Derwentside District Council

Statement of Accounts 2008/2009

Contents

EXPLANATORY FOREWORD

INTRODUCTION

The accounts contained in this document have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in Great Britain - A Statement of Recommended Practice (2008). The notes in this foreword are designed to explain the contents of the statement and also give a brief outline of the Council's activities in 2008/2009 and its financial position as at 31 March 2009.

THE STATEMENT OF ACCOUNTS

The main purpose of the financial statements contained in this document can be summarised as follows:

1. Report by the Corporate Director - Resources

Pages 5-9 give a brief summary of both the revenue and capital outturn of the Council for 2008-09 together with a general review of performance.

2. Statement of Accounting Policies and Concepts

The accounting policies that were followed in preparing these accounts are explained on pages 10-18. The purpose of the statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. In certain circumstances, where more than one accounting basis or estimation technique is acceptable, the accounting policy and/or estimation techniques followed can significantly affect an authority's reported results and financial position. The view presented can only be appreciated properly if the policies which have been followed for material items and estimation techniques which have been used in applying those policies are explained.

3. Income And Expenditure Account

The Council's Income and Expenditure account is shown on page 19. This statement is fundamental to the understanding of a local authority's activities, in that it reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all of the local authority's functions, in three distinct sections, each divided by a sub-total.

The first section provides segmental accounting information on the costs of the local authority's different continuing and discontinuing operations, net of specific grants and income from fees and charges, to give the net cost of service.

The second section comprises items of income and expenditure relating to the authority as a whole. When added to the net cost of services these give the authority's net operating expenditure.

The third section shows the income from local taxation and general government grants in the period, to give the net deficit or surplus for the year.

The Income and Expenditure Account has been compiled in accordance with the Best Value Accounting Code of Practice.

4. Housing Revenue Account

Pages 55-57 show the Housing Revenue Account (HRA) which reflects a statutory obligation to maintain a revenue account for local authority housing provision in accordance with the Housing Act 1987. It includes the credit and debit items required to be taken into account in determining the surplus or deficit on the HRA for the year. The amounts included in the HRA differ from the amounts in respect of HRA services' included in the Income and Expenditure Account for the authority as a whole, which includes income and expenditure in accordance with the SORP rather than that required by statute and non-statutory proper practices. For this reason the HRA statement has two parts:

The HRA Income and Expenditure Account – which shows in more detail the income and expenditure on HRA services included in the whole authority Income and Expenditure Account (comprising as well as the amounts included in the whole authority Net Cost of Services for the HRA, the HRA's share of amounts included in the whole authority Net Service Cost but not allocated to individual services and the HRA's share of operating income and expenditure such as Pension Interest Costs and Expected Return on Pension Assets), and

The Statement of the Movement on the Housing Revenue Account Balance – which shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

Having transferred its housing stock to Derwentside Homes in 2007, the authority no longer has a requirement to maintain a HRA, and it is shown in this statement for comparative purposes only.

5. Collection Fund Accounts

The Collection Fund Accounts on pages 58-61 show the transactions of the Council, as a billing authority, in relation to Non-Domestic Rates, the Council Tax and residual Community Charge and illustrates the way in which these have been distributed between preceptors and the General Fund.

6. Balance Sheet

The Balance Sheet on page 23 sets out the financial position of the authority as at 31 March 2009 and also contains notes to give a fuller explanation of particular items.

7. Statement of Total Recognised Gains and Losses

The Statement of Total Recognised Gains and Losses on page 22 summarises all the Gains and Losses made by the Authority for the year, not just those detailed in the Income and Expenditure Account. For example, gains on revaluations of Fixed Assets and actuarial gains and losses are excluded from the Income and Expenditure Account, as they are treated under UK GAAP as arising from asset and liability valuation charges, rather than from operating performance.

8. Cash Flow Statement

The Cash Flow Statement on Page 24 summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

9. Annual Governance Statement

The Annual Governance Statement on pages 62-65 reviews the effectiveness of the governance arrangements and the system of internal control operating within the authority.

10. Statement of Responsibilities for the Statement of Accounts

The Statement of Responsibilities for the Statement of Accounts on page 66 sets out the responsibilities of the Council and the Corporate Director - Resources (Section 151 Officer) in terms of making proper arrangements for the administration of the financial affairs of Derwentside District Council and of keeping proper accounting records.

11. Auditor's Report

Page 67 give an independent, professional opinion by the Audit Commission on the Council's accounts for the year ended 31st March 2009.

12. Member Approval

In accordance with the Accounts and Audit Regulations 2003 the accounts are signed on page 68 by the chair of the Committee at which they were approved.

13. Accounting Standards

Pages 69-73 detail the accounting standards that are in force and are applicable to local authorities and they are the basis upon which these statements have been prepared.

14. Glossary of Terms

Pages 74-79 provide details of the accounting terms used in the document, together with a brief explanation to help the reader to understand the Financial Statements.

REPORT BY THE CORPORATE DIRECTOR - RESOURCES

REVENUE BUDGET

The table on this page shows a Directorate breakdown of the actual spending on General Fund Services as compared with budgeted expenditure:

	Estimate 2008/2009 £	Actual 2008/2009 £	Variance from Budget £
Chief Executive Officer	4,114,520	5,146,331	1,031,811
Deputy Chief Executive	4,331,720	14,144,348	9,812,628
Corporate Policy and Administration	2,797,450	2,835,713	38,263
Finance	1,222,990	1,634,582	411,592
Information Services	-355,000	-401,471	-46,471
Environmental Services	6,671,800	8,344,709	1,672,909
Cost of Services	**18,783,480**	**31,704,212**	**12,920,732**
Capital Accounting Adjustment	-2,120,000	-12,218,908	-10,098,908
Use of Balances	-887,770	-2,303,640	-1,415,870
Area Based Grant	0	-1,405,954	-1,405,954
General Fund Budget	**15,775,710**	**15,775,710**	**0**
Less:			
Revenue Support Grant	-1,101,750	-1,101,750	0
Business Rate Income	-7,914,403	-7,914,403	0
Collection Fund	-14,780	-14,780	0
Net District Council Tax	**6,744,777**	**6,744,777**	**0**

The Outturn position is analysed further in a separate report – but the main issues are summarised below:

- Accounting rules dictate that some impairments of assets should be charged into the income and expenditure account through the net cost of services. The level of impairments is high mainly due to the prevailing economic conditions but the effect is reversed out through the capital accounting adjustment and so has no effect on council tax. Similar adjustments are made for the effect of deferred charges included and taken together these total approximately £9.4 million.
- The Councils £7 million investments in Icelandic banks have affected the 2008-09 accounts as follows; firstly, the principal amount likely to be recovered has been assessed according to the latest information and an impairment of approximately £0.793 million has been put into the accounts but this has been reversed out under government regulations so that it can be finalised when the situation is more certain; secondly, the total amount of interest receivable on the investments of approximately £0.816 million has been charged as an impairment loss and not reversed out and so this does affect the bottom line of general reserves. As with the principal, this does not mean that none of the interest will be recovered and any that is will be credited back to reserves in the future.
- The cost of services includes significant amounts for which budgets were agreed in addition to the base budget, for example £350,000 was agreed for severance costs and £150,000 for other issues associated with local government reorganisation as well as £100,000 relating to the expanded leisure trust. It also includes expenditure equivalent to the £1,405,954 of Area Based Grant received.
- After taking the additional agreements into account the major adverse variances tend to relate to under achievement of income budgets due to the severe economic downturn e.g. planning, building control, valuers' and search fees total nearly £360,000.

HOUSING REVENUE ACCOUNT (HRA)

The Housing Revenue Account was closed in the previous financial year, and the final balance of £4.155m has been subsumed within General Reserves. The Council made a commitment to use this as part of the funding for the Consett Sports Project.

CAPITAL EXPENDITURE

Capital Expenditure for 2008/2009 totalled £11.285m; this covered the General Fund Capital Programmes. The table below shows the major items of expenditure during the year and how the programme was financed:

Housing	**£000**
Disabled Facilities Grants etc	782
Craghead	1,454
Other	73
	2,309
Leisure Schemes	
View Lane Park Stanley	56
Leisure Buildings Improvements	267
Consett Sports Project	116
Other Miscellaneous Schemes	16
	455
Other Schemes	
Tanfield Lea Business Park	5,530
Stanley Bus Station	11
Consett Business Park	57
Other Environmental Schemes	500
Flooding Remediation	33
Cemeteries and Churchyards	693
Public Buildings	127
Capital Initiative Fund	1,076
Others	494
	8,521
Total to be Financed	**11,285**

Capital expenditure was financed as follows:

	£000
Capital Receipts	5,690
Grants/Contributions	5,587
Other Reserves	8
	11,285

In addition to this expenditure, the Council also has commitments carried forward into 2009-10. The table below shows the total amount of £17.049 million split between those amounts actually contracted at the 31st March and those not.

Slippage Summary	TOTAL £'000	Expenditure approved and contracted at 31/3/09 £'000	Expenditure approved but not contracted at 31/3/09 £'000
Capital Initiative Fund	249	10	239
Stanley Bus Stat	30	30	
Flooding	12		12
Hamsterley Mine	5	5	
Towns & Villages			
Bobby Robson Park	33	33	
Park Lodge	8	8	
Car Parks	80		80
South Moor Park	110		110
Leadgate	150		150
East Stanley Bowls	311	311	
Hownsgill Drainage	26	26	
Craghead Housing	591	500	91
DFG's	164		164
Energy Efficiency	42		42
View Lane Park	235	235	
Empty Property Strat	200		200
Lamplight Balcony	15	15	
Consett Sports Project	14,788		14,788
TOTAL	**17,049**	**1,173**	**15,876**

The most significant amount by far is the £14.788 million for the Consett Sports Project (£1.925m of which is external funding) which was approved in the last financial year but now awaits the results of an independent study.
Resources to cover these commitments were accrued by the Council prior to the year end and included on the year end balance sheet is £11.58 million in usable capital receipts and £4.155 million in general reserves which equates to the amount from former HRA balances agreed by Council to support the sports project.

TREASURY MANAGEMENT

1. The authority follows CIPFA's Prudential Code, which operates by the provision of prudential indicators, which highlight particular aspects of the capital expenditure planning. There are four treasury prudential indicators, the purpose of which is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position. The indicators are:

   - Upper limits on variable rate exposure – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.
   - Upper limits on fixed rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.

- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- Total principal funds invested for greater than 364 days – These limits are set to reduce the need for early sale of an investment, and are based on the availability of investments after each year-end.

The agreed indicators for 2008/2009 were:

£m	**2008/2009**	
	Upper	
Limits on fixed interest rates	10.9	
Limits on variable interest rates	0	
Maturity Structure of fixed rate borrowing		
	Lower %	**Upper %**
Under 12 months	0	70
12 months to 2 years	0	100
2 years to 5 years	0	100
5 years to 10 years	0	100
10 years and above	0	100
Maximum principal sums invested > 364 days	£30.0m	

The indicators were not exceeded during 2008-09.

2. Borrowing During 2008-09 – Borrowing is carried out in accordance with the Council's agreed treasury management procedures. The Authority's authorised Borrowing Limit was £19,020,000.

No new long term borrowing or debt repayments were undertaken in 2008-09

An analysis of outstanding debt is shown on Note 20 of the Core Financial Statements.

RESERVES

The Council holds various earmarked reserves for specific purposes. These are detailed in note 28 to the Core Single-Entity Financial Statements (page 38). At the year end, they totalled £2.134m of which the most significant is the Insurance Reserve at £1.4m

The Council's General Reserve showed a balance of £4.623m at the end of March 2009 and the Housing Budget Management Reserve created out of the share of Right to Buy receipts from Derwentside Homes has a nil balance.

MATERIAL AND UNUSUAL CHARGES AND CREDITS IN THE ACCOUNTS

The effect of the impairment of the principal and interest relating to Icelandic Bank investments has been factored in and full disclosure notes given.

CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies in 2008-09

CHANGES TO STATUTORY FUNCTIONS

There were no changes in statutory functions in 2008/2009 that had a significant impact on the accounts.

LOCAL GOVERNMENT REORGANISATION

A single unitary Council for County Durham replaced the former County and District Councils with effect from vesting day, 1st April 2009. All rights and obligations of the former District Council now rest in the new Authority and the responsibility for approving this Statement of Accounts also rests with the new council.

STATEMENT OF ACCOUNTING CONCEPTS

The Statement of Accounts has been prepared in accordance with the fundamental accounting principles set out below. The policies set out in this document have been selected and applied in line with the accounting principles set out here.

THE QUALITATIVE CHARACTERISTICS OF FINANCIAL INFORMATION

Relevance

The objective of the Statement of Accounts is to provide information about the authority's financial performance and position that is useful for the stewardship of public funds and for making economic decisions.

Reliability

The financial information contained within the Statement of Accounts is considered reliable. The information is reliable because, to the knowledge of the authority:-

a) It can be depended upon to represent faithfully what it either purports to represent or could reasonably be expected to represent, and therefore reflects the substance of transactions and other events that have taken place;
b) It is free from deliberate or systematic bias (i.e. it is neutral);
c) It is free from material error;
d) It is complete within the boundaries of materiality;
e) Under conditions of uncertainty, it has been prudently prepared (i.e. a degree of caution has been applied in exercising judgement and making necessary estimates).

Comparability

The Statement of Accounts is prepared in accordance with the Statement of Recommended Practice (SORP) and the Best Value Accounting Code of Practice (BVACOP) which are national standards required of all Local Authority accounts and therefore ensure consistency and comparability with other authorities.

Understandability

All reasonable efforts have been made in the construction of the Statement of Accounts to ensure that they are as easily understandable as possible.

Materiality

When assessing the materiality threshold for items, consideration has been given to both disclosure and accounting principles. Where amounts involved are not material to the fair presentation of the financial position and transactions of the authority, it is not necessary to disclose these as they do not aid the understanding of the Accounts. To the knowledge of the authority there are no material omissions or misstatements from the Statement of Accounts.

