**2,160**	**3,483**
Additions	0	0	0	0
31 March 2018	**758**	**565**	**2,160**	**3,483**
Cost or Valuation				
1 April 2018	**758**	**565**	**2,160**	**3,483**
Additions / (Reductions)	0	0	0	0
31 March 2019	**758**	**565**	**2,160**	**3,483**

The Council holds a range of heritage assets comprising the Borough Art Collection, the Railway Museum Collection and various pieces of Civic Regalia. The Art Collection has been valued by an external valuer (the majority being valued in 2008) at £0.758m. The Civic Regalia was valued by an external valuer in 2011 at £0.565m. External valuations are reviewed periodically. The Railway Museum Collection is reported in the balance sheet at insurance valuation (based on market values) at £2.160m and is updated annually. In addition, the Council has on loan certain items from the National Railway Museum with an insurance valuation of £1.500m. Because of the nature of the loan agreement these assets are not included within the Council's Balance Sheet. The Council's heritage asset holdings are substantially static with low numbers of acquisitions or donations and no recent disposals.

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.

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 2018/19, the Council has recognised impairment losses of £0.294m 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 2018 £'000	31 March 2019 £'000
Comprehensive Income and Expenditure Statement		
- Children and Adult Services	386	0
- Economic Growth & Neighbourhood Services & Resources	250	294
	636	**294**

20 Inventories

	Consumable Stores		Maintenance Materials		Client Services Work In Progress		Total	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Balance at start of year	129	125	130	133	7	7	266	265
Purchases	932	1,138	1,064	1,507	0	6	1,996	2,651
Recognised as an expense in the year	(936)	(1,116)	(1,061)	(1,121)	0	0	(1,997)	(2,237)
Balance at year-end	**125**	**147**	**133**	**519**	**7**	**13**	**265**	**679**

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 Clinical Commissioning Groups (CCG) to establish and maintain pooled funds to support the outcomes of the BCF.

The Council has entered into a pooled budget arrangement with Darlington Clinical Commissioning Group 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 CCG 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.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

	2017/18 £'000	2018/19 £'000
Revenue Funding provided to the Pooled Budget		
Darlington Borough Council	89	97
Better Care Funding	2,379	2,424
Darlington Clinical Commissioning Group	776	495
	3,244	**3,016**
Expenditure met from the Pooled Budget		
Darlington Borough Council	89	97
Better Care Funding	2,286	2,414
Darlington Clinical Commissioning Group	884	480
	3,259	**2,991**
Net (deficit)/surplus arising on the Pooled Budget during the year	**(15)**	**25**
The Revenue surplus has been carried forward to funded from 2019/20 commitments within the BCF.		
Capital Funding provided to the Pooled Budget		
Better Care Funding	881	868
Expenditure	0	0
Net Surplus arising on the Pooled Budget during the year	**881**	**868**

22 Short Term Debtors

	As at 31 March 2018 £'000	As at 31 March 2019 £'000
Central government bodies	1,957	1,431
Other local authorities	906	4,333
NHS bodies	243	811
Other Entities and Individuals	17,096	19,377
Payments in Advance	5,179	3,215
Provision for Bad and Doubtful Debts	(4,923)	(5,700)
	20,458	**23,467**

23 Cash and Cash Equivalents

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

	As at 31 March 2018 £'000	As at 31 March 2019 £'000
Cash held by the Council	149	152
Bank current accounts / (Overdraft)	2,060	(1,329)
Short-term deposits	21,000	25,850
Total cash and cash equivalents	**23,209**	**24,673**

24 Short Term Creditors

	As at 31 March 2018 £'000	As at 31 March 2019 £'000
Central government bodies	(3,578)	(2,853)
Other local authorities	(1,673)	(2,740)
NHS bodies	(1,476)	(185)
Other entities and individuals	(22,751)	(24,211)
Total	**(29,478)**	**(29,989)**

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

25 Long Term Provisions

	Other £'000	Total £'000
Balance at 1 April 2018	(999)	**(999)**
Additional provisions made in 2018/19	0	**0**
Amounts used in 2018/19	0	**0**
Unused amounts reversed in 2018/19	35	**35**
Balance at 31 March 2019	**(964)**	**(964)**

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. The balance of £963,425 on this account represents claims made and still outstanding as at 31 March 2019 which are within these excesses.

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 £0.459m (£0.468m in 2017/18).

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

	31 March 2018 £'000	31 March 2019 £'000
Not later than 1 year	366	347
Later than 1 year and not later than 5 years	815	481
Later than 5 years	14	0
	1,195	**828**

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 2018/19 £0.531m (£0.404m in 2017/18) was received by the Council in relation to these leases.

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

	31 March 2018 £'000	31 March 2019 £'000
Not later than 1 year	404	531
Later than 1 year and not later than 5 years	1,596	1,671
Later than 5 years	6,543	6,516
	8,543	**8,718**

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 2019, 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 £0.235m up to 31st March 2019. 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 £0.470m. In addition outstanding claims of £0.043m of which 50% could be borne by the Council. As a result the Council has a contingent liability of £0.257m, this being the 50% that the Council could be liable for (£0.470m + £0.022m) less the amount paid over to MMI to date (£0.235m).

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.

28 Usable Reserves

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

	31 March 2018 £'000	31 March 2019 £'000
General Fund	20,763	18,346
Earmarked Reserves	11,166	16,468
Housing Revenue Account	13,884	16,675
Schools Revenue Balances	708	945
Revenue Grant Unapplied	3,819	3,948
Capital Receipts Reserve	3,919	3,618
Capital Grants Unapplied	11,843	17,913
Total Usable Reserves	**66,102**	**77,913**

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.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

29 Unusable Reserves

	31 March 2018 £'000	31 March 2019 £'000
Revaluation Reserve	36,537	37,268
Capital Adjustment Account	134,608	141,028
Financial Instruments Revaluation Reserve	0	(562)
Financial Instruments Adjustment Account	(174)	(17,781)
Pensions Reserve	(168,400)	(175,650)
Collection Fund Adjustment Account	(552)	(266)
Accumulated Absences Account	(461)	(506)
Available-for-sale Financial Instruments Reserve	(1,037)	0
Total Unusable Reserves	**521**	**(16,469)**

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.

	2017/18 £'000	2018/19 £'000
Balance at 1 April	**31,199**	**36,537**
Upward revaluation of assets	8,074	2,417
Downward revaluation of assets and impairment losses not charged to the Deficit/(surplus) on the Provision of Services	(1,947)	(1,163)
Surplus on revaluation of non-current assets not posted to the Deficit/(surplus) on the Provision of Services	6,127	1,254
Difference between fair value depreciation and historical cost depreciation	(440)	(462)
Accumulated gains on assets sold or scrapped	(349)	(61)
Amount written off to the Capital Adjustment Account	(789)	(523)
Balance at 31 March	**36,537**	**37,268**

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.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

	2017/18 £'000	2018/19 £'000
Balance at 1 April	**136,010**	**134,608**
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	(8,744)	(8,588)
Revaluation losses on Property, Plant and Equipment	(31,355)	(11,053)
Revaluation gains used to reverse previous revaluation losses	14,147	1,531
Revenue expenditure funded from capital under statute	(4,419)	(968)
Capital Expenditure classed as De-minimis	(63)	(87)
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.	(8,097)	(1,542)
	(38,531)	(20,707)
Adjusting amount written out of the Revaluation Reserve	366	462
Net written out amount of the cost of non-current assets consumed in the year	(38,165)	(20,245)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	6,518	2,322
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	2,659	1,002
Application of grants to capital financing from the Capital Grants Unapplied Account	12,407	13,030
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,821	1,801
Capital expenditure charged against the General Fund and HRA balances	13,424	8,826
	36,829	26,981
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(66)	(316)
Balance at 31 March	**134,608**	**141,028**

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.

	2017/18 £'000	2018/19 £'000
Balance at 1st April	**0**	**0**
Transfer from Available-for-Sale Financial Instrument Reserve		(1,037)
Reversal of 2017/18 Pooled Investment Funds	0	1,037
Surplus on revaluation of Financial Instrument Revaluation Reserve	0	0
Financial Instruments held under Fair Value through Profit and Loss subject to MHCLG Statutory Over-ride *	0	(562)
Balance at 31st March	**0**	**(562)**

* The Ministry for Housing, Communities and Local Government (MHCLG) 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 2023 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 2019

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 2019 will be charged to the General Fund over the next 43 years.

	2017/18 £'000	2018/19 £'000
Balance at 1 April	**(36)**	**(174)**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(147)	(17,741)
Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements	9	134
Balance at 31 March	**(174)**	**(17,781)**

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.

	2017/18 £'000	2018/19 £'000
Balance at 1 April	**(156,440)**	**(168,400)**
Actuarial (losses) / gains on pensions assets and liabilities	(10,510)	9,440
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	(14,260)	(23,720)
Employer's pension contributions and direct payments to pensioners payable in the year	12,810	7,030
Balance at 31 March	**(168,400)**	**(175,650)**

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.

	2017/18 £'000	2018/19 £'000
Balance at 1 April	**(1,392)**	**(552)**
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	840	286
Balance at 31 March	**(552)**	**(266)**

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.

	2017/18 £'000	2018/19 £'000
Balance at 1 April	**(513)**	**(461)**
Settlement or cancellation of accrual made at the end of the preceding year	513	461
Amounts accrued at the end of the current year	(461)	(506)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(461)	(506)
Balance at 31 March	**(461)**	**(506)**

Available-for-Sale Financial Instruments Reserve

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

	2017/18 £'000	2018/19 £'000
Balance at 1st April	**0**	**(1,037)**
Upward revaluation of Investments	0	0
Downward revaluation of investments not charged to the Deficit on the Provision of Services	(1,037)	0
	(1,037)	(1,037)
Transfer of Available-for-Sale Reserve opening balance to Financial Instruments Revaluation Reserve under IFRS 9	0	1,037
Balance at 31st March	**(1,037)**	**0**

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.

	2017/18 £'000	2018/19 £'000
Opening Capital Financing Requirement	195,185	198,788
Capital Investment		
Property, Plant and Equipment	35,078	29,613
Investment Properties	567	5
Long Term Debtors	304	6,117
Revenue Expenditure Funded from Capital Under Statute	4,419	968
Other	63	87
Sources of Finance		
Capital receipts	(6,518)	(2,322)
Repayment of JV loans	0	(1,250)
Government grants and other contributions	(15,065)	(14,032)
Sums set aside from revenue:		
Direct revenue contributions	(13,424)	(8,826)
MRP/loans fund principal	(629)	(629)
Deferred liabilities movement	(1,192)	(1,172)
Closing Capital Financing Requirement	**198,788**	**207,347**
Explanation of movements in year		
Minimum Revenue Provision (MRP)	(1,821)	(1,801)
Increase in underlying need to borrowing (unsupported by government financial assistance)	5,424	10,360
Increase in Capital Financing Requirement	**3,603**	**8,559**

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

31 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

	2017/18 £'000	2018/19 £'000
Credited to Taxation and Non Specific Grant Income		
Capital Grants and Contributions	12,990	19,100
Local Authority Top Up Grant	6,815	7,019
Revenue Support Grant	9,094	6,334
Adult Social Care Grant	664	3,469
New Homes Bonus	2,279	1,829
Business Rates Relief S31 Grant	1,920	1,639
Levy Account Surplus Grant	0	346
LA EU Exit Preparation Grant	0	105
Local Services Support Grant	28	26
Other	278	140
Sub-total	**34,068**	**40,007**
Credited to Services		
Rent Allowances and Rent Rebates	35,963	32,491
Dedicated Schools Grant (DSG)	22,411	23,572
Public Health Grant	8,670	8,447
The Private Finance Initiative (PFI)	3,200	3,200
Pupil Premium	1,012	1,073
Independent Living Fund	797	772
Adult Education Funding from Schools Funding Agency	816	741
Access Fund for Sustainable Travel	626	658
Housing Benefit and Localised Council Tax Support Administration Subsidy Funding	620	576
Winter Pressures	0	501
Tackling Troubled Families	500	389
NHS Healthy New Towns	360	355
16-19 Funding from Education Funding Agency	256	253
Syrian Resettlement Programme	346	251
Universal Infant Free School Meals	251	251
Discretionary Housing Payments	293	239
Youth Justice Grant	223	223
Routes to Work	0	159
NAAS Early Adopters Phase 2	0	117
Adult Social Care Grant	2,192	0
Sustainable Transport	281	0
Education Services Grant	162	0
Homelessness Prevention Trailblazers	128	0
Other	1,057	1,069
Sub-total	**80,164**	**75,337**
Total	**114,232**	**115,344**