PERVASIVE ACCOUNTING CONCEPTS

Accruals

The financial statements, other than cash flow information, are prepared on an accruals basis. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

Going Concern

Although the authority ceased to exist on 1st April 2009 all of its functions, activities, assets and liabilities are ongoing as part of the new Unitary Authority. Under FRS18 this could have meant that there was a requirement to change measurement bases used for assets and liabilities, however, the 08/09 SORP Guidance Notes make it clear that this is not necessary, as they state;

"In the case of local government reorganisation, where assets are to be redistributed, the concept of going concern should be applied to the provision of local government services as a whole, although an individual authority may itself cease to exist or to provide particular services. Authorities should therefore continue to use the going concern basis and there will rarely be a need to change measurement policies in preparation for a reorganisation."

Taking this guidance into account these statements are prepared under normal going concern principles.

Primacy of Legislative Requirements

Local authorities derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that law prescribes treatments, the accounting concepts outlined above may not apply in all cases. It is a fundamental principle of local authority accounting that where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

STATEMENT OF ACCOUNTING POLICIES

General

As mentioned above, the form and general principles adopted in compiling these accounts are those recommended by the Chartered Institute of Public Finance and Accountancy in documents such as the Best Value Code of Practice on Local Authority Accounting (BVACOP) and accompanying Guidance Notes for Practitioners. The Institute's guidance note on the application of Statements of Standard Accounting Practice (SSAP), Statements of Recommended Practice (SORP) and Financial Reporting Standards (FRS) have also been taken into account. There are no significant departures from these recommendations.

Changes in Accounting Practice

The 2007 SORP introduced some changes particularly around Capital Accounting which need to be fully reflected in the 2007-08 and 2008-09 accounts. The Revaluation Reserve and a Capital Adjustment Account (CAA) replaced the Fixed Asset Restatement Account (FARA) and the Capital Financing Account (CFA). The balances on the FARA and the CFA were transferred to the CAA and the Revaluation Reserve was opened with a zero balance as at 1 April 2008.

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

INCOME AND EXPENDITURE

Revenue

Income and expenditure are accounted for in the year to which they relate by the creation of debtors and creditors in accordance with the normal accruals basis that complies with the Code of Accounting Practice and relevant S.S.A.P's.

Capital

Capital transactions are recorded on an accruals basis.

Support Services Allocations

Charges or apportionments covering all support service costs are made to all users (including HRA and Capital) in accordance with the seven principles of overhead apportionment outlined in BVACOP. These principles are described in the following table:-

Complete recharging of overheads	All overheads not defined as non-distributed costs central overheads, should be fully recharged to service expenditure headings as defined in Section 3 of the BVACOP
Correct Recipients	The system must identify correctly who should receive overhead recharges.
Transparency	Recipients must be clear what each recharge covers and be provided with sufficient information to enable them to challenge the approach being followed.
Flexibility	The recharging arrangements must be sufficiently flexible to allow recharges to be made regularly enough and to a level of detail appropriate to meeting both users' and providers' needs.
Reality	Recharging arrangements should result in a distribution of actual costs, which have a basis in fact. Even if the link cannot be direct, reality should be the main aim.
Predictability/Stability	Recharges should be as predictable as possible, although there will be practical limitations to this.
Materiality	It is unlikely that a simple system will be adequate to meet all the other requirements noted above. However, due regard should be had to materiality to minimise the costs involved in running the system.

Interest

Surplus monies are invested externally and the General Fund receives the interest earned. Transfers are then made to the other accounts of the Council to reflect their share of the interest earned based on the actual rate achieved. Interest payable on external borrowings and investment income is not now accounted for on an accruals basis in line with changes in the SORP. Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Pensions

FRS 17 'Retirement Benefits' became effective from 1st April 2003 and this requires the Council to account for retirement benefits when it becomes committed to them, even if the actual payment of the benefits will be in the future.
The latest amendment introduced the following changes:

- Disclosures should show separate reconciliations of liabilities and assets from the previous year

- Disclosure of the principal actuarial assumptions used at the Balance Sheet date, which includes disclosures of mortality rates if it is considered a material assumption

- Unfunded liabilities should be separately disclosed

- The fair value of assets should comprise the bid-value for quoted securities, rather then the mid-market value

Value Added Tax (VAT)

VAT is only included in income and expenditure accounts, whether of a capital or revenue nature, to the extent that it is irrecoverable.

Insurances

The Council insures against the majority of its potential losses by using an Insurance Company. However, in order to minimise external premiums, the Council has an established Insurance Fund to meet the potential cost of insurance claims falling within agreed excesses. (For example, all Public Liability and Employers' Liability claims up to £50,000 are borne by the Council and only amounts above this excess are met by the Insurance Company).

There are no material unfunded risks and it is considered that the present Insurance Fund balance is adequate to meet any potential claims on the Council for which external insurance cover has not been arranged.

Group Accounts

After going through the process of identifying potential group partners it was confirmed that no separate bodies met the criteria to require the production of a group accounts statement.

Post Balance Sheet Events

a) Where a material post balance sheet event occurs which:

- Provides additional evidence relating to conditions existing at the balance sheet date; or
- Indicates that application of the going concern concept to a material part of the authority is not appropriate;
- Changes are made in the amounts to be included in the Statement of Accounts.

(b) Any occurrence of a material post balance sheet event which concerns conditions which did not exist at the balance sheet date, are disclosed. The disclosure states the nature of the event and, where possible, an estimate of the financial effect of the event.

Acquired Operations

Income and expenditure directly related to acquired operations will be shown separately on the face of the income and expenditure account under the heading of acquired operations - there were no acquired operations in 2008/2009.

Discontinued Operations

The 2008-09 SORP provides that where an authority will cease to exist under local government reorganisation and all of its services are transferring to the new authority, this can be disclosed as a note to the statements rather than splitting services on the face of the Income and Expenditure account into continued and discontinued operations.

Given that all of Derwentside's former services are transferring to the new unitary authority, the whole of the Income and Expenditure account has been headed up as discontinued, but apart from this it does not look any different to the account that would have been prepared had the authority not been subject to reorganisation.

Contingent Assets

Contingent assets are not accrued in the accounting statements, but disclosed by way of notes if the inflow of a receipt or economic benefit is probable. The disclosures indicate the nature of the contingent asset and an estimate of its financial effect.

Contingent Liabilities

Contingent liabilities are not accrued in the accounting statements, but are disclosed by way of notes if there is a possible obligation, which may require a payment or a transfer of economic benefits. For each class of contingent liability, the authority will disclose the nature of the contingency, a brief description, an estimate of its financial effect (where possible), an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

The Council is currently defending 2 significant insurance claims:

- The gas escape at Hamsterley Drift Mine – A potential claim for £307,000 is ongoing. The insurance position is unclear at this stage, however the claim is being vigorously defended and it is likely to take a significant amount of time to come to a conclusion.

- An Asbestosis claim for approximately £50,000 is similarly being defended, with a successful outcome likely.

Exceptional Items, Extraordinary Items and Prior Year Adjustments

(a) Exceptional items will be included in the cost of the service to which they relate or on the face of the Income and Expenditure account if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item will be given within the notes to the accounts. During 2008-09 the effect of the Council's investments in Icelandic banks is an exceptional item and this has been factored into the accounts with appropriate disclosure notes.

(b) Extraordinary items will be disclosed and described on the face of the Income and Expenditure account after dealing with all items within the ordinary activities of the authority and will be explained fully in a note to the accounting statements.

(c) Prior year adjustments will be accounted for in the year in which they are identified and disclosed within the notes to the accounts or, where considered necessary for fair reporting, on the face of the appropriate revenue account.

Reserves and Provisions

The Council has a number of provisions and reserves which are detailed in note 28 to the Core Single Entity Financial Statements. The Council sets aside specific reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance.

Provisions are made when an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement.

Revenue Expenditure Funded from Capital under Statute (Formerly known as Deferred Charges)

Expenditure incurred during the year that under statutory provisions is classified as capital, but does not result in the creation of Fixed Assets has been charged as expenditure to the relevant Service Revenue Account in the year. Where the Authority has determined to meet the cost of this expenditure (formerly known as 'Deferred Charges') from existing Capital Resources, or by borrowing, in the Statement of Movement on the General Fund Balance then reverses out the amounts charged so that there is no impact on the level of Council Tax.

Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service over the economic life of the investment to reflect the pattern of consumption of benefits.

Tangible Fixed Assets

These are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

- Recognition – All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefit to the authority, and the services it provides, for more than one financial year. This excludes expenditure on routine repairs and maintenance of fixed assets that is charged direct to service revenue accounts.
- Measurement – Assets are initially measured at cost, including all expenditure incurred in bringing the asset into working condition. Tangible fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS) and are classified into the groupings required by the SORP.
    - Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use, uplifted by capital expenditure in the year of account. Revaluations are carried out as a rolling programme.
    - Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value.
    - Infrastructure assets and community assets (where applicable) are included in the balance sheet at depreciated historical cost.

  Assets included in the balance sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Assets values have been prepared by R. Hurst (FRICS), the Authority's Asset Management Officer. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.
- Disposals – When an asset is disposed of the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited similarly (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. Any balance of receipts is required to be credited to the Usable Capital Receipts Reserve and then can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. The written-off value of disposals is not a charge against Council Tax, as the costs of fixed assets are fully provided for under separate arrangements for capital financing.

- Grants and Contributions – where grants and contributions are received that are identifiable to Fixed Assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

- Depreciation – depreciation is provided on a straight line basis on all assets with a determinable finite life by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. The lives of assets are individually assessed as part of the annual revaluation process.

- Charges to Revenue for Fixed Assets – Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:-

    - Depreciation attributable to the assets used by the relevant service.

    - Impairment - the values of each category of assets and material individual assets that are not being depreciated are reviewed at the end of each Financial Year for evidence of reductions in value. Where Impairment is identified as part of this review or as a result of a Valuation exercise, this is accounted for by:
        - Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant Service Revenue Account
        - Otherwise – written off against any Revaluation Gains attributable to the relevant Asset in the Revaluation Reserve, with any excess charged to the relevant Service Account.
          Where an Impairment Loss is charged to the Income and Expenditure Account, but there were accumulated Revaluation Gains in the Revaluation Reserve for that Asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

    - Amortisation of intangible fixed assets attributable to the service.

Redemption of Debt

The Authority makes provision for all scheduled debt repayments. The basis of these payments is dependent upon the type of loan raised. The authority only has three loans outstanding (value £10.9m) after the housing stock transfer where most of the authority's debt was repaid by the government.
In addition to these budgeted repayments the Authority may also redeem or restructure debt early as part of its overall debt management policy thus utilising its ability to repay and/or replace debt based on prevailing market conditions.

Where early redemption of debt takes place, premiums or discounts incurred are accounted for as follows:-

Premiums and discounts incurred as a result of a debt restructuring exercise are charged to the revenue account in the year during which the re-structure occurs. These amounts are then reversed through the Statement of Movement on the General Fund Balance, and so have no effect on Council Tax.

The repayment (redemption) of debt by services is provided for in accordance with the requirements of the Local Government and Housing Act 1989. Service Revenue accounts must be charged with an amount known as the Minimum Revenue Provision (MRP).

The MRP is calculated on the basis of 4% of the Capital Financing Requirement.

Under the capital accounting system, the provision for depreciation equates to the MRP. Where the provision for depreciation, which has been charged to the service accounts, is lower than the MRP, an additional charge is made to the Income and Expenditure Account. A credit is included where the provision for depreciation exceeds MRP. This allows compliance with the statutory requirement concerning the provision for the redemption of debt.

Financial Assets

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the principle amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount shown in the balance sheet is the outstanding principal, and interest receivable. Interest credited to the Income and Expenditure account is the amount receivable for the year (notwithstanding the Icelandic investments explained elsewhere)

Financial Instruments

Accounting for financial instruments includes disclosures concerning the values of, and the risks related to financial assets and liabilities.

The financial assets are investments and debtors. The financial liabilities are creditors, long term borrowing and other balances shown under Current Liabilities. All the instruments are shown on the balance sheet as the amortised cost which includes any accrued interest at the balance sheet date.

The fair value of instruments with over a year to maturity is shown in a note to the accounts.

Estimations

Due to tight timescales, it is sometimes necessary to use various estimations. Set out below are details of the estimates made:-

- The annual Pension investment return used to roll forward the Employer's asset share to 31st March 2009 has been estimated from returns for 1st April 2008 to 31st December 2008, and an estimated return for 1st January 2009 to 31st March 2009.
- The investment return over the current accounting period has been calculated as -16.0%
- Where cash flows provided are for less than a full year, the figures have been pro-rated to estimate figures for the full accounting year.

CURRENT ASSETS

Stock

Stock held at the main and other depots are included in the accounts at latest cost. This practice conflicts with SSAP 9, which recommends that stocks should be shown at the lesser of cost or realisable value. The rate of movement of stock is such that valuation in the latter bases would not significantly affect the stock balance.

Work in Progress

The work in progress relates to Direct Service Organisation works and rechargeable works and is entered in the accounts at cost price.

GRANTS

Revenue

Revenue based grants accrued are included in the accounts as a debtor.

MOUNTSETT CREMATORIUM JOINT COMMITTEE

In recognition of the status of the crematorium as a separate legal entity, a separate set of SORP compliant statements has been produced and these have been approved by the Joint Committee. The Joint Committee is no longer required to produce such detailed statements as it falls underneath the appropriate audit threshold, however similar statements to previous years have been produced to maintain the financial management arrangements.

During 2008-09 the Crematorium Revenue Account showed a Surplus of £207,440 and the Balance Sheet shows Total Equity of £608,724.

This Statement of Accounts is authorised for issue on 30th September 2009 and it contains details of all material events through 2008/09 and up to that date.

Full copies of the statement of accounts (or a smaller Summary version) can be obtained from the Corporate Director - Resources at Consett Civic Centre, Medomsley Road, Consett, County Durham DH8 5JA. Copies will also be posted on the Council website.