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:

	2017/18 £'000	2018/19 £'000
Capital Grants Receipts in Advance		
Developer Contribution	2,485	1,746
	2,485	**1,746**

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

32 Private Finance Initiative

Education PFI Scheme

2018/19 was year 14 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 2019 (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 2019/20	2,429	1,155	604	4,188
Payable within 2 to 5 years	10,339	4,488	1,872	16,699
Payable within 6 to 10 years	14,446	5,469	1,150	21,065
Payable within 11 to 15 years	4,437	1,542	95	6,074
Total	**31,651**	**12,654**	**3,721**	**48,026**

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:

	2017/18 £'000	2018/19 £'000
Balance outstanding at start of year	15,017	13,825
Payments during the year	(1,192)	(1,172)
Balance outstanding at end of year	**13,825**	**12,653**

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 £602,659 (2017/18 £587,569).

34 Trust Funds

Trust Funds administered by Darlington Borough Council are as follows:

	Balance at 1 April 2018 £'000	Receipts £'000	Payments £'000	Balance at 31 March 2019 £'000
BAT Legacy	74	0	(2)	72
Other	7	0	0	7
	81	**0**	**(2)**	**79**

Purpose of the Trust Funds:

BAT Legacy

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

The only main fund that the Council still administers is the BAT legacy as well as 1 other minor fund and as in all cases they don't represent assets of the Council, they have not been included in the Council's Balance Sheet.

35 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 2018/19 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.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

During 2018/19, 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	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Bike Stop Darlington Limited	47	58	0	0	0	(2)	0	0
Carmel Education Trust	8	22	0	0	0	(16)	0	0
Education Village Academy Trust	2,556	2,605	(951)	(1,184)	(1)	1	11	0
First Stop Darlington Limited	37	0	0	(1)	0	0	0	0
Hummersknott Academy Trust Limited	126	211	(124)	(76)	0	0	14	(10)
TOTAL	**2,774**	**2,896**	**(1,075)**	**(1,261)**	**(1)**	**(17)**	**25**	**(10)**

During 2018/19, the Council paid £3.695m (£3.827m in 2017/18) to and received £0.099m (£0.081m in 2017/18) 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 £0.004m from these entities (nil in 2017/18) and owed nil to these entities in 2018/19 (£0.001m owed to these entities in 2017/18).

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 2018/19 (none in 2017/18).

Other Public Bodies

The Council received £5,136,802 (£6,252,297 in 2017/18) from the NHS. The Council paid £4,104,963 (£3,115,288 in 2017/18) to the NHS. At the year end there was £360,010 (£220,262 in 2017/18) owed to the NHS and there was £52,955 (£1,740,188 in 2017/18) owed by 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.

Durham Tees Valley Airport Limited (DTVA)

With effect from 1 April 2003, 75% of the total shareholding in the airport was acquired by Peel Airports Ltd. The Council holds 2.91% of the total shareholding in Peel Airports Ltd. For the year ended 31 March 2018, Durham Tees Valley Airport Limited made an operating loss of £2.620m before taxation (£2.733m for year ended 31 March 2017) and a loss of £2.114m after taxation (loss of £2.408m for the year ended 31 March 2017).

Further information regarding the Company's accounts can be obtained from its registered office at Peel Dome, Intu Trafford Centre, Trafford City, Manchester, M17 8PL.

36 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 2018/19, the Council paid £0.532m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.31% of pensionable pay. The figures for 2017/18 were £0.600m and 16.48%. 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 2018/19 the Council paid £0.045m to the NHS Pension scheme in respect of former NHS staff retirement benefits, representing 17.24% of pensionable pay. The figures for 2017/18 were £0.024m and 14.3%. There were no contributions remaining payable at the year end.

37 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) Regulations 2014'.

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.

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 2016 and as part of that valuation a new Rates and Adjustment Certificate has been produced for the three year period from 1 April 2017.

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:

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service cost	(10,210)	(11,120)	0	0
• gains from settlements	(230)	(8,320)	0	0
Financing and Investment Income and Expenditure				
• net interest expense	(3,510)	(4,030)	(310)	(250)
Total Post Employment Benefit Charged to the Deficit/(Surplus) on the Provision of Services	**(13,950)**	**(23,470)**	**(310)**	**(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)	(1,480)	17,840	0	0
• actuarial losses arising on changes in financial assumptions	(8,120)	(27,200)	(80)	(180)
• actuarial gains/(losses) arising on changes in demographic assumptions	0	19,260	0	520
• actuarial gains/(losses) due to liability experience	(2,450)	(770)	1,620	(30)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(26,000)	(14,340)	1,230	60
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	13,950	23,470	310	250
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to the scheme	11,930	6,190		
• retirement benefits payable to pensioners			880	840

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement from 1 April 2009 to 31 March 2019 is a loss of £9.960m (to 31 March 2018 a loss of £19.400m).

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Fair value of assets	314,560	335,480	0	0
Present value of funded defined benefit obligation	(472,750)	(501,820)	(10,210)	(9,310)
Net liability recognised on the balance sheet	**(158,190)**	**(166,340)**	**(10,210)**	**(9,310)**

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 2018				Asset Split at 31 March 2019		
	Quoted %	Unquoted %	Total %		Quoted %	Unquoted %	Total %
Equities	50.0	0.0	50.0		50.6	0.0	50.6
Property	1.2	5.7	6.9		1.3	5.7	7.0
Government Bonds	29.4	0.0	29.4		25.7	0.0	25.7
Corporate Bonds	8.9	0.0	8.9		12.0	0.0	12.0
Cash	4.8	0.0	4.8		4.7	0.0	4.7
Other	0.0	0.0	0.0		0.0	0.0	0.0
	94.3	**5.7**	**100.0**		**94.3**	**5.7**	**100.0**