Income and Expenditure Account For The Year Ended 31st March 2009

2007/2008 Net Expenditure		Note	2008/2009 Gross Expenditure	2008/2009 Gross Income	2008/2009 Net Expenditure
	Discontinued Operations				
4,532,630	Central Services		25,025,832	-17,659,743	7,366,089
2,565,521	Corporate and Democratic Core		2,865,442	0	2,865,442
452,992	Non-distributed Costs		1,084,778	0	1,084,778
10,756,024	Cultural, Environmental and Planning Services		18,339,600	-2,897,007	15,442,593
2,160,994	Highways, Roads and Transport Services		3,121,483	-374,872	2,746,611
42,408	Social Services		51,109	-5,217	45,892
1,699,531	Housing – General Fund Services		26,737,931	-25,246,726	1,491,205
1,655,098	HRA Housing		0	0	0
23,865,198	**Net Cost of Services**		**77,226,175**	**-46,183,565**	**31,042,610**
97,807	Precepts Paid To Parish Councils				105,261
-138,632	(Surpluses)/deficits on undertakings not included in the Net Cost Of Service	7 & 8			-139,344
1,312,940	(Gain)/Loss on sale of Fixed Assets				-717,342
-971,880	Preserved RTB Sales Share				-139,986
552,134	Interest Payable and similar charges				556,917
0	Impairment on Financial Investments				1,609,529
241,465	Contribution of Capital Receipts to Government Pool				46,384
-2,205,306	Interest and Dividends receivable				-1,841,311
860,000	Pension Interest Costs and Expected Return on Pension Fund Assets	1			2,800,000
23,613,726	**Net Operating Expenditure**				**33,322,718**
	Principle Sources Of Finance				
-6,821,129	Demand on the Collection Fund				-6,864,818
-1,276,151	Revenue Support Grant				-1,101,750
0	Area Based Grant				-1,405,954
-7,604,263	Contribution From NNDR Pool				-7,914,403
7,912,183	**(Surplus)/Deficit For The Year**				**16,035,793**

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

Year Ended 31st March 2008		**Notes**	**Year Ended 31st March 2009**
7,912,183	(Surplus)/Deficit for the year on the Income and Expenditure Account		16,035,793
-7,548,655	Net additional amount required by statute and non-statutory proper accounting practices to be debited or credited to the General Fund Balance for the year		-19,046,003
363,528	(Increase)/Decrease in the General Fund Balance for the year		**-3,010,210**
-1,976,167	General Fund Balance Brought Forward		-1,612,639
-1,612,639	**General Fund Balance Carried Forward**		**-4,622,849**

NET ADDITIONAL AMOUNT REQUIRED BY STATUTE AND NON-STATUTORY PROPER ACCOUNTING PRACTICES TO BE DEBITED OR CREDITED TO THE GENERAL FUND BALANCE FOR THE YEAR

Year ended 31st March 2008		**Year Ended 31st March 2009**
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance	
-4,074,702	Depreciation and impairment of General Fund Fixed Assets	-9,608,507
255,000	Government Grants Deferred amortisation matching depreciation and impairments.	2,228,429
-92,183	Amount by which finance costs calculated in accordance with the SORP are different from the amount of finance costs calculated in accordance with statutory requirements.	2,245
-735,578	Amounts treated as revenue expenditure in accordance with the SORP, but which are classified as capital expenditure by statute	-3,670,632
-1,312,940	Net gain or loss on disposal of fixed assets	717,342
-3,080,000	Net charges made for retirement benefits in accordance with FRS 17	-4,870,000
0	Impairment on Investments	-1,609,529
-9,040,403	**Sub Total**	**-16,810,652**
	Amounts not included in the Income and Expenditure Account but required to be included by Statute when determining the movement on the General Fund Balance	
72,118	Amortised Premia	112,807
0	Minimum Revenue Provision for Capital Financing	0
-241,465	Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	-46,384
2,760,000	Employers Contributions Payable to Pension Fund and retirement benefits payable directly to pensioners	2,930,000
0	Negation of Reversal Impairment on interest on Icelandic Investments	816,359
2,590,653	**Sub Total**	**3,812,782**
	Transfers to or from the General Fund Balance required to be taken into account when determining the movement on the General Fund Balance	
-1,650,600	Surplus/(Deficit) transferred to Housing Revenue Account Balance	0
551,693	Net Transfer to (or from) Reserves	-6,048,133
-1,098,907	**Sub Total**	**-6,048,133**
-7,548,657	**Net additional amount required by statute and non-statutory proper accounting practices to be debited (or credited) to the General Fund Balance for the year**	**-19,046,003**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year Ended 31st March 2008		Note	Year Ended 31st March 2009
-7,912,183	Surplus/(Deficit) for the year on the Income and Expenditure Account		**-16,035,793**
10,988,489	Surplus/(Deficit) for the year arising from the revaluation of Fixed Assets		**4,758,261**
5,530,000	Actuarial gains and (losses) on Pension Fund assets and liabilities		**-11,060,000**
-261,831	Other Gains or Losses		**537,979**
-2,491,766	Financial Instruments Adjustment Account		**0**
5,852,709	**Total**		**-21,799,553**

BALANCE SHEET AS AT 31 MARCH 2009

2007/08		Note	2008/2009	
£			£	£
	Fixed Assets	14		
36,201,154	Land & Buildings		37,336,135	
400,922	Vehicles, Plant & Equipment		392,850	
356,472	Community Assets		295,071	
8,520,861	Non Operational – Investment Property		7,742,874	
0	Non Operational – Assets Under Construction		7,727,364	
17,497,966	Non Operational – Surplus Assets		11,384,447	
62,977,375	**Net Fixed Assets**			64,878,741
0	Intangible Assets		0	
6,808,821	Long Term Investments		2,103,529	
139,732	Long -term Debtors		112,104	2,215,633
69,925,928	**Total Long-term Assets**			67,094,374
	Current Assets			
224,712	- Stocks	17	217,482	
131,098	- Work in progress	17	91,391	
28,280,087	- Temporary Investments		24,765,128	
8,669,363	- Debtors	18	9,859,876	
3,815	- Petty Cash Imprests		5,090	
37,309,075				34,938,967
	Current Liabilities			
8,358,734	- Creditors	19	8,563,410	
10,000	- Borrowing Repayable within 12 months	20	0	
479,154	- Bank Overdraft		1,274,756	
8,847,888				9,838,166
98,387,115	**Total Assets less Current Liabilities**			**92,195,175**
11,398,357	Long term Borrowing	20	11,396,115	
937,098	Capital Grants Unapplied		179,906	
2,177,316	Government Grants Deferred		5,671,134	
693,286	Contributions Deferred		566,515	
37,830,000	Pensions Liability		50,830,000	
53,036,057				68,643,670
45,351,058	**Total assets less Liabilities**			**23,551,505**
943,508	Deferred Capital Receipts - Credits	21	55,114	
10,663,821	Revaluation Reserve	15	14,699,309	
-2,511,831	Financial Instrument Adjustment Account	23	-3,189,949	
49,437,344	Capital Adjustment Account	24	43,936,175	
14,847,831	Usable Capital Receipts Reserve	25	11,580,417	
1,612,639	Reserves - General Fund		4,622,849	
4,154,996	- Housing Revenue Account	26	0	
1,082,340	- Budget Management Reserve		0	
5,260	- Collection Fund	27	543,239	
2,945,150	- Earmarked Reserves	28	2,134,351	
-37,830,000	- Pensions Reserve	29	-50,830,000	
45,351,058	**Total Equity**			**23,551,505**

CASH FLOW STATEMENT

2007/2008	.	Note	2008/2009	
£	**Revenue Activities**		£	£
	Cash Outflows			
13,664,611	Cash Paid To And On Behalf Of Employees		15,797,935	
19,231,769	Other Operating Cash Payments		24,966,998	
9,696,096	National Non Domestic Rate payments to National Pool		10,474,172	
33,061,374	Precepts Paid		34,319,107	
241,465	Payments to the Capital Receipts Pool		34,930	
28,390,381	Housing Benefit Paid Out		31,578,854	
104,285,696				117,171,996
	Less Cash Inflows			
-9,844,580	Non Domestic Rate Receipts		-10,394,597	
-39,652,580	Council Tax Receipts		-41,359,336	
-7,604,263	Redistributed Non Domestic Rates		-7,914,404	
-1,276,151	Revenue Support Grant		-1,101,750	
-29,260,840	Other Government Grants		-38,958,138	
-10,447,874	Cash received for Goods & Services		-12,361,379	
-357,709	Other Operating Cash Receipts		-143,168	
-98,443,997				-112,232,772
5,841,699	**NET CASH OUTFLOW - REVENUE ACTIVITIES**	34		**4,939,224**
	Returns On Investments and Servicing of Finance			
	Cash Outflows			
440,372	Interest Paid		542,231	
	Cash Inflows			
-1,610,412	Interest Received		-1,695,615	
-1,170,040	**NET CASH INFLOW – RETURNS ON INVESTMENT AND SERVICING OF FINANCE**			**-1,153,384**
	Capital Activities			
	Cash Outflows			
5,582,074	Purchase of Fixed Assets			11,126,619
	Less Cash Inflows			
-5,097,427	Sale of Fixed Assets		-2,621,814	
-3,551,292	Capital Grants Received		-4,657,690	
-18,594	Other Capital Cash Receipts		-88,627	
-8,667,313				-7,368,131
-3,085,239	**NET CASH OUTFLOW / (INFLOW)- CAPITAL ACTIVITIES**			**3,758,488**
1,586,420	**NET CASH OUTFLOW / (INFLOW) BEFORE FINANCING**			**7,544,328**
	Financing			
	Management of Liquid resources			
2,320,000	Net (Increase)/ Decrease in Short Term Deposits		6,750,000	
	Cash Outflows			
0	Repayments of amounts borrowed			0
	Cash Inflows			
0	New Loans Raised			0
-2,320,000	**NET CASH OUTFLOW / (INFLOW) - FINANCING**			**-6,750,000**
733,580	**INCREASE (DECREASE) IN CASH & EQUIVALENTS**	35		-794,328

Notes to the Single Entity Core Financial Statements

1 **LEASES**

FINANCE LEASES

There were no Finance lease rentals in 2008/2009.

OPERATING LEASES

Operating Lease rentals amounted to £640,808. In 2008/2009 there were outstanding obligations amounting to £895,152 as analysed below:

Future rental liabilities under operating leases:

	2008/2009	**2007/2008**
	£	£
2008/09		528,642
2009/10	338,527	423,725
2010/11	221,125	306,322
2011/12	182,047	69,881
2012/13	132,810	
2013/14	20,643	
	895,152	1,328,570

2 **SECTION 137 EXPENDITURE**

Under Section 137 of the Local Government Act 1972 (now incorporated into the Local Government and Housing Act 1989) the authority is empowered to spend the equivalent of £1.90 per head of resident population on expenditure which is in the interests of, or will bring direct benefit to, its area or inhabitants.

Expenditure under Section 137 in the 2008/2009 Financial Year amounted to £3,070 (including administration). The total amount allowable in this area was approximately £164,350.

The Local Government Act 2000 has repealed the majority of the Section 137 powers with effect from 18 October 2000. The exceptions to this are the power to make contributions to charities in the UK, not-for-profit bodies and mayoral appeals. All expenditure incurred in 2008/2009 fell under these powers.

3 **PUBLICITY**

Under the provisions of the Local Government Act 1986, Local Authorities must disclose the amount of expenditure incurred on Publicity (ie Advertising and Promotion). In 2008/2009 the expenditure on publicity for Derwentside District Council was £566,837. This amount can be analysed as follows:

	2008/2009	**2007/2008**
	£	£
Staff Recruitment	36,783	109,992
Industrial Promotion	105,361	105,662
Other General Advertising	424,693	212,445
	566,837	428,099

4 AGENCY SERVICES

Derwentside Training is mainly funded through Government Grants and the Learning Skills Council. Expenditure and funding during 2008/2009 was as follows:

	2008/2009 £	**2007/2008** £
Total Expenditure	673,494	581,067
Total Income	674,177	586,138
(Deficit)/Surplus	683	5,071

5 MINIMUM REVENUE PROVISION

Following the requirements of the Local Government and Housing Act 1989, the Council has to charge its revenue accounts with an amount to provide for the repayment of external debt. The amounts, known as the Minimum Revenue Provision (MRP) have been nil for the last two financial years as the Capital Financing Requirement is zero.

6 EMPLOYEES WHOSE REMUNERATION EXCEEDS £50,000

Remuneration Band	Number of Employees **2008/2009**	**2007/2008**
50,000 - 59,999	9	3
60,000 - 69,999	4	0
70,000 - 79,999	0	3
80,000 – 89,999	3	0
90,000 – 99,999	0	0
100,000 – 109,999	2	1
110,000 – 119,999	1	0
120,000 – 129,999	2	0
130,000 – 259,999	***NIL***	***NIL***
260,000 – 270,000	1	0

7 TRADING OPERATIONS

a) Income and expenditure on the authority's trading operations which include industrial estates, civic halls and theatres and markets is as follows:

	2008/2009		**2007/2008**	
	Income £	Expenditure £	Income £	Expenditure £
Industrial Estates	448,124	450,467	869,103	679,415
Civic Halls and Theatres	2,835	76,931	6,049	204,113
Markets	58,104	12,522	77,933	10,575
Totals	509,063	539,920	953,085	894,103

b) From 1st April 2006 the authority entered into the DurhamNet strategic IT partnership with Durham County Council. DurhamNet is a Regional Broadband Infrastructure Provider and ICT Systems Integrator as well as providing ongoing IT services to both authorities in the partnership. The net trading position at the end of 2008/2009 showed a surplus of £802,942 on turnover of £5.964 million with total costs being £5.161 million. In accordance with the partnership agreement this surplus has been split between the two authorities as follows; Derwentside District Council £401,471; Durham County Council 401,471. DurhamNet is not a separate legal entity and all of the costs and income shown above are included in the accounts of Derwentside District Council.

The vast majority of the contracts are with other public service bodies and hence are governed by the Local Authorities Goods and Services Act 1970.

8. **Direct Service Trading Activities**

The Council operates a number of trading activities which were previously subject to the competition rules under the Local Government Planning and Land Act 1980 as extended by the Local Government Act 1988. The table below summarises the turnover and outturn position for each area of activity.

ACTIVITY	**Turnover 2008-09**	**Expenditure 2008-09**	**Surplus/ (Deficit) 2008-09**	**Surplus/ (Deficit) 2007-08**
	£	**£**	**£**	**£**
Highways & Sewers	1,606,509	1,608,041	-1,532	-9,832
Grounds Maintenance	2,292,183	2,269,264	22,919	44,384
Street Cleaning	1,311,576	1,313,306	-1,730	-1,874
Vehicle Maintenance	1,680,149	1,680,149	0	0
Refuse Collection	2,529,556	2,608,268	-78,712	3,925
Skip Service	0	0	0	-33,749
Sub-total	**9,419,973**	**9,479,028**	**-59,055**	**2,854**
Less: FRS 17 Adjustment			229,256	76,794
TOTALS	**9,419,973**	**9,479,028**	**170,201**	**79,648**

9 **RELATED PARTY TRANSACTIONS**

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.

Related Parties include:

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. housing benefits). Details of transactions with Government departments are set out in a note to the Cash Flow Statement.

Precepts
Precept transactions in relation to Durham County Council, the Durham Police Authority, Durham and Darlington Fire and Rescue Authority are shown within a note to the Collection Fund.

Members of the Council
Members have direct control over the Council's financial and operating policies. During the year no members have been involved in declarable transactions.

Officers of the Council
Officers are only required to be disclosed as related parties when they have been involved in material transactions. During the year, no officers have been involved in declarable transactions.

Other Public Bodies
Derwentside is a member of the County Durham e-Government Partnership comprising Durham County Council and the seven district councils in the county. The following summarises the year-end accounts of that body which have been prepared by Wear Valley District Council:

Income & Expenditure	**£'000**
Income – Authority Contributions	424
Transfer from Durham CC	0
Interest Earned	20
Expenditure during year	-800
Appropriation to Retained Income Fund	**-356**
Balance Sheet	
Current Assets – Accountable Body Holding Account	**-307**
Financed By:	
Retained Income Fund – Brought Forward	663
Transfer from Inc & Exp Account	-356
TOTAL	**307**

During 2008/09, this Council contributed £53,819 towards the income of the Partnership.

InPrint Partnership

In 2006/2007, a partnership was formed between Derwentside District Council and City of Durham Council for all printing services. The summarised transactions of the partnership are shown below:-

Year Ended 31st March 2008		Year Ended 31st March 2009
-13	Balance At 1st April	-102
-522	Income In the Year	-1,038
433	Expenditure In The Year	881
-102	Balance At 31st March 2009	**-259**

Joint Venture and Joint Venture Partners

During 2008/2009, the Authority acted as the accountable body for the distribution of Working Neighbourhood (WNF) and Neighbourhood Management (NM) Funds, and in partnership with Durham County Council, Building Safer and Stronger Communities Fund.

Organisations receiving grants under these programmes included:

- Groundwork West Durham & Darlington
- Derwentside College
- Derwentside Engineering Forum
- County Durham PCT
- Derwentside CVS
- Derwentside Rural Crime Initiative
- Craghead Development Trust
- Durham County Council
- Leisureworks
- Co. Durham & Darlington Fire & Rescue

In addition WNF was awarded to a large number of small community organisations through the Grant 4 Groups Project.

The Council also acts as the accountable body for the Local Enterprise Growth Initiative (LEGI) programme, in partnership with Wear Valley DC, Sedgefield BC and Easington DC.

Project Genesis

The Council commenced its Project Genesis Scheme in 1994/95. The ongoing scheme was designed to develop the Consett former steelworks site and town centre. It is to be done in association with the Project Genesis Trust and a development company. During the year, there was 1 transfer of land to Project Genesis Trust.

10 BUILDING CONTROL TRADING ACCOUNT

The following statement shows the trading position for the chargeable element of Building Control as per the Building Control Charges Regulations (SI 1998/3129).

Expenditure	Chargeable 2008/09	Chargeable 2007/08
	£	£
Employee related	106,280	137,260
Transport related	7,640	10,590
Supplies and Services	3,800	5,490
Agency and Contracted Services	958	2,554
Central Support Services	61,160	83,800
Total Expenditure	179,838	239,694
Income		
Building Regulation Charges	169,642	218,440
Surplus/(Deficit) for the Year	**-10,196**	**-21,254**

11 PENSIONS

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

- The authority participates in the Local Government Pension Scheme for civilian employees, administered by Durham County Council. This is a funded Scheme, meaning that the authority and employees pay contributions into the fund, calculated at a level intended to balance the Pensions liabilities with investment assets.

- We recognise the cost of retirement benefits in the net cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out.

Pensions Transactions (FRS 17)	**2008/2009 £000**	**2007/2008 £000**
Net Cost of Services:		
Current Service Cost	1,370	1,920
Past Service Cost	700	620
Curtailments & Settlements	0	-320
Net Operating Expenditure:		
Interest Cost	6,890	5,910
Expected Return on Assets	-4,090	-5,050
Net Charge to the Income & Expenditure Account	**4,870**	**3,080**
Statement of Movement on the General Fund Balance		
Reversal of charges made for Retirement Benefits in accordance with FRS 17	**-4,870**	**-3,080**

Note 29 to the Single-Entity Core Financial Statements on Pages 38-41 shows details of the assumptions made in estimating the figures included in this note.

12 MEMBERS ALLOWANCES

The total of members allowances paid during the financial year 2008/2009 was £377,373, made up of £262,155 basic allowances and £115,218 special responsibility allowances. The corresponding amounts for 2007/2008 were £257,997 (Basic Allowance) and £121,108 (Special Responsibility Allowance).

The breakdown of this between individual Councillors and the details of the scheme are available for inspection on request at reception in Consett Civic Centre, Medomsley Road, Consett and are also available on the Councils website www.durham.gov.uk

13. **DISCLOSURE OF AUDIT COSTS**

In 2008/2009 Derwentside District Council incurred the following fees relating to external audit and inspection.

	2008/2009 £000	2007/2008 £000
Fees payable to the Audit Commission with regard to external Audit Services carried out by the Appointed Auditor	148	163
Fees payable to the Audit Commission in respect of Statutory Inspection	0	0
Fees payable to the Audit Commission for the certification of Grant Claims and Returns	24	19
Fees payable in respect of other services provided by the appointed Auditor	7	14
	179	**196**

14. MOVEMENT IN FIXED ASSETS 2008/2009								
	OPERATIONAL ASSETS				NON-OPERATIONAL ASSETS			
	Other Land & Buildings	Vehicles	Community Assets	Equipment & Plant	Investment Properties	Assets Under Construc'n	Surplus Assets	Total
	£	£	£	£	£	£	£	£
Net Book Value as at 31/03/08	36,201,154	53,750	356,472	347,172	8,520,861	0	17,497,966	**62,977,375**
Restatements	-51,291	0	464	2	-1,763,931	1,295,053	519,703	**0**
Revaluations	5,264,314	0	0	0	942,000	0	3,302,320	**9,508,634**
Value as at 01/04/07	**41,414,177**	**53,750**	**356,936**	**347,174**	**7,698,930**	**1,295,053**	**21,319,989**	**72,486,009**
Additions	991,800	0	10,925	114,464	65,194	6,432,311	0	**7,614,694**
Impairments	-3,413,520	0	-67,326	0	-21,250	0	-9,172,670	**-12,674,766**
Disposals	-100,213	0	0	0	0	0	-762,872	**-863,085**
Gross Book Value at 31/03/09	**38,892,244**	**53,750**	**300,535**	**461,638**	**7,742,874**	**7,727,364**	**11,384,447**	**66,562,852**
Depreciation for the year	-1,556,109	-5,143	-5,464	-117,395	0	0	0	**-1,684,111**
Net Book Value	**37,336,135**	**48,607**	**295,071**	**344,243**	**7,742,874**	**7,727,364**	**11,384,447**	**64,878,741**

The value of Net Assets employed can be broken down as follows:	
	£
General Fund	23,551,505
HRA	0
	23,551,505

Fixed assets held by the Authority as at 31st March 2009 include

	2008/2009	2007/2008	
Administrative Buildings	2	2	
Civic Halls/Theatres	3	3	
Depot	1	1	
Leisure Centres	2	2	
Swimming Centres	1	1	
Cemeteries	8	7	(26 Hectares)
Crematorium	1	1	
Parks	9	9	(342 Hectares)
Local Nature Reserves	7	7	
Millennium / Doorstep Greens	2	2	
Allotments	84	84	
Industrial Estates	4	4	(Wholly DDC Owned)
Jointly Owned Industrial Estates	2	2	(Jointly Owned with DCC)
Jointly Owned Industrial Units	6	6	(Jointly Owned with DCC)
Business Development Complex Units	13	13	
Terraced Units	9	9	
E-Business Centre Units	11	11	
New Business Centre	18	18	
Sports Grounds	22	22	
Golf Courses	1	1	
Country Parks	4	3	
Investment Premises	1	1	
Allensford Caravan Park	1	1	
Harperley Hotel	1	1	
Football Changing Rooms	11	11	
Communal Rooms	12	12	
Bowls Centre	1	1	
Bowls Pavillions	8	9	
Car Parks	27	28	
Bus Stations	2	2	
Steel House	1	1	
Comeleon Building	1	1	
Stanley Campus	1	1	
Enterprise Place	1	1	
Centrepoint	1	1	
Burnside Resource Centre	1	1	

15 REVALUATION RESERVE

This represents the unrealised surplus arising on the revaluation of the Council's Fixed Assets since April 2007.

	2008/2009 £	2007/2008 £
Balance B/Fwd	10,663,821	0
Revaluation	9,508,634	10,988,489
Released on Impairment	-4,750,373	0
Transfer for Dep'n On Revalued Element	-274,459	-85,768
Released on disposal Of Fixed Assets	-448,314	-238,900
Balance C/Fwd	**14,699,309**	**10,663,821**

16 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Movement in 2008/2009 was as follows:

	£
Opening Balance	0
Expenditure for year	3,670,632
Amount Written off	-3,670,632
Balance C/fwd	**0**

Expenditure for the year is made up as follows:-

Improvement/Renovation/DFG	2,661,220
Capital Initiative Fund	880,500
Others	128,912
	3,670,632

17 STOCKS & WORK IN PROGRESS

The analysis of this amount is:

	31st March 2009 £	31st March 2008 £
Stocks:		
Stock Account	15,143	16,877
DSO	195,274	198,947
Other	7,065	8,888
	217,482	224,712
Work in Progress:		
DSO	91,391	131,098
Total	**308,873**	**355,810**

18 DEBTORS

	31st March 2009 £	31st March 2008 £
Government Departments	1,977,187	1,167,176
Other Local Authorities	2,536,577	2,075,235
Sundry Debtors	3,477,155	4,067,601
Collection Fund	2,391,740	2,334,904
Payments in Advance	587,423	708,658
Other	313,505	367,091
Total	11,283,587	10,720,665
Less Impairment Allowance for Uncollectable Debt.	-1,423,711	-2,051,302
Total Debtors	**9,859,876**	**8,669,363**

Under FRS 26 Financial Instruments, the previous heading of Provisions for Bad and Doubtful Debts has been replaced by new requirements to estimate the impairment of financial assets including monies owed to the council.

	Balance B/Fwd £	Provision Created £	Provision Applied £	Balance C/Fwd £
Sundry Debts	738,234	113,997	-238,672	613,559
Collection Fund	1,313,068	104,037	-606,953	810,152
	2,051,302	**218,034**	**-845,625**	**1,423,711**

19 CREDITORS

	31st March 2009 £	31st March 2008 £
Other Local Authorities	740,845	1,047,266
Government Departments	173,169	918,386
Sundry Creditors	2,233,916	2,470,898
Collection Fund	424,910	669,994
Receipts in Advance	4,199,880	2,416,888
Other	790,690	835,302
Total	**8,563,410**	**8,358,734**

20 BORROWING

Borrowing repayable within 12 months	£'000	£'000
PWLB	0	
Other	0	
	0	

Long Term Borrowing by Lender Category

PWLB	0	
Market Loans	11,396	
	11,396	

Long Term Borrowing by Maturity

Maturing in more than 1 year and less than 2 years		0
Maturing in more than 2 years and less than 5 years		0
Maturing in more than 5 years and less than 10 years		0
Maturing in more than 10 years		11,396
Total		**11,396**

Local Bonds are classed as within 1 - 5 years

21 DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts are amounts received in instalments from the sale of assets.

22 UNAPPLIED GRANTS & DONATIONS

These are grants and contributions earmarked to finance committed capital expenditure but not yet applied.

23 FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account has been implemented in accordance with the 2007 SORP.

	2008/2009	2007/2008
Bal B/Fwd	2,511,831	
Adjustment on 1st April in respect of non-attributable Debt Redemption Premia		1,879,541
Adjustment on 1st April in respect of attributable Debt Redemption Premia		156,877
Adjustment on 1st April to reflect carrying value of attributable debt		455,348
Amortisation of debt redemption premia 08/09	-112,807	-72,118
Effective Interest Rate (EIR) Adjustment 08/09	-2,245	92,183
Neutralisation of Impairment of Icelandic Investments	1,609,529	
Negation of Interest Credited to Income and Expenditure Account	-816,359	
Balance as at 31st March 2009	**3,189,949**	**2,511,831**

24 CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account shows the difference between the rate at which assets are depreciated under the SORP and are financed through capital controls. The account contains the amounts set aside to finance capital expenditure and the historical cost of acquiring, creating or enhancing fixed assets over their life.