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

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

	Funded Liabilities: Local Government Pension Scheme			Unfunded Liabilities: Discretionary Benefits	
	2017/18 £'000	2018/19 £'000		2017/18 £'000	2018/19 £'000
Opening defined benefit obligation balance at 1 April	**(450,910)**	**(472,750)**		**(12,320)**	**(10,210)**
Current service cost	(10,210)	(11,120)		0	0
Interest expense on defined benefit obligation	(11,590)	(12,150)		(310)	(250)
Contributions by scheme participants	(2,230)	(2,330)		0	0
Actuarial gains on liabilities - financial assumptions	(8,120)	(27,200)		(80)	(180)
Actuarial losses/(gains) on liabilities - demographic assumptions	0	19,260		0	520
Actuarial losses/(gains) on liabilities - experience	(2,450)	(770)		1,620	(30)
Net Benefits paid out	12,990	13,560		880	840
Past Service cost (inc curtailments)	(230)	(8,320)		0	0
Closing defined benefit balance at 31 March	**(472,750)**	**(501,820)**		**(10,210)**	**(9,310)**

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme			Discretionary Benefits	
	2017/18 £'000	2018/19 £'000		2017/18 £'000	2018/19 £'000
Opening fair value of assets balance at 1 April	**306,790**	**314,560**		**0**	**0**
Interest income on assets	8,080	8,120		0	0
Remeasurement (losses)/gains on assets	(1,480)	17,840		0	0
Contributions by the employer	11,930	6,190		880	840
Contributions by scheme participants	2,230	2,330		0	0
Net Benefits paid out	(12,990)	(13,560)		(880)	(840)
Closing fair value of assets balance at 31 March	**314,560**	**335,480**		**0**	**0**

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 £25.960m (2017/18: gain of £6.600m).

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £175.650m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a reduction in the net worth from £237.094m to £61.444m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 is £5.940m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2020 are £0.860m.

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 2016.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2017/18	2018/19	2017/18	2018/19
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	23.3	22.6	23.3	22.6
• Women	25.0	24.1	25.0	24.1
Longevity at 65 for future pensioners (aged 45 at accounting date):				
• Men	25.5	24.3	n/a	n/a
• Women	27.3	25.9	n/a	n/a
Rate of inflation (RPI)	3.2%	3.3%	3.2%	3.3%
Rate of Inflation (CPI)	2.1%	2.2%	2.1%	2.2%
Rate of increase in salaries	3.6%	3.7%	n/a	n/a
Rate of increase in pensions	2.1%	2.2%	2.1%	2.2%
Pension accounts revaluation rate	2.1%	2.2%	n/a	n/a
Rate for discounting scheme liabilities	2.6%	2.4%	2.6%	2.4%

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 £m	Decrease in Assumption £m
Longevity (increase or decrease by 1 year)	16.16	(16.03)
Rate of increase in salaries (increase or decrease by 0.1% p.a.)	2.31	(2.28)
Rate of increase in pensions (increase or decrease by 0.1% p.a.)	7.30	(7.18)
Rate for discounting scheme liabilities (increase or decrease by 0.1% p.a.)	(9.44)	9.62

The 'McCloud/Sergeant' judgement in the Court of Appeal found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed were age discriminatory. The ruling potentially has implications for all public sector schemes which were reformed at the same time (including the LGPS scheme) and could lead to members who were discriminated against being compensated. Given the potential impact on the Council's pension liability the Actuary has updated the original results schedule to allow for the McCloud judgement as a constructive obligation. The impact on the liabilities are approximately based on the Government Actuaries Department (GAD) calculations that show that based on the LGPS as a whole for a salary increase assumption of CPI + 1.5% the worst case scenario impact will be a 3.2% increase in the active liabilities, and an increase of 3% pay in the current service cost.

The Actuary has also updated the results to allow for full pension increases on Guaranteed Minimum Pension's (GMP's) for individuals reaching state pension age after April 2016 as a constructive obligation. An allowance of approximately 0.3% of the employers total liability has been made.

The full effect of the above is a projected increase in the gross pension liability of £7.850m and it is shown as a past service cost.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

38 Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000
Cash Equivalents Short Term Deposits (**See Note 23**)	0	0	23,209	24,673
Short Term Investments (Per Balance Sheet)	0	0	2,001	0
Loans and Receivables at amortised cost	0	0	25,210	24,673
Fair Value through Profit and Loss	28,396	29,437	0	0
Total Investments	**28,396**	**29,437**	**25,210**	**24,673**
Debtors				
Loans and Receivables	1,547	6,393	0	0
Financial assets carried at contract amounts (Debtors)	0	0	5,068	4,163
Total Debtors	**1,547**	**6,393**	**5,068**	**4,163**
Borrowings				
Financial liabilities (principal amount)	132,761	142,761	28,500	37,500
Add Accrued Interest	0	0	1,539	1,664
Less Other accounting adjustments	(39)	(34)	0	0
Financial Liabilities at amortised cost	132,722	142,727	30,039	39,164
Total Borrowings (Per Balance Sheet)	**132,722**	**142,727**	**30,039**	**39,164**
PFI and finance lease liabilities	12,653	11,498	1,172	1,155
Total other long term creditors (Per Balance Sheet)	**12,653**	**11,498**	**1,172**	**1,155**
Financial liabilities carried at contract amount	0	0	2,322	1,772
Total Creditors	**0**	**0**	**2,322**	**1,772**

Items of Income, Expense, Gains and Losses

	2017/18		2018/19	
	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	0	(1,037)	0	(562)
Financial Assets measured at fair value through other comprehensive income	0	0	0	0
Total gains / (losses)	0	(1,037)	0	(562)
Interest Income:				
Financial Assets measured at amortised cost	0	(502)	0	(1,807)
Other Financial Assets measured at fair value through other comprehensive income	0	0	0	0
Total interest income	0	(502)	0	(1,807)
Interest Expense	6,403	0	24,105	0

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

Fair Value of Financial Assets

Reclassification and remeasurement of financial assets at 1 April 2018

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.

With the adoption of accounting standard IFRS 9 Financial Instruments, the 'Available-for-Sale' Financial Asset category is no longer available. The new standard requires that investments in equity be classified as fair value through profit and loss unless there is an irrevocable election to designate the asset as fair value through other comprehensive income. he investment in Durham Tees Valley Airport (DTVA) is an equity instrument and as such the default valuation method is any gains or losses on changes in fair value would be recognised through profit and loss.