	2008/2009	2007/2008
	£	£
Balance B/fwd	49,437,344	58,662,713
08/09 Capital Financing :		
Capital Receipts Applied	5,689,851	2,298,133
Grants & Contributions Applied	2,228,429	255,000
Disposals	-863,085	-7,292,890
Impairment	-12,674,766	-3,156,802
REFFCUS/Deferred Charges	-3,670,632	-735,578
Depreciation	-1,684,112	-917,900
Transfers From Revaluation Reserve:		
Depreciation on Revalued Element	274,459	85,768
Disposal of Assets	448,314	238,900
Transfer on Impairment	4,750,373	0
Balance C/Fwd	**43,936,175**	**49,437,344**

25 USABLE CAPITAL RECEIPTS RESERVE

	2008/2009	2007/2008
	£	£
Balance B/Fwd	14,847,831	12,273,629
add: Receipts in year	2,468,821	5,113,801
Total	17,316,652	17,387,430
less: Receipts 'set aside'/ pooled	-46,384	-241,465
less: Receipts applied	-5,689,851	-2,298,134
Balance C/Fwd	**11,580,417**	**14,847,831**

26 HOUSING REVENUE ACCOUNT RESERVE

This is the reserve of the Council's Housing Revenue Account and any surpluses or deficits are charged here. The reserve was historically used in connection with items relating to the maintenance of the Council's housing stock but this is no longer in operation due to the transfer of housing stock to Derwentside Homes. The balance on the reserve has been transferred to General Fund.

	£
Balance B/Fwd	4,154,996
Net surplus/(deficit) in Year	0
Additions to reserve	0
Other Reductions in Reserve	-4,154,996
Balance C/Fwd	**0**

27 COLLECTION FUND BALANCE

The balance on the Collection Fund can be analysed as follows:

	£
Durham County Council	461,527
Durham & Darlington Fire & Rescue	29,993
Durham Police Authority	51,719
Total	**543,239**

28 EARMARKED RESERVES

The Council has various other earmarked reserves the main ones being:

- The Business Development Complex Maintenance Reserve. This has been created to cover any major items of repair to the Business Development Complex. Contributions are made by the tenants through rental payments.

- The Burns Pit Memorial Maintenance Reserve. Set up with a one off contribution.

- Insurance Reserve. This has been established to part fund Insurance claims made against the Council.

Contributions are made from revenue accounts as additional premiums. The Council has reduced premiums to compensate for this through higher excess levels. A large proportion of this reserve is paid through DSO, being the source of most claims against the Council.

- The Early Retirement reserve was established to cover any shortfalls in the pension fund created by Employees retiring early.

- The reserve for Programme Management administration grant is to cover the costs of administration in future years.

	Balance 1st April £	**Additions to Reserve** £	**Use of Reserve** £	**Balance 31st March** £
Renewals Reserve	171,927	0	-171,927	0
Community Initiative Fund	22,276	0	-22,276	0
Grants & Donations	1,995	0	-1,995	0
Business Development Complex	235,596	61,640	-50,347	246,889
Energy Bank	21,710	0	-21,710	0
Burns Pit Memorial	3,587	140	0	3,727
Insurance Reserve	1,407,655	166,000	-164,095	1,409,560
Early Retirement Reserve	319,610	73,880	0	393,490
Programme Management Admin Grant	110,794	0	-30,109	80,685
Single Status Reserve	650,000	0	-650,000	0
	2,945,150	**301,660**	**-1,112,459**	**2,134,351**

29 RETIREMENT BENEFITS

The disclosures below relate to the funded liabilities within the Durham County Council Pension Fund (the 'Fund') which is part of the Local Government Pension Scheme. Derwentside District participated in the Fund which provides defined benefits, based on members' final pensionable salary. The latest actuarial valuation of Derwentside District Council's liabilities took place as at 31 March 2007. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were:

Principal financial assumptions (% per annum)	31/03/09	31/03/08	31/03/07
Inflation	3.3	3.7	3.2
Rate of general increase in salaries	4.8	5.2	4.7
Rate of increase to pensions in payment	3.3	3.7	3.2
Rate of increase to deferred pensions	3.3	3.7	3.2
Discount rate	6.8	6.8	5.3

Principal demographic assumptions

Post Retirement Mortality	31st March 2009	31st March 2008
Male		
Base table (in 2007)	PNMA00 with allowance for MC improvement factors to 2007	PNMA00 with allowance for MC improvement factors to 2007
Scaling to above base table rates	125%	125%
Cohort improvement factors (from 2007)	80% of LC	100% of MC
Min. underpin to improvement factors	1.25%	1.00%
Future lifetime from age 65 (currently 65)	21.1	20.3
Future lifetime from age 65 (currently 45)	23.4	22.2
Female		
Base table (in 2007)	PNMA00 with allowance for MC improvement factors to 2007	PNMA00 with allowance for MC improvement factors to 2007
Scaling to above base table rates	125%	125%
Cohort improvement factors (from 2007)	60% of LC	100% of MC
Min. underpin to improvement factors	1.25%	0.50%
Future lifetime from age 65 (currently 65)	23.2	22.4
Future lifetime from age 65 (currently 45)	25.3	23.6

Expected Return on Assets	Long term expected rate of return at 31/03/09	Asset split at 31/03/09	Long term expected rate of return at 31/03/08	Asset split at 31/03/08	Long term expected rate of return at 31/03/07	Asset split at 31/03/07
	%pa	%	%pa	%	%pa	%
Equities	7.0	45.2	7.6	47.4	7.7	85.1
Property	6.0	3.9	6.6	4.4	6.7	2.4
Government Bonds	4.0	30.0	4.6	29.3	4.7	7.6
Corporate Bonds	5.8	11.0	6.8	9.2	5.3	0.0
Cash/Other	1.6	9.9	6.0	9.7	5.6	4.9
Total	**5.4**	**100.0**	**6.4**	**100.0**	**7.3**	**100.0**

Derwentside District Council employs a building block approach in determining the rate of return on Fund Assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns, consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at 31st March 2009

Reconciliation of funded status to balance sheet			
	31/03/09 £'M	**31/03/08 £'M**	**31/03/07 £'M**
LGPS Funded Benefits			
Notional value of assets	52.64	64.82	70.47
Present value of liabilities	96.08	95.74	106.28
Net Pension asset/ (liability)	**-43.44**	**-30.92**	**-35.81**
LGPS Unfunded Benefits			
Present value of liabilities	7.39	7.06	7.42
Net Pension asset/ (liability)	**-7.39**	**-7.06**	**-7.42**
Overall	**-50.83**	**-37.98**	**-43.23**

The movements in the present value of the net pension assets and liability for the year to 31st March 2009 are as follows:

Changes to the present value of liabilities in the accounting period	**2008/09 £m**	**2007/08 £m**
Opening present value of liabilities	95.74	106.28
Current service cost	1.37	1.92
Interest Cost	6.43	5.53
Contributions by participants	0.65	0.56
Actuarial (gains)/losses on liabilities	-3.65	-13.32
Net benefits paid out	-5.16	-4.96
Past service cost	0.70	0.62
Settlements	0.00	-0.89
Closing present value of liabilities	**96.08**	**95.74**

Changes to the fair value of assets in the accounting period	**2008/09 £m**	**2007/08 £m**
Opening fair value of assets	64.82	70.47
Expected return on assets	4.09	5.03
Actuarial gains/(losses) on assets	-14.35	-7.99
Contributions by the employer	2.59	2.28
Contributions by participants	0.65	0.56
Net benefits paid out	-5.16	-4.96
Closing fair value of assets	**52.64**	**64.82**

Actual Return on Assets		
	Period Ending 31st March 2009 £m	**Period Ending 31st March 2008 £m**
Expected return on assets	4.09	5.03
Actuarial gain/(loss) on assets	-14.35	-7.99
Actual return on assets	**-10.26**	**-2.96**

Analysis of Amount Recognised in STRGL	**Period Ending 31st March 2009 £m**	**Period Ending 31st March 2008 £m**
Total actuarial gains/(losses) - LGPS Funded Benefits	-10.7	5.33
Total actuarial gains/(losses) - LGPS Unfunded Benefits	-0.36	0.26
Total Gain/(Loss) in STRGL	**-11.06**	**5.59**

History of asset values, present value of liabilities and surplus/(deficit)

	31/03/09 £'M	**31/03/08 £'M**	**31/03/07 £'M**	**31/03/06 £'M**
Fair value of assets	52.64	64.82	70.47	76.98
Present value of liabilities - Funded	96.08	95.74	106.28	118.95
Present value of liabilities - Unfunded	7.39	7.06	7.42	7.00
Surplus/(Deficit	**-50.83**	**-37.98**	**-43.23**	**-48.97**

In accordance with Paragraph 77(o) of FRS 17 (as revised), the assets for the current period and previous 2 periods are measured at current bid price. Asset values previously measured at mid-market value for periods ending 2008 and 2007 have been re-measured for this purpose. Asset values for the period ending 2006 are shown at mid-market value and have not been re-measured as permitted by FRS 17 (as revised).

History of Experience Gains and Losses	**Period Ending 31st March 2009 £m**	**Period Ending 31st March 2008 £m**	**Period Ending 31st March 2007 £m**
Experience Gains/(Losses) on assets	-14.35	-7.99	0.79
Experience Gains/(losses) on liabilities - Funded	-0.57	0.27	-0.39
Experience Gains/(losses) on liabilities - Unfunded	-0.52	-0.05	n/a

In accordance with Paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. The history of experience gain/(loss) on liabilities shown has not been re-stated for the period ending 2007 and includes the experience relating to unfunded liabilities

30 Disclosure of Nature and Extent of Risk Arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

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 commitments to make payments;

Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.

Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

By formally adopting the requirements of the Code of Practice;

By approving annually in advance prudential indicators for the following three years limiting:

- The Council's overall borrowing;
- Its maximum and minimum exposures to fixed and variable rates;
- Its maximum and minimum exposures in the maturity structure of its debt;
- Its maximum annual exposures to investments maturing beyond a year.

By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the 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 risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

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

Credit risk

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

The following analysis summarises the Authority'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 2009	Historical experience of default**	Adjustment for market conditions at 31 March 2009	Estimated maximum exposure to default
	£000s	%	%	£000s
	a	b	c	(a * c)
Deposits with banks and financial institutions				
AAA rated counterparties	0	0.00%	0.00%	0.00
AA rated counterparties	8,370	0.06%	0.06%	5.02
A rated counterparties	10,500	0.65%	0.65%	68.25
Other counterparties	1,000	0.65%	0.65%	6.50
Bonds – AAA rates	0	0.00%	0.00%	0.00
Total	19,870			79.77

The above table does not include investments with Icelandic Banks as detailed below:-

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £7m invested in this sector at that time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. The impact of the principal invested has been mitigated in the accounts according to government regulations, although all related investment income has been fully impaired.

The Council has also used non credit rated institutions (for instance smaller building societies or bank subsidiaries where the parent has a satisfactory rating). In these circumstances these investments have been classified as other counterparties.

Collateral, Financial Guarantees and Soft Loans – During the reporting period the council held no collateral as security, provided no financial guarantees, and soft loans were considered to be not material.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). 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.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the 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 prudential indicator 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 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 the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day 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:

	2008/2009	2007/2008
	£000's	£000s
Less than one year	0	10
Between one and two years	0	0
Between two and seven years	0	0
Between seven and 15 years	0	0
More than fifteen years	10,900	10,900
	10,900	10,910

The maturity analysis of financial assets is as follows:

	2008/2009	2007/2008
	£000's	£000s
Less than one year	24,870	27,120
Between one and two years	2,000	4,500
Between two and three years	0	2,000
More than three years	0	0
	26,870	33,620

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

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 interest 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 Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;

- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

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 Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The 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.

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

	£000s
Increase in interest payable on variable rate borrowings	109
Increase in interest receivable on variable rate investments	(328)
Impact on Income and Expenditure Account	(219)

The approximate 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 and is currently not exposed to losses arising from movements in the prices of shares.

Foreign exchange risk - The Council has negligible financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of Financial Instruments.

	Long-Term		Current	
	31 March 2009 £000s	31 March 2008 £000s	31 March 2009 £000s	31 March 2008 £000s
Financial liabilities (principal amount)	10,900	10,900		10
Plus Accounting Adjustments	496	498		
Financial Liabilities at fair value through the I & E				
Financial Liabilities at Amortised Cost	11,396	11,398		10
Total borrowings	11,396	11,398		10
Loans and receivables (principal amount)	2,000	6,500	24,870	27,120
Plus Accounting Adjustments	104	309	-105	1,160
Loans and receivables at Amortised cost	2,104	6,809	24,765	28,280
Available for sale financial assets				
Financial Assets at Fair Value through the I & E				
Total investments	2,104	6,809	24,765	28,280

Note – Under accounting requirements the financial instrument value shown in the Balance Sheet include the principal amount borrowed or lent plus accrued interest and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation).

31 FINANCIAL INSTRUMENTS GAINS/LOSSES

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

Financial Instruments Gains and Losses 2008/09				
	Financial Liabilities	**Financial Assets**		
	Liabilities	**Loans**	**Available**	
	measured at	**and**	**for sale**	**Total**
	amortised cost (£)	**Receivables (£)**	**assets**	**(£)**
Interest Expense	-556,917			-556,917
Losses on Derecognition				
Impairment losses		-793,170		-793,170
Interest Payable and similar charges	**-556,917**	**-793,170**		**-1,350,087**
Interest Income		1,834,893		1,834,893
Gains on Derecognition				
Interest and Investment Income		1,834,893		1,834,893
Gains on revaluation				0
Losses on revaluation				0
Amounts recycled to the I & E a/c				
after impairment				0
Surplus arising on revaluation of Financial Assets				0
Net Gain/ Loss for the year	**- 556,917**	**1,041,723**		**484,806**

Financial Instruments Gains and Losses 2007/08				
	Financial Liabilities	Financial Assets		
	Liabilities	Loans	Available	
	measured at	and	for sale	Total
	amortised cost (£)	Receivables (£)	assets	(£)
Interest Expense	-552,134			- 552,134
Losses on Derecognition				
Impairment losses				
Interest Payable and similar charges	-552,134			- 552,134
Interest Income		2,205,306		2,205,306
Gains on Derecognition				
Interest and Investment Income		2,205,306		2,205,306
Gains on revaluation				0
Losses on revaluation				0
Amounts recycled to the I & E a/c				
after impairment				0
Surplus arising on revaluation of Financial Assets				0
Net Gain/ Loss for the year	**-552,134**	**2,205,306**		**1,653,172**

32 Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2008			31 March 2009	
£000s	**Carrying amount £000s**	**Fair value £000s**		**Carrying amount £000s**	**Fair value £000s**
PWLB debt	0	0		0	0
Non-PWLB debt	11,408	12,177		11,396	12,670
Total Financial liabilities	**11,408**	**12,177**		**11,396**	**12,670**

The fair value 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.