The DTVA 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.

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 for 5 years commencing 1 April 2018.

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 2018 £'000**	**As at 31 March 2019 £'000**
Fair Value through Profit and Loss				
Property Funds	Level 1	Unadjusted quoted prices in active markets for identical shares - Bid price	28,396	29,437

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.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

The fair values calculated are as follows:

	31 March 2018		31 March 2019	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Financial Liabilities:				
PWLB Debt	86,811	104,630	119,061	165,423
Non PWLB debt	74,450	125,492	61,200	77,349
PFI Debt	13,825	16,405	12,653	15,937
Total Debt	**175,086**	**246,527**	**192,914**	**258,709**
Creditors	2,322	2,322	1,772	1,772

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 2019) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £165.423m 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 £119.061m would be valued at £165.423m. 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 £46.363m for the additional interest which will not now be paid. The exit price for the PWLB loans including the penalty charge would be £165.423m.

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 2019) arising from a commitment to receive interest from lenders above current market rates.

	31 March 2018		31 March 2019	
Financial Assets	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Debtors	5,068	5,068	4,163	4,163

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

39 Nature and Extent of Risks Arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a treasury policy statement and treasury management clauses within the Constitution;
- by approving annually in advance prudential indicators for the following three years limiting the Council's overall borrowing 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 22 February 2018 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2018/19 was set at £316.736m. This was the maximum amount of external borrowings and other long term liabilities allowed. This was subsequently updated to £315.686m in the revised strategy.
- The Operational Boundary was expected to be £301.653m. This is the expected level of borrowing and other long term liabilities during the year. This was subsequently updated to £300.653m 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.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

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 2018/19 was approved by full Council on 22 February 2018 and is available on the Council's website.

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

	Amount at 31 March 2019 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2019 %	Estimated maximum exposure to default and uncollectability at 31 March 2018 £'000	Estimated maximum exposure at 31 March 2019 £'000
Deposits with banks and Financial Institutions					
AAA rated counterparties	20,850	0	0	0	0
AA Rated Counterparties	0	0	0	0	0
Less than 1 year	0	0	0	0	0
1 to 2 years	0	0	0	0	0
A+ rated counterparties	5,000	0.05	0.090	1	0
UK Government backed Banks BBB+ rated	0	0.00	0.000	0	0
Trade debtors	4,163	0.00	0.00	0	0

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 £2.704m of the £6.091m 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 2018 £'000	31 March 2019 £'000
Debts on Payment plans	990	1,229
Less than 3 months	891	126
3 to 6 months	302	184
6 months to 1 year	376	247
More than 1 year	1,444	918
	4,003	**2,704**

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

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 2018 £'000	31 March 2019 £'000
Less than 1 year	23,000	25,850
	23,000	**25,850**

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

Refinancing and Maturity Risk

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to cash flow 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 2019	31 March 2018 £'000	31 March 2019 £'000
Less than 1 year	25%	21%	28,500	37,500
Between 1 and 2 years	40%	6%	5,000	10,000
Between 2 and 5 years	60%	11%	15,250	20,250
Between 5 and 10 years	80%	7%	8,000	13,000
More than 10 years	100%	55%	103,411	98,411
Total		**100%**	**160,161**	**179,161**

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 2019, 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	0
Increase in interest receivable on variable rate investments	(259)
Impact on Surplus or Deficit on the Provision of Services	(462)
Share of overall impact debited to the HRA	(148)
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.	57,063

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

Price Risk

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

The Council holds £29.437m of 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 general shift of 5% in the general price of units (positive or negative) would have resulted in a £1.472m 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.

40 Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Assistant Director - Resources on 31 May 2019. 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 2019, 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.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

41 Statement of Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The Statement of Accounts has been prepared on a 'going concern' basis, under the assumption that the Council will continue in existence for the foreseeable future. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b) Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are 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 and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the 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 statements.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

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

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

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

c) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions, including on-call accounts and deposits with Money Market Funds, repayable without penalty on notice of not more than 24 hours held to meet short-term cash commitments. Cash equivalents are 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.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

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

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

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

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

e) Charges to Revenue for Non-Current Assets

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

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

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.

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 for 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 2.6% (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.

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

- Service cost comprising:
    - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
    - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
    - the return on plan assets - excluding amounts included in net interest on the net defined liability (asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

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.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2019

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.

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 losses.

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 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 arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the 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 Durham Tees Valley 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 two financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that they are shown in contingent liability note 27**.**

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) Interests in Companies and Other Entities

The Code of Practice on Local Authority Accounting 2018/19 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.

l) 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 works.

m) 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.

n) 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); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

o) 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.

p) 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 (EUV - 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 - EUV).

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.

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 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.

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

Depreciation

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

Depreciation is calculated on the following bases:

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

q) 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).

r) 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.

s) 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.

t) 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.

u) 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.

v) 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.

w) 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 62). If any heritage assets are disposed of then the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

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 2019

HRA Income and Expenditure Statement

2017/18		2018/19	Notes
£'000		£'000	
	Expenditure		
(3,526)	Repairs and maintenance	(3,703)	
(5,593)	Supervision and management	(5,700)	
(85)	Rent, rates, taxes and other charges	(50)	
(196)	Increased provision for bad and doubtful debts	(321)	7
	Depreciation of non-current assets:		
(2,413)	On HRA dwellings	(2,529)	6
(263)	Impairment of Fixed Assets	(250)	3
(6,564)	Revaluation (Loss) / Gain on Fixed Assets	(6,919)	3
(18)	Debt management costs	(21)	
(18,658)	**Total Expenditure**	**(19,493)**	
	Income		
20,010	Dwelling rents	19,913	
397	Non-dwelling rents	414	
3,347	Charges for services & facilities	3,472	
433	Contribution towards Expenditure	717	
24,187	**Total Income**	**24,516**	
5,529	**Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**5,023**	
119	HRA Share of other amounts included in the whole Authority net costs of services but not allocated to specific services	(650)	
5,648	**Net income for HRA Services**	**4,373**	
	HRA Share of Operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(2,881)	Interest Payable and Similar Charges	(2,528)	
62	Gain on sale on HRA non-current assets	55	
38	Interest and Investment Income	39	
(191)	Pension Interest Cost and Expected Return on Pension Assets	(224)	
2,676	**Surplus for the Year on HRA Services**	**1,715**	

Housing Revenue Account for Darlington Borough Council for the year ended 31 March 2019

Movement on the HRA Statement

As at 31 March 2018		As at 31 March 2019	As at 31 March 2019
£'000		**£'000**	**£'000**
15,925	**Balance on the HRA at the end of the previous year**		**13,884**
2,676	Surplus for the year on the HRA Income and Expenditure Statement	1,715	
	Adjustments between accounting basis and funding basis under statute:		
10	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	(41)	
9,254	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	9,698	
(629)	Voluntary set aside for debt repayment	(629)	
(13,424)	Capital expenditure funded by the HRA	(8,826)	
(2,113)	**Net (decrease)/increase before transfers to reserves**	1,917	
	Transfers (to) or from earmarked reserves:		
714	Net charges made for retirement benefits in accordance with IAS19	1,242	
0	Other transfers from/(to) earmarked reserves	0	
(642)	Employer's contributions payable to the Durham County Council Pension Fund and retirement benefits payable direct to pensioners.	(368)	
72	**Transfers from reserves**	874	
(2,041)	**(Decrease)/Increase in year on the HRA**		**2,791**
13,884	**Balance on the HRA at the end of the current year**		**16,675**

Notes to the Housing Revenue Account for Darlington Borough Council for the year ended 31 March 2019

1 Housing Stock

1 April 2018		31 March 2019
	Number and types of dwellings	
2,685	Houses	2,659
2,310	Flats	2,308
344	Bungalows	344
2	Non HRA	2
5,341	Total dwellings	5,313
	Balance Sheet values	
£000		**£000**
108	Land	107
112,040	Houses	152,552
370	Other property	363
112,518	Total net Balance Sheet value	**153,022**
	Operational Assets	
112,040	Dwellings	152,552
0	Other Land & buildings	0
112,040		152,552
478	Non-operational assets	470
112,518	Total net Balance Sheet value	**153,022**

2 Vacant Possession Values

The vacant possession value of dwellings as at 1 April in the financial year is £345.280m (£345.896M in 2017/18).

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 £7.169m (£6.827m in 2017/18) were charged to the HRA Income and Expenditure Statement in 2018/19. This represents £0.250m (£0.263m in 2017/18) of capital expenditure incurred in the year that did not add value to the current housing stock valuation and £6.919m (£6.564m in 2017/18) 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 2019

Revaluation gains are credited to the HRA Income and Expenditure Statement where they arise from the reversal of a loss previously charged to the HRA, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised. Gains reversed in 2018/19 amount to £2.265m (£2.265m in 2017/18).

4 Revenue Expenditure funded from Capital under Statute

Capital expenditure in 2018/19 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 2018/19 Revenue Expenditure funded from Capital under Statute was nil (nil in 2017/18), capital grants treated as revenue totalled nil (nil in 2017/18).

5 Capital Expenditure

Capital expenditure within the HRA during 2018/19 was as follows :

2017/18 £'000		2018/19 £'000
75	Land	0
15,555	Houses	10,912
4	Other property	37
15,634	Total capital expenditure	**10,949**

Total capital expenditure on land, houses and other property within the HRA during 2018/19 was funded via the following sources:

2017/18 £'000		2018/19 £'000
41	General Fund Capital Receipts	0
985	Usable capital receipts	550
13,424	Revenue	8,826
825	Other Grant Funding	1,558
359	Capital Contribution	15
15,634	Total capital expenditure	**10,949**

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

2017/18 £'000		2018/19 £'000
1,852	Houses	1,616
1,852	Total capital receipts	**1,616**

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:

2017/18 £'000		2018/19 £'000
2,413	Houses	2,529
2,413	Total charge for depreciation	**2,529**

Notes to the Housing Revenue Account for Darlington Borough Council for the year ended 31 March 2019

	Operational Assets	
2,413	Dwellings	2,529
2,413	Total charge for depreciation	**2,529**

7 Rent Arrears

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

2017/18 £'000		2018/19 £'000
1,427	Gross rent arrears as at 31 March	**1,953**

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

Year Ended 31 March 2018 £'000		Year Ended 31 March 2019 £'000
430	Opening provision for uncollectable debts	518
(108)	Amounts written off in the year	(98)
196	Increase in provision for the year	321
518	Closing provision for uncollectable debts	**741**

Collection Fund for Darlington Borough Council for the year ended 31 March 2019

2017/18 Total		2018/19 Council Tax	2018/19 Non-domestic rates	2018/19 Total	Notes
£'000		£'000	£'000	£'000	
	Income				
(53,398)	Income from Council Tax	(57,222)	0	(57,222)	2
(33,917)	Income from Business Rates	0	(34,006)	(34,006)	3
	Contributions				
(1,158)	Darlington Borough Council	0	(821)	(821)	
(1,182)	Central Government	0	(837)	(837)	
(24)	County Durham and Darlington Fire & Rescue Authority	0	(17)	(17)	
(89,679)	**Total Income**	**(57,222)**	**(35,681)**	**(92,903)**	
	Expenditure				
	Precepts and demands				
58,778	Darlington Borough Council	47,493	16,420	63,913	
5,414	Office of the Durham Police and Crime Commissioner	5,868	0	5,868	
3,420	County Durham and Darlington Fire & Rescue Authority	3,254	335	3,589	
14,778	Central Government	0	15,482	15,482	
3,528	Transitional Protection payment - NNDR	0	2,407	2,407	
	Release of apportionment of Council Tax surplus				
0	Darlington Borough Council	0	0	0	
0	Office of the Durham Police and Crime Commissioner	0	0	0	
0	County Durham and Darlington Fire & Rescue Authority	0	0	0	
	Business rate				
143	Costs of collection	0	144	144	
	Impairment of Bad or Doubtful Debts / Appeals				
1,276	Write offs	571	594	1,165	
(407)	Movement in net provision	81	(6)	75	
1,091	Increase in Provision for Appeals	0	(339)	(339)	
88,021	**Total Expenditure**	**57,267**	**35,037**	**92,304**	
(1,658)	**Collection Fund (surplus)/deficit for the year**	**45**	**(644)**	**(599)**	
2,694	Collection Fund deficit balance b/fwd	127	892	1,019	
(1,658)	Collection Fund deficit/(surplus) for the year	45	(644)	(599)	
1,036	**Collection Fund deficit balance c/fwd**	**172**	**248**	**420**	
	Allocated to:				
552	Darlington Borough Council	144	121	265	
13	Office of the Durham Police and Crime Commissioner	18	0	18	
16	County Durham and Darlington Fire & Rescue Authority	10	3	13	
455	Central Government	0	124	124	
1,036		**172**	**248**	**420**	

Notes to the Collection Fund of Darlington Borough Council for year ended 31 March 2019

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 (NNDR).