Money market loans < 1 yr	6,809	6,471		2,104	2,217
Money market loans > 1 yr	28,280	27,120		24,765	24,870
Bonds	-	-			
Total Loans and receivables	**35,089**	**33,591**		**26,869**	**27,087**

The differences are attributable to fixed interest instruments receivable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial liabilities and raises the value of loans and receivables.

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair values for non-PWLB debt have also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

The fair values for loans and receivables have been determined by reference to the Public Works Loans Board (PWLB) redemption rules which provide a good approximation for the fair value of a financial instrument, and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

33 Financial Instrument Disclosures

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £7m deposited across three of these institutions, with varying maturity dates and interest rates as follows:

Bank	Date Invested	Maturity Date	Amount Invested (£)	Interest Rate (%)	Carrying Amount (£)	Impairment (£)
GLITNIR BANK (1)	25/10/06	24/10/08	3,000,000	5.620	3,155,236	255,409
KAUPTHING SINGER & FRIEDLANDER LTD	30/10/07	28/10/08	1,000,000	6.120	474,134	612,887
LANDSBANKI ISLANDS HF (1)	12/04/07	13/10/08	1,000,000	6.010	790,309	328,245
LANDSBANKI ISLANDS HF (2)	12/04/07	14/04/09	1,000,000	6.040	794,065	325,081
GLITNIR BANK (2)	18/12/07	16/12/08	1,000,000	6.290	993,088	87,907
Total			**7,000,000**		**6,206,832**	**1,609,529**

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Kaupthing Singer and Friedlander Ltd

The creditor progress report issued by the administrators Ernst and Young, dated 17 April 09 outlined that the return to creditors was projected to be a minimum of 50p in the £ but no timescale is indicated. The administrator indicated that the estimate could be lower or higher if significant issues arose; the 50p in the £ stated is therefore the best estimate within a range of possible amounts. The first dividend payment of 10p in the £ minimum is due in the summer of 2009. The authority has decided to recognise an impairment based on it recovering 50p in the £ up to October 2012 (the date when the High Court has permitted the administration to be extended to).

In calculating the impairment the Authority has therefore made the assumption that the remaining 40% recovery will be split evenly between December 2009, December 2010, December 2011 and October 2012.

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 7 October 2008.

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. Old Landsbanki's latest public presentation of its affairs was made to creditors on 20 February 2009 and can be viewed on its website. This and other relevant information indicated that recovery of between 90-100 % could be achieved, and the authority had taken a mid point position and assumed recovery at 95% by 2012. Information received in late June indicated that recovery rates are expected to be lower than initial forecasts at a level of 83p in the £. The authority has therefore decided to recognise an impairment based on it recovering 83p in the £.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the authority has used the estimated repayment timetables for Heritable and KS&F as a basis for its assumption about the timing of recoveries. It is therefore assumed that the repayment will be split roughly evenly between March 2010, December 2010, December 2011 and December 2012.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 14 November 2008 [maturity date if earlier].

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affaires of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law. Old Glitnir's latest public presentation of its affairs was made to creditors on 6 February 2009 and can be viewed on its website. This indicates that full recovery of the principal and interest to 14 November 2008 is likely to be achieved. Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.

- Settlement of the terms of a 'bond' which will allow creditors of old Glitnir to enjoy rights in New Glitnir.

The authority has therefore decided to recognise an impairment based on it recovering the full amount of principal and interest up to 14 November 2008 [maturity date if earlier] in the future. The impairment therefore reflects the loss of interest to the authority until the funds are repaid.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to 40% of its liabilities, assuming that the Bond remains at its current estimated value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 40p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Since the value of deposits is small compared to the total asset value of the bank, in calculating the impairment the authority has therefore made an assumption that the repayment of priority deposits will be made by 31 March 2010.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 14 November 2008.

The impairment loss recognised in the Income and Expenditure Account in 2008/09, £1.609m, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £0.793m has been transferred to the Financial Instruments Adjustment Account. The balance of £0.816m relates to interest which has been borne in full by the General Fund.

Investments included in current assets figure in the Balance Sheet include the following investments that have been impaired because of the financial difficulties being experienced by Icelandic Banks.

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate. The expected repayments have been estimated as follows, based on the statements made by the administrator:

Date	GLITNIR BANK (£)	KSF LTD (£)	LANDSBANKI (£)
31 July 2009		105,767.89	
31 December 2009		105,767.89	
31 March 2010	4,394,585.48		459,278.00
31 December 2010		105,767.89	459,278.00
31 December 2011		105,767.89	459,278.00
31 October 2012		105,767.89	
31 December 2012			437,407.00
	4,394,585.48	**528,839.45**	**1,815,241.00**

Interest credited to the Income and Expenditure Account in respect of the investments is as follows:

Bank	2006/07 Credited (£)	2006/07 Received	2007/08 Credited (£)	2007/08 Received	2008/09 Credited (£)	2008/09 Received
GLITNIR BANK (1)	72,983	0	169,062	0	168,600	0
KAUPTHING SINGER & FRIEDLANDER LTD	0	0	25,821	0	61,200	0
LANDSBANKI ISLANDS HF (1)	0	0	58,453	0	60,100	0
LANDSBANKI ISLANDS HF (2)	0	0	58,745	0	60,400	0
GLITNIR BANK (2)	0	0	18,095	0	62,900	0
TOTAL	**72,983**	**0**	**330,176**	**0**	**413,200**	**0**

Note to the Accounts - Financial Instruments Adjustment Account

Regulations issued in March 2009 allow the authority not to charge amounts relating to impaired investments to the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The authority has taken advantage of the regulations, and has transferred the following amounts to the Financial Instruments Adjustment Account.

Bank	Amount Transferred to Financial Instruments Adjustment Account (£)
GLITNIR BANK	-148,324
KAUPTHING SINGER & FRIEDLANDER LTD	525,866
LANDSBANKI ISLANDS HF	415,627
	793,169

Under the regulations, the authority must transfer the balance on the Financial Instruments Adjustment Account to the General Fund no later than 31 March 2011, and must also credit the Financial Instruments Adjustment Account with interest earned until such time as the balance has been transferred to the General Fund. The authority estimates that the following credits will be made to the FIAA:

Bank	Balance on FIAA @ 31st March 2009 (£)	Transfers during 2009/10 (£)	Transfers during 2010/11 (£)	Balance on FIAA @ 31st March 2011
GLITNIR BANK (1)	-155,236	-181,964	337,200	0
KAUPTHING SINGER & FRIEDLANDER LTD	525,866	-23,825	-502,041	0
LANDSBANKI ISLANDS HF (1)	209,691	-48,828	-160,863	0
LANDSBANKI ISLANDS HF (2)	205,935	-49,311	-156,624	0
GLITNIR BANK (2)	6,912	-64,298	57,386	0
TOTAL	793,618	-368,226	-424,942	0

34 RECONCILIATION OF DEFICIT TO CASH FLOW 2008/2009

	£	£
Deficit for the Year		-16,035,793
Non Cash Transactions		
Transfers to Reserves & Provisions	-696,176	
Depreciation and Impairment	9,608,507	
REFFCUS less Deferred Grant Amortisation	1,442,203	
FRS17 Transactions	2,460,000	
Impairment of Investments	1,609,529	
Internal Financing Transactions	-142,369	
		14,281,694
Items on an accruals basis		
Stocks & Work in Progress	46,937	
Debtors	-1,127,492	
Creditors	36,510	
		-1,044,045
Items Classified elsewhere in the cash flow		
Interest & Leasing Charges		-1,284,394
Gain on the Disposal of Fixed Assets		-717,342
Items re other accounts of the council		
Trading Accounts	-139,344	
		-139,344
Net Cash Outflow Revenue Activities		**-4,939,224**

35 MOVEMENTS IN CASH & CASH EQUIVALENTS

	Balance at 1/4/2008	**Movement in Year**	**Balance at 31/3/2009**
	£	**£**	**£**
Cash at Bank and in Hand	-475,339	-794,327	-1,269,666

Liquid Resources

Funds invested on a short term basis of up to 364 days.

Reconciliation of Management of Liquid Resources	**2008/09**	**2007/08**
	£	**£**
New short term investments	116,790,000	250,059,999
Repayment of short term investments	-123,540,000	-252,379,999
	-6,750,000	**-2,320,000**

Analysis of Government & Other Grants

	£'000	£'000
Revenue Grants		
Revenue Support	1,102	
Housing Benefits	30,807	
LABGI	284	
Area Based Grant	6,546	
Other	1,321	40,060
Capital Grants		
Other	1,885	
Government	2,773	4,658
		44,718

2007/2008 £	Housing Revenue Account	Notes	2008/2009 £	
	Income			
-10,205	Reduction in Bad Debt Provision		0	
-10,205	**Total Income**			**0**
	Expenditure			
297,818	Repairs and maintenance		0	
380	Supervision and management – General		0	
5	Supervision and management – Special		0	
1,367,100	Negative Housing Revenue Account subsidy payable		0	
1,665,303	**Total Expenditure**			**0**
1,655,098	**Net Cost of HRA Services per Authority Income and Expenditure Account**			**0**
-4,497	Interest and Investment income			0
1,650,601	**(Surplus) or deficit for the year on HRA services**			**0**

2007/2008 £	**Statement Of Movement On The HRA Balance**	2008/2009 £
1,650,601	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	0
0	Transfer To General Fund	0
1,650,601	(Increase) or decrease in the Housing Revenue Account Balance	**4,154,994**
-5,805,595	Housing Revenue Account surplus brought forward	-4,154,994
-4,154,994	Housing Revenue Account surplus carried forward	**0**

Notes to the Housing Revenue Account

1.Large Scale Voluntary Transfer

On 4th December 2006 the Authority's Housing Stock was transferred to Derwentside Homes as the final Stage of the LSVT process. The key ongoing financial elements involved in the transfer can be summarised as follows:-

- Derwentside will receive £9,999 for each Right to Buy sale by Derwentside Homes, thereby creating a revenue stream to the council - in 2008/2009 the Council received £139,986
- Under the Terms of the VAT savings agreement, the council receives payments from Derwentside Homes – in 2008/2009 the Council received £602,552

Capital receipts generated from the sale of Housing assets are shown below:-

	2008/2009	**2007/2008**
Council House Sales (RTB Legislation)	0	1,668,670
Council House Mortgage Repayments	0	16,074
	0	**1,684,744**

2.Housing Revenue Account Subsidy

The Council's entitlement to HRA Subsidy is shown below:-

	2008/2009	**2007/2008**
	£	£
Mortgage Interest	0	-8036
Subsidy Reductions	**0**	**-8,036**
Total Housing Subsidy	**0**	**-8,036**
Prior Year Adjustment	**0**	**-1,359,064**
Total	**0**	**-1,367,100**

THE COLLECTION FUND

Collection Fund Income and Expenditure Account (note 1)

	Note No.		2008/09 £000's		2007/08 £000's
Income					
Non-Domestic Rates Receivable	2		10,395		9,845
Council Tax Amount receivable	3		33,096		31,808
Council Tax Benefits			8,263		7,845
Community Charge			0		0
Total Income			51,754		49,498
Expenditure					
Precepts					
Durham County Council	4	27,975		26,862	
Durham Police Authority		3,890		3,663	
Durham & D'ton Fire & Rescue		2,256		2,166	
Derwentside		6,850		6,762	
			40,971		39,453
Non-Domestic Rates					
Payments to Pool	2	10,298		9,748	
Cost of Collection		97	10,395	97	9,845
Council Tax- Write offs		370		68	
Decrease in Debt Provision		-607	-237	62	130
Surplus transferred during year – Council Tax	5				
Durham County Council		59		231	
Durham Police Authority		8		24	
Durham & D'ton Fire & Rescue		5		18	
Derwentside		15	87	59	332
			51,216		49,760
Movement On Fund Balance			-538		262
(Surplus)/Deficit At 1st April			-5		-267
Movement On Fund Balance For Year			-538		262
Revenue Account Surplus Carried Forward			-543		-5

NOTES TO THE COLLECTION FUND

1. These accounts represent the transactions of the Collection Fund wherein monies received from ratepayers, taxpayers and the Government are held until transferred to the General Fund, County Council and the Government Non-Domestic Rate Pool. They are prepared on an accruals basis: payments are accounted for when they fall due, not when they are made.

2. 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, which is then paid into the Non-Domestic Rate Pool.

As at 31st March 2009, the total Non-Domestic Rateable value for Derwentside was £27,246,232

The National Non-Domestic multiplier for 2008/2009 was 46.2p in the £, with small business relief 0.4p in the £

Adjustments to amounts collectable included charitable relief (£750,219), small business relief (£411,066), exemptions and previous year adjustments.

3. COUNCIL TAX

Council Tax derives its income from charges raised according to the values of residential properties, classified into eight valuation bands (A to H).
Charges are calculated by estimating the amount required from the Collection Fund by the Council and Durham County Council for the forthcoming year and dividing this by the number of properties, converted into Band D equivalents, adjusted for discounts.

Amounts due for other bands are calculated from this.

		2008/2009	**2007/2008**
In 2008/2009 the Council Tax bills were calculated as follows:			
	Estimated precepts/demands on the Collection Fund	£40,866,553	£39,355,353
	Equivalent no. of Band D properties	27,309	26,984
	Standard amount per Band D property (plus Parish Precept where applicable)	£1,496.45	£1,458.47

The following table illustrates the number of properties in each band, and the band D equivalent, after adjusting for exceptions, discounts and anticipated losses.

Property Value	Band	No. Of Properties	Equivalent (Adjusted)	Proportion Of Band D	Band D Equivalent (adj)	2008/2009 Tax Base 99%	2007/2008 Tax Base 99%
Disabled	A	0	61	5/9ths	34	34	34
Up to £40,000	A	27,627	23,553	6/9ths	15,702	15,545	15,444
Over £40,000 to £52,000	B	4,289	3,748	7/9ths	2,915	2,886	2,782
Over £52,000 to £68,000	C	4,242	3,818	8/9ths	3,393	3,359	3,313
Over £68,000 to £88,000	D	2,727	2,587	9/9ths	2,587	2,561	2,547
Over £88,000 to £120,000	E	1,394	1,313	11/9ths	1,604	1,588	1,546
Over £120,000 to £160,000	F	535	500	13/9ths	722	714	706
Over £160,000 to £320,000	G	389	357	15/9ths	596	590	579
Over £320,000	H	38	16	18/9ths	32	32	32
		41,241	**35,953**		**27,585**	**27,308**	**26,983**

4. Precepts

The following authorities made a precept or demand on the fund:

	2008/2009 £	Amount Per Band D Property	2007/2008 £	Amount Per Band D Property
Durham County Council	27,974,793	1,024.38	26,862,302	995.49
Derwentside District Council	6,744,777	246.98	6,664,508	246.98
Durham Police Authority	3,890,713	142.47	3,662,268	135.72
Durham & D'ton Fire & Rescue	2,256,270	82.62	2,166,275	80.28
	40,866,553	**1,496.45**	**39,355,353**	**1,458.47**

In addition, £105,261 was collected and paid over in respect of Parish Precepts

5. Surplus/Deficit On Collection Fund

Any surplus (or deficit) on the Collection Fund arising from adjustments on previous years' Community Charge adjustments has to be transferred to (or from) the General Fund and will be used to offset (or increase) the District's Council Tax Charges. These are now minimal

Any surplus (or deficit) arising from a previous years Council Tax has to be transferred to (or collected from) the main precepting authorities i.e. Derwentside District Council and Durham County Council and Durham Police Authority

The surplus transferred during 2008/2009 was the estimated deficit for 2007/2008, together with adjustments from the actual surplus of 2006/2007, and was split as follows:

		C Charge £000's	Council Tax £000's	Total £000's	2007/2008 £000's
	Derwentside District Council	0	15	15	59
	Durham County Council	0	59	59	231
	Durham Police Authority	0	8	8	24
	Durham & D'ton Fire & Rescue	0	5	5	18
		0	**87**	**87**	**332**

The actual Council Tax surplus at 31st March 2009 was £543,239.

The surplus will be used by the new Durham County Council to offset Council Tax charges in 2009/10

Annual Governance Statement 2008/2009

Scope of Responsibility

Derwentside District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Derwentside District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Derwentside District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

A copy of the Code can be obtained from the Council Offices, Consett. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Derwentside District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Derwentside District Council for the year ended 31st March 2009 and up to the date of approval of the annual report and statement of accounts.

The Governance Environment

Derwentside District Council exists to serve the public, who are entitled to high quality services. This Council is committed to improving its services to a level comparable with the best. In our endeavours to achieve the priorities and targets set out in this document, we recognise our role as a community leader and we work together with our partners to both identify local needs and agree ways to address them. We have already been identified as an Excellent council in a number of service areas which have been awarded Beacon status. However, we strive to become excellent across all service areas. To achieve this, we will work towards meeting the aforementioned corporate objectives, which will enable us to work in a truly excellent corporate way.

Extract from the Corporate Plan

The key elements of the Council's governance arrangements are:

- Derwentside District Council's objectives are stated in the Corporate Plan. It seeks to clearly state what the Council is trying to achieve and to prioritise those outcomes. These objectives are monitored through performance management.

- The performance management framework of the Council reviews its objectives at all levels. It is driven by the Corporate Plan and the Divisional Service Plans. These plans are monitored and reported on throughout the year, and are reviewed annually, to ensure priorities continue to be relevant. National and local performance indicators are developed, monitored and reported on throughout the year.

- The Council has adopted a robust budget planning process, reflecting the priorities of the Council, which is monitored on a regular basis. The Medium Term Financial Plan allows the Council to ensure arrangements are in place to manage future financial performance.
  Annual Statement of Accounts are produced and published, reporting the Council's expenditure, in accordance with statutory requirements.

- Financial Regulations are incorporated into the Council's Constitution and are the means by which the Section 151 Officer defines the internal controls to ensure the proper administration of the Council's financial affairs. The Internal Audit Section reviews and reports upon the adequacy of these controls.

- The Council has adopted the Leader/Cabinet Model. The executive is responsible for the leadership and governance of the Council, providing efficient, transparent, accountable and inclusive decision-making.
  The Scrutiny Committees assist in the development of the Council's budget and policy framework.

- The Council has a standards Committee whose primary role is to strengthen and maintain high standards of conduct for councillors in accordance with the members code of conduct, and overview protocols for member/officer relations. The Committee consists of members, parish members and representatives independent of the Council.

- The statutory officers, (Monitoring Officer and Section 151 Officer), are responsible for arrangements being in place to ensure compliance with policies, procedures, laws and regulations.

- The Council seeks to ensure that effective risk management is an integral part of its activities, thereby contributing to the successful achievement of the corporate objectives. Leadership is given to the risk management process through the Strategic Risk Management Group. Corporate and divisional strategic risk registers have been established and are monitored by the Risk Manager and the Strategic Risk Group. The Audit Committee receives quarterly reports on the risk management process.

- The Council maintains an Internal Audit Section, which operates in accordance with CIPFA Code of Practice for Internal Audit in Local Government.

- The Council seeks to ensure that the highest standards of control are exercised over the resources at its disposal and through reviews by external auditors, external agencies, internal audit and performance management ensures they are used economically, efficiently and effectively, securing continuous improvement in the way its functions are exercised.

Review of Effectiveness

Derwentside District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

A detailed review has been carried out by a group of senior officers, taking account of the CIPFA/SOLACE guidance.

The review process and the annual governance statement was reported to and considered by the Audit Committee, which has responsibility for ensuring robust corporate governance arrangements are in place.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is defined in the roles of:

- The Council is responsible for approving the policy framework and budget.

- The Executive is central to the day-to-day decision making process of the Council. It has a key role in proposing a budget and policy framework to the Council.

- The Overview and Scrutiny Committee is responsible for reviewing the decision - making process and to hold the Executive to account. The Overview and Scrutiny Committee is supported by four Scrutiny Panels, which mirror Executive portfolios. These Panels conduct enquiries and report as appropriate.

- The Audit Committee provides independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, to oversee the financial reporting process and consider the governance arrangements.

- The Strategic Risk Management Group is responsible for developing a proactive approach to embed a culture of risk management throughout the daily operations and all decision-making processes of the Council.

- The Council's Internal Audit is provided by a team of directly employed staff, under the control of the Coporate Director - Resources. A Strategic Audit Plan, based on sound risk assessment criteria, is adopted by the Audit Committee and identifies the individual areas of planned audit activity. Internal Audit is carried out in accordance with the Code of Practice for Internal Audit, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and is reviewed each year by the Audit Commission. Internal Audit operates in complete independence and this principle is embodied in the Council's Financial Regulations and Internal Audit Terms of Reference.
  Regular reports on the work of Internal Audit are considered by the Audit Committee, ensuring that planned work is completed satisfactorily.

- External Audit and inspection is carried out by the Audit Commission/Inspectorates in accordance with proposals agreed with the Council. Formal reports are considered by the Council.

We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Council and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant Governance Issues

The review of the effectiveness of the governance framework established the need for improvement in the following area:

- Director Assurance Statement – Accountancy Services (of the new authority) work alongside Services Division managers to ensure the accuracy and reliability of budgetary information.

We are satisfied that this will address the need for improvements that were identified in our review of effectiveness.

Signed  Date 18th March 2009

Leader of the Council

Signed  Date 18th March 2009

Executive Director

Statement of Responsibilities for the Statement of Accounts

The Local Government (Structural Changes) (Further Transitional and Supplementary Provision and Miscellaneous Amendments) Regulations 2009 makes Durham County Council responsible for the preparation and publication of the final accounts of Derwentside District Council.

Durham County Council's Responsibilities

The County Council is required to:-

- make arrangements for the proper administration of its financial affairs and secure that one of its officers has the responsibility for the administration of those affairs. In the County Council, that officer is the Corporate Director - Resources.

- approve the Statement of Accounts.

The Corporate Director Resources' Responsibilities

The Corporate 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/LAASAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this Statement of Accounts the Corporate Director - Resources has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code of Practice.

In respect of the points below, reliance has been placed on the governance statement certified by Derwentside District Council.

- keeping proper accounting records which were up to date;

- taking reasonable steps for the prevention and detection of fraud and other irregularities;

Certificate of Corporate Director - Resources

I certify that the Statement of Accounts presents fairly the financial position of the Derwentside District Council as at 31st March 2009 and their income and expenditure for the year ended 31st March 2009.

S. D. Crowe C.P.F.A.

Corporate Director - Resources

30th September 2009

Certificate of Chairman

In accordance with Regulation 10 (3) (b) of the Accounts and Audit Regulations 2003, I certify that these Accounts were approved by the County Council at the meeting held on 30th September 2009

B. Myers MBE JP

Chairman of the County Council

Chair of the meeting approving the accounts

Independent auditor's report to Members of Durham County Council as successor to Derwentside District Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Derwentside District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Durham County Council as successor to Derwentside District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Corporate Director - Resources and auditor

The Corporate Director – Resources' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the relevant criteria specified by the Audit Commission for principal local authorities, published in December 2006, and the supporting guidance, I am satisfied that, in all significant respects, Derwentside District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

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

Cameron Waddell
Officer of the Audit Commission
Nickalls House
Gateshead
NE11 9NH

9 December 2009

APPLICATION OF ACCOUNTING STANDARDS

The following is a summary of Statements of Standard Accounting Practice (SSAP), Financial Reporting Standards (FRS) and Urgent Issues Task Force (UITF) Abstracts applicable at the date of issue of the 2007/2008 SORP, and their applicability to local authorities. The standards have been incorporated into the SORP to the extent that they comply with specific legal requirements and are relevant to the activities of the local authority.

Accounting Standard	***Compliance***
SSAP4 (IAS20) – Accounting for Government Grants	
The general rule of SSAP4 is that Government grants should be recognised in the Income and Expenditure account so as to match the expenditure towards which they are intended to contribute. To the extent that grants are made as a contribution towards specific expenditure on fixed assets, they should be recognised over the useful economic lives of the associated assets. In contrast, grants made to give immediate financial support or to reimburse costs already incurred, should be recognised in the Income and Expenditure Account in the period in which they become receivable.	Applicable
SSAP5 – Accounting for VAT	
As a general rule, the treatment of VAT in the accounts should reflect the local authority role as a collector of the tax and VAT should not be included in income and expenditure, whether of a capital or revenue nature.	Applicable
SSAP9 (IAS2, IAS11 & IAS19) – Accounting for Stocks and Long-Term Contracts	
This gives guidance on the accounting treatment of both stock (inventories) and long-term contracts. The cost of unsold or unconsumed stocks is carried forward until the period in which the stock is sold or consumed. For long-term contract, credit is taken for turnover and profit while contracts are still in progress, rather than deferring these amounts until the whole contract is complete.	Applicable
SSAP13 (IAS38) – Accounting for Research and Development	
This gives guidance on the accounting policy to be followed in respect of research and development. These policies must have regard to the fundamental accounting concepts, including the ‘accruals’ concept and the ‘prudence’ concept.	Not Applicable
SSAP19 (IAS40) – Accounting for Investment Properties	
This requires investment properties to be included in the balance sheet at the open market value, but without charging depreciation. This is to reflect that these assets are held for their investment potential rather than for consumption in business operations.	Applicable
SSAP21 (IAS17) – Accounting for Leases and Hire Purchase Contracts	
This defines two different types of lease: Finance Lease and Operating Lease. It prescribes the accounting treatment to be adopted in respect of these two types of lease. It requires lessees to capitalise material finance leases because the transaction is considered to be equivalent to borrowing to acquire an asset.	Applicable
SSAP25 (IAS14) – Segmental Reporting	
Many entities carry on several classes of business or operate in several geographical areas. The purpose of SSAP25 is to provide information to assist users of financial statements to make judgements about the nature of the entity’s various activities and their contributions to the entity’s overall financial position. SSAP25 requires the disclosure of turnover, segment result and net assets by class of business and by geographical segment.	Applicable