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 January 2018:

Band	A	B	C	D	E	F	G	H
Chargeable Dwellings	9,743	6,507	5,513	4,910	3,368	1,632	860	68
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 2018/19 of £1,461.93 (£1,379.30 in 2017/18), 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 2018/19 of £181.24 (£169.24 in 2017/18) for their services.

County Durham and Darlington Fire & Rescue Service set a Band D council tax in 2018/19 of £100.53 (£97.65 in 2017/18) 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 NNDR pool) administered by Central Government, which in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

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

Notes to the Collection Fund of Darlington Borough Council for year ended 31 March 2019

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve thier targeted baseline funding. Darlington is a top up authority and in 2018/19 it received a grant of £7.006m.

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 2019. As such authorities are required to make a provision for these amounts in the same proportion as the precepting shares (49:50:1). In 2018/19 the total provision was reviewed and due to a reduction in the 2010 valuation of £0.301m and a reduction of £0.038m in the 2017 revaluation it reduced to £1.812m, a total reduction of £0.339m.

The total national non-domestic rateable value at 31st March 2019 was £85.090m (£83.723m in 2017/18). The non-domestic rating multiplier for 2018/19 was 49.3p per £ (47.9p per £ in 2017/18) and the small business non-domestic rating multiplier for 2018/19 was 48.0p per £ (46.6p per £ in 2017/18).

Group Accounts of Darlington Borough Council as at 31 March 2019

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.

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

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 2019

	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 2017	(17,336)	(16,523)	(15,925)	(3,282)	(11,260)	**(64,326)**	(8,827)	**(73,153)**	**0**	**(73,153)**
Movement in reserves during 2017/18										
Deficit/(Surplus) on the Provision of Services	3,712	0	(2,676)	0	0	**1,036**	0	**(1,640)**	**0**	**(1,640)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	5,494	**5,494**	**0**	**5,494**
Total Comprehensive Income and Expenditure	3,712	0	(2,676)	0	0	**1,036**	5,494	**6,530**	**0**	**6,530**
Adjustments between accounting basis and funding basis under regulations **(Note 5)**	(6,309)	0	4,717	(637)	(583)	**(2,812)**	2,812	**0**	**0**	**0**
Net (Increase)/decrease before Transfers (to)/from Earmarked Reserves	(2,597)	0	2,041	(637)	(583)	(1,776)	8,306	6,530	0	6,530
Transfers from/(to) Earmarked Reserves **(Note 6)**	(830)	830	0	0	0	**0**	0	**0**	**0**	**0**
Decrease/(Increase) in 2017/18	**(3,427)**	**830**	**2,041**	**(637)**	**(583)**	**(1,776)**	**8,306**	**6,530**	**0**	**6,530**
Balance at 31 March 2018 carried forward	**(20,763)**	**(15,693)**	**(13,884)**	**(3,919)**	**(11,843)**	**(66,102)**	**(521)**	**(66,623)**	**0**	**(66,623)**
Movement in reserves during 2018/19										
Deficit/(Surplus) on the Provision of Services	17,567	0	(1,694)	0	0	**15,873**	0	**15,873**	**0**	**15,873**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	(10,694)	**(10,694)**	**(118)**	**(10,812)**
Total Comprehensive Income and Expenditure	17,567	0	(1,694)	0	0	**15,873**	(10,694)	**5,179**	(118)	**5,061**
Adjustments between accounting basis and funding basis under regulations (**Note 5**)	(20,818)	0	(1,097)	301	(6,070)	**(27,684)**	27,684	**0**	**0**	**0**
Net (Increase)/decrease before Transfers (to)/from Earmarked Reserves	(3,251)	0	(2,791)	301	(6,070)	**(11,811)**	16,990	5,179	(118)	**5,061**
Transfers (to)/from Earmarked Reserves **(Note 6)**	5,668	(5,668)	0	0	0	**0**	0	**0**	**0**	**0**
(Increase)/decrease in 2018/19	**2,417**	**(5,668)**	**(2,791)**	**301**	**(6,070)**	**(11,811)**	**16,990**	**5,179**	**(118)**	**5,061**
Balance at 31 March 2019 carried forward	**(18,346)**	**(21,361)**	**(16,675)**	**(3,618)**	**(17,913)**	**(77,913)**	**16,469**	**(61,444)**	**(118)**	**(61,562)**

Group Comprehensive Income and Expenditure Statement for Darlington Borough Council for year ended 31 March 2019

2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Net Expenditure / (Income) £'000		Note	2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure / (Income) £'000
114,980	(61,816)	53,164	Children & Adult Services	3	121,345	(57,533)	63,812
110,491	(84,670)	25,821	Economic Growth & neighbourhood Services	3	111,801	(84,251)	27,550
6,949	(2,505)	4,444	Resources	3	7,329	(1,586)	5,743
606	0	606	Other	3	993	(2,197)	(1,204)
233,026	**(148,991)**	**84,035**	**Cost of Services**		**241,468**	**(145,567)**	**95,901**
1,125	0	1,125	Other operating expenditure	7	937	0	937
8,446	(8,022)	424	Losses/(Gains) on the disposal of non-current	7	1,604	(2,747)	(1,143)
10,563	(2,111)	8,452	Financing and investment income and expenditure	9	28,350	(3,797)	24,553
0	(93,000)	(93,000)	Taxation and non-specific grant income	10	0	(104,375)	(104,375)
253,160	**(252,124)**	**1,036**	**(Surplus)/deficit on Provision of Services**		**272,359**	**(256,486)**	**15,873**
			Joint ventures accounted for on an equity basis				(118)
		(6,127)	Surplus on revaluation of Property, Plant and Equipment assets				(1,298)
		10,510	Actuarial losses on pensions assets/liabilities	37			(9,440)
		74	Impairment losses on non-current assets charged the revaluation reserve				44
		1,037	Deficit on the revaluation of available-for-sale financial assets	38			0
		5,494	**Other Comprehensive Income and Expenditure**				**(10,812)**
		6,530	**Total Comprehensive Income and Expenditure**				**5,061**

Group Balance Sheet of Darlington Borough Council as at 31 March 2019

As at 31 March 2018 £'000		As at 31 March 2019 £'000
355,741	Property, Plant and Equipment	367,019
9,073	Investment Properties	8,639
3,483	Heritage Assets	3,483
28,396	Long Term Investments	29,437
119	Investments in joint ventures	118
1,547	Long Term Debtors	6,393
398,359	**Total Long Term Assets**	415,089
2,001	Short Term Investments	0
265	Inventories	679
20,458	Short Term Debtors	23,467
23,209	Cash and Cash Equivalents	24,673
280	Assets Held For Sale	280
46,213	**Total Current Assets**	49,099
(30,039)	Short Term Borrowing	(39,164)
(29,478)	Short Term Creditors	(29,989)
(1,054)	Short Term Provisions	(888)
(60,571)	**Total Current Liabilities**	(70,041)
(12,653)	Long Term Creditors	(11,498)
(999)	Long Term Provisions	(964)
(132,722)	Long Term Borrowing	(142,727)
(168,400)	Other Long Term Liabilities	(175,650)
(2,485)	Capital Grants Receipts In Advance	(1,746)
(317,259)	**Total Long Term Liabilities**	(332,585)
66,742	**Net Assets**	61,562
66,102	Usable Reserves	77,913
119	Usable Reserves - Group Accounts	118
521	Unusable Reserves	(16,469)
66,742	**Total Reserves**	61,562

Group Cash Flow Statement for Darlington Borough Council for year ended 31 March 2019

2017/18 £'000		2018/19 £'000
(1,037)	Surplus/(deficit) on the provision of services	**(15,873)**
37,692	Adjustments to net surplus on the provision of services for non-cash movements	28,627
(23,670)	Adjustments for items included in the net (deficit) on the provision of services that are investing and financing activities	(21,842)
12,985	**Net cash flow from Operating Activities**	**(9,088)**
	Investing Activities	
(35,659)	Purchase of property, plant and equipment and investment property	(29,618)
(182,544)	Purchase of short term and long term investments	(149,398)
161,111	Proceeds from the sale of short term investments	150,830
8,022	Proceeds from the sale of property, plant and equipment and investment property	2,747
16,485	Capital grants received	18,361
(32,585)	**Net cash flow from Investing activities**	**(7,078)**
	Financing Activities	
45,000	Cash receipts of short and long term borrowing	37,505
1,140	Billing Authorities - Council Tax and NNDR adjustments	(223)
(1,192)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(1,172)
(12,000)	Repayments of short and long term borrowing	(18,500)
(49)	Other payments for financing activities	20
32,899	**Net cash flow from Financing Activities**	**17,630**
13,299	**Net decrease in cash and cash equivalents**	**1,464**
9,910	**Cash and cash equivalents at the beginning of the reporting period**	23,209
23,209	**Cash and cash equivalents at the end of the reporting period (Note 23)**	**24,673**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DARLINGTON BOROUGH COUNCIL

Opinion

We have audited the financial statements of Darlington Borough Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement;
- Authority and Group Comprehensive Income and Expenditure Statement;
- Authority and Group Balance Sheet;
- Authority and Group Cash Flow Statement;
- Related Notes to the Financial Statements 1 to 41;
- HRA Income and Expenditure Statement, the Movement on the HRA Statement and the related notes 1 to 7; and
- Collection Fund and the related notes 1 to 3.

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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Darlington Borough Council and Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the 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 the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Assistant Director, Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Assistant Director, Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Assistant Director, Resources is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Assistant Director, Resources put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Assistant Director, Resources

As explained more fully in the Statement of the Assistant Director Resources' Responsibilities set out on page 15, the Assistant Director, Resources 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Assistant Director, Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Darlington Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Darlington Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Darlington Borough in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our 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 for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Darlington Borough Council and the Darlington Borough Council members as a body, for our audit work, for this report, or for the opinions we have formed.

Nicola Wright (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Newcastle upon Tyne

The maintenance and integrity of the Darlington Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Glossary of Darlington Borough Council

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

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

- 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 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

Glossary of Darlington Borough Council

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.

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.

Glossary of Darlington Borough Council

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.

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)

Glossary of Darlington Borough Council

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 emplyee benefits relating to employee service in the current and prior periods.

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.

Glossary of Darlington Borough Council

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 finacial 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.

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

Glossary of Darlington Borough Council

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.

IAS 1 - Presentation of Financial Statements

Glossary of Darlington Borough Council

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

Glossary of Darlington Borough Council

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

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets

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

Inventories

Items of raw materials and stores 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.

Glossary of Darlington Borough Council

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

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

Minimum Revenue Provision (MRP)
Represents the minimum amount that must be charged to a revenue account in each financial year to repay external borrowings.

Net Book Value

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

Net Current Replacement Cost
The cost of replacing an asset in its existing condition and use.

Net Realisable Value
The open market value of the asset in its existing use (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.

Glossary of Darlington Borough Council

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.

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 & Equipmnet (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.

Glossary of Darlington Borough Council

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

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

Remuneration

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

Reserves - Usable

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

Reserves - Unusable

Glossary of Darlington Borough Council

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:

a) Modernise the system of local authority accounting and reporting to meet the changed and changing needs of local government, particularly the duty of to secure and demonstrate Best Value in the provision of services to the community;

b) Facilitate accurate comparison between both services and authorities;

c) Strengthen the arrangements for recharging all support costs which may be reasonably charged to front-line services and in so doing bringing efficiency pressures to support services comparable to those of service providers to the community; and

d) Represent best practice.

Scheme Liabilities

Glossary of Darlington Borough Council

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

Specific Grants
Government grants to Local Authorities in aid of particular services.

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