Accounting Standard	***Compliance***
FRS1 (IAS7) – Cash Flow Statements (Revised 1996)	
This requires reporting entities to prepare a Cash Flow Statement in the manner set out in the FRS. Cash flows are increases or decreases in the amounts of cash (cash in hand and deposits repayable on demand less overdrafts repayable on demand) over a financial period.	Applicable
FRS2 (IFRS3) – Accounting for Subsidiary Undertakings (Amended 2004)	
This sets out the conditions under which an entity qualifies as a parent undertaking which should prepare consolidated financial statements for its Group – the parent and its subsidiaries.	Not Applicable
FRS3 (IFRS5, FRED32) – Reporting Financial Performance (Amended 1999)	
The objective of this FRS is to require entities to highlight a range of important components of financial performance to aid users in understanding the performance achieved by the entity in a period and to assist them in forming a basis for the assessment of future results and cash flows.	Applicable
FRS5 – Reporting the Substance of Transactions (Amended 2003)	
This requires that the substance of an entity's transactions is reported in its financial statements. This requires that the commercial effect of a transaction and any resulting assets, liabilities and losses are shown and that the accounts do not merely report the legal form of a transaction.	Applicable
FRS6 (IFRS3) – Acquisition and Mergers	
This sets out the circumstances in which the two methods of accounting for a business combination (acquisition accounting and merger accounting) are to be used.	Not Applicable
FRS7(IFRS3) – Fair Values in Acquisition Accounting	
This sets out the purpose for accounting for a business combination under the acquisition method of accounting.	Not Applicable
FRS8 (IAS14) – Related Party Disclosures	
The objective of FRS8 is to ensure that financial statements contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by the material transactions with them.	Applicable
FRS9 (IAS27 & IAS31) – Associates and Joint Ventures	
This sets out the definitions and accounting treatments for associates and joint ventures, two types of interests that a reporting entity may have in other entities.	Applicable
FRS10 (IFRS3) – Goodwill and Intangible Assets	
The objective of FRS10 is to ensure that purchased goodwill and intangible assets are charged to the Income and Expenditure Account in the period in which they are depleted.	Applicable
FRS11 (IAS36) - Impairment of Fixed Assets and Goodwill	
FRS11 sets out the principles and methodology for accounting for impairments of fixed assets and goodwill. It replaces the previous approach whereby diminution in value was recognised only if they were regarded permanent. Instead the carrying amount of an asset is compared with its recoverable amount and, if the carrying amount is higher, the asset is written down.	Applicable
FRS12 (IAS37, FRED39) – Provisions, Contingent Liabilities and Contingent Assets	
The objective is to ensure that a provision (a liability that is of uncertain timing or amount) is recognised only when it actually exists at the balance sheet date. Contingent liabilities and contingent assets are not recognised as liabilities or assets. However, a contingent liability should be disclosed if the possibility of an outflow of economic benefit to settle the obligation is more than remote. A contingent asset should be disclosed if an inflow of economic benefit is probable.	Applicable

Accounting Standard	***Compliance***
FRS15 (IAS16) – Tangible Fixed Assets This sets out the principles for accounting for tangible fixed assets, with the exception of investment properties which are dealt with in SSAP19 'Accounting for Investment Properties'. The objective of the FRS is to ensure that tangible fixed assets are accounted for on a consistent basis. The standard also requires annual impairment reviews to be performed to ensure that the carrying amount of assets is not overstated.	Applicable
FRS16 (IAS12) – Current Tax This addresses all aspects of accounting for current tax. It deals with the recognition of gains and losses in the Income and Expenditure Account and the treatment of dividends, interest and other amounts payable or receivable.	Not Applicable
FRS17 (IAS19) – Retirement Benefits (Amended 2006) This sets out the accounting treatment for retirement benefits such as pensions and medical care during retirement. Its main requirements include the measurement of pension scheme assets at market value and the recognition of any pension scheme deficit or surplus in full on the balance sheet. The amendments to FRS 17 require additional disclosures and analyses.	Applicable
FRS18 (IAS8) – Accounting Policies This deals primarily with the selection, application and disclosure of accounting policies. An entity should judge the appropriateness of accounting policies to its particular circumstances against the objectives of relevance, reliability, comparability and comprehension, to ensure that they remain the most appropriate to the entity's particular circumstances.	Applicable
FRS19 (IAS12) – Deferred Tax This standard requires full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation.	Not Applicable
FRS20 (IFRS2) –Share Based Payments FRS20 requires an entity to recognise all share-based payment transactions in its accounts, including transactions with employees.	Not Applicable
FRS21 (IAS10) – Events After the Balance Sheet Date This specifies the accounting treatment to be adopted to deal with significant events that occur between the balance sheet date and the date when the financial statements were signed off, which may materially impact on the financial position of this Authority.	Applicable
FRS22 (IAS33) – Earnings Per Share FRS22 replaces FRS14 'Earnings Per Share'. There are no amendments to the calculation of EPS, only the disclosure requirements.	Not Applicable
FRS23 (IAS21) – The Effects of Changes in Foreign Exchange Rates The replacement for SSAP20 to prescribe how foreign currency transactions should be converted into the currency used in the financial statements being presented.	Applicable
FRS24 (IAS29) – Financial Reporting in Hyper-inflationary Economies A replacement reporting standard for UITF9 dealing with how to report financial statements in an economy with hyper-inflation.	Not Applicable
FRS25 (IAS32) – Financial Instruments: Disclosure & Presentation (Amended 2006) This requires capital instruments to be presented in the financial statements in a way that reflects the obligation to the issuer. The Standard prescribes the methods to be used to determine the amounts to be ascribed to capital instruments and their associated costs and specifies relevant disclosures. FRS25 replaces FRS4 'Capital Instruments', and adopts IAS32. This changes the way certain items such as preference shares and convertible debt are treated in the financial statements.	Applicable
FRS26 (IAS39) – Financial Instruments: Measurement This standard adopts IAS39 'Financial Instruments: Recognition and Measurement.	Applicable
FRS27 (IFRS4) – Life Assurance The aim of this standard is to bring greater clarity and transparency to the financial statements of life assurance businesses.	Not Applicable

Accounting Standard	***Compliance***
FRS28 – Corresponding Amounts	
FRS28 sets out the requirements for the disclosure of corresponding amounts shown in an entity's financial statements and the notes to the financial statements.	Applicable
FRS29 – Financial Instruments: Disclosures	
FRS29 only to those entities applying FRS26 and those entity's that use Fair Value rules in preparing their financial statements.	Applicable
UITF Abstract 4 – Presentation of Long-Term Debtors in Current Assets	
Such items should be separately disclosed on the face of the balance sheet or in the notes to the accounts.	Applicable
UITF Abstract 5 – Transfers from Current Assets to Fixed Assets	
Requires that where assets are transferred from current to fixed, the current asset accounting rules should be applied up to the effective date of transfer, which is the date of management's change of intent. Consequently the transfer should be made at the lower of cost and net realisable value. Fixed asset accounting rules will apply to the assets subsequent to the date of transfer.	Applicable
UITF Abstract 9 – Accounting for Operations in Hyper-Inflationary Economies	Not Applicable
UITF Abstract 11 – Capital Instruments: Issuer Call Options	Not Applicable
UITF Abstract 15 – Disclosure of Substantial Acquisitions	Not Applicable
UITF Abstract 17 – Employee Share Scheme	Not Applicable
UITF Abstract 18 – Pension Costs following the 1997 Tax Changes in respect of Dividend Income	Not Applicable
UITF Abstract 19 – Tax on Gains and Losses on Foreign Currency Borrowings that Hedge an Investment in a Foreign Enterprise	Not Applicable
UITF Abstract 21 – Accounting For Issues Arising From The Proposed Introduction Of The Euro	
The costs of making the necessary modifications to assets to deal with the Euro should be written off to the Income & Expenditure Account, except in those cases where:- a) An entity already has an Accounting Policy to capitalise assets of the relevant type, and:- b) To the extent that the expenditure clearly results in an enhancement of an asset beyond that originally assesses, rather than merely maintaining its service potential. Other costs associated with the introduction of the Euro should also be written off to the Income & Expenditure Account.	Applicable but unlikely to be material
UITF Abstract 22 – The Acquisition of a Lloyd's Business	Not Applicable
UITF Abstract 23 – Application of the Transitional Rules in FRS15	
Provides transitional rules on the use of prior period adjustments where tangible fixed assets, which were previously treated as a single asset, are identified as having two or more major components with substantially different useful economic lives. At the time of adopting FRS15 this was not applicable to local authorities due to the treatment of prior period adjustments in the SORP. The treatment of prior period adjustments has now changed to move into line with FRS3, and the Abstract can be deemed to apply. However, as FRS15 was adopted in the 2000 SORP, this Abstract will have been most relevant to accounting periods commencing 1st April 2000.	Applicable
UITF Abstract 24 – Accounting for Start-up Costs	
Addresses whether start-up costs that cannot be included in the cost of a fixed asset may nevertheless be carried forward. It requires that start-up costs that do not meet the criteria for recognition under a relevant accounting standard should not be carried forward, but should be recognised as an expense when incurred. Where capital regulations allow an item covered by the Abstract to be capitalised this should be accounted for as a deferred charge.	Applicable
UITF Abstract 25 – National Insurance Contributions on Share Option Gains	Not Applicable
UITF Abstract 26 – Barter Transactions for Advertising	
Addresses the recognition of income and expenditure related to advertising transactions undertaken on a barter basis. Income from advertising undertaken on a barter basis is not to be recognised except where persuasive evidence exists that the advertising opportunity could have been sold for an equivalent sum (e.g. where substantially all advertising is sold for cash).	Applicable

Accounting Standard	***Compliance***
UITF Abstract 27 – Revisions to Estimates of Useful Economic Lives of Goodwill and Intangible Assets.	
This Abstract states that a change from non-amortisation of goodwill or intangible assets, on the grounds that the life of the asset is indefinite, to amortisation over a period of 20 years or less should not be reported as a change in accounting policy. In such a circumstance, the carrying amount of the goodwill or intangible asset should be amortised over the revised remaining useful life.	Unlikely to be relevant
UITF Abstract 28 – Operating Lease Incentives	
The Abstract applies equally to lessors and lessees. It requires that the relevant expense or income (respectively) be recognised over the life of the lease or until the next rental review on a straight line basis, unless another systematic basis is more representative of the time pattern in which the benefit from the leased asset is receivable.	Applicable
UITF Abstract 29 – Web Site Development Costs	
Addresses the capitalisation of the costs of developing web sites to be used in the business. Such costs (other than planning costs) may be capitalised provided the relationship to the anticipated benefits is sufficiently certain. The Abstract assumes this will generally be the case only where the web site directly generates revenues, although a footnote to the Abstract notes this may not be the case in the public sector. Where capital regulations allow an item covered by the Abstract to be capitalised, this should be accounted for as a deferred charge. Local government web sites may provide economic benefits without being related to cash inflows, and to the extent that the relationship to such benefits is sufficiently certain such costs may be capitalised.	Applicable
UITF Abstract 30 – Date of Award to Employees of Shares	Not Applicable
UITF Abstract 31 – Exchange of Businesses or other Non-Monetary Assets for an Interest in a Subsidiary, Joint Venture or Associate	Not Applicable
UITF Abstract 32 - Employee Benefit Trusts and other Intermediate Payment Arrangements	Not Applicable
UITF Abstract 33 – Obligation in Capital Instruments	Not Applicable
UITF Abstract 34 – Pre-Contract Costs	Applicable
Intended to bring consistency to the accounting treatment of costs incurred in bidding for and securing contracts to supply products or services. It deals in particular with costs incurred before formal contracts are signed.	
UITF Abstract 35 – Death-in-Service and Incapacity Benefits	Applicable
Clarifies accounting required by FRS17 for the cost of death-in-service and incapacity benefits. It deals with calculating the costs of the benefits that are not insured. The cost of insured benefits is determined by the relevant insurance premiums.	
UITF Abstract 36 – Contract for Sales of Capacity	Not Applicable
UITF Abstract 37 – Purchase and Sales of Own Shares	Not Applicable
UITF Abstract 38 – Accounting for ESOP Trusts	Not Applicable
UITF Abstract 39 – Members shares in Co-operative Entities and Similar Instruments	Not Applicable
UITF Abstract 40 – Revenue recognition and service contracts.	Not Applicable
UITF Abstract 41 – Scope Of FRS 20	Not Applicable
UITF Abstract 42 – Reassessment of Embedded Derivatives	Not Applicable
UITF Abstract 43 – The Interpretation of Equivalence for the purposes of Section 228A of The Companies Act 1985	Not Applicable
UITF Abstract 44 – Group and Treasury Share Transactions (FRS 20)	Not Applicable
UITF Abstract 45 – Liabilities arsing from participating in a Specific Market: Waste Electrical and Electrical Equipment	Not Applicable
UITF Abstract 46 – Hedges of a Net Investment in a Foreign Operation	Not Applicable

GLOSSARY OF TERMS USED IN THE FINANCIAL STATEMENTS

Accounting Bases
The methods developed for applying the fundamental accounting concepts to financial transactions and items, for the purposes of financial accounts, and for determining the accounting periods in which costs and revenues should be recognized, and the amounts at which items should be stated in the balance sheet.

Accounting Concepts
The broad basic assumptions, which underlie the periodic financial statements. At present these fundamental accounting concepts are: materiality, going concern, matching, consistency, prudence and substance over form.

Accounting Policies
The specific accounting bases selected and consistently followed by an organization as being, in the opinion of management, appropriate to its circumstances and best suited to present fairly its results and financial position.

Account and Audit Regulations 2003
The current set of regulations that detail the accounts needed, how they should be published, rights of electors and the conduct of the annual statutory audit.

Amortisation
The release through the Income and Expenditure account of the cost of an entities assets or liabilities over their expected life

Appropriations
Transferring of an amount between specific reserves in the Income and Expenditure Account.

Asset Charges
A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Asset Management Revenue Account
This account compared charges to services for the use of assets with the costs to the authority of providing those assets. The net effect was shown in the consolidated revenue account but the requirement to maintain this account was removed in the SORP changes

Audit Commission
A statutory body which overseas the conduct of local authority statutory audits.

Bad (and doubtful) debts
Debts which may be uneconomic to collect or unenforceable.

Balance Sheet
A balance sheet is an accounting statement that shows the financial position (that is assets, liabilities and funds) of an entity at a particular date (the balance sheet date).

Best Value Accounting Code of Practice (BVACOP)
A modernization of local authority accounting and reporting to ensure that it meets the changing needs of modern local government; particularly the duty to secure and demonstrate best value in service provision.

Budget Requirement (or Revenue Budget)
An amount each authority estimates as its planned spending, after deducting any funding from reserves and any income it expects (other than from council tax and general Government grants).

Capital Adjustment Account
Account representing the 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
Charges to revenue accounts reflecting the cost of fixed assets use in the provision of services. They consist of depreciation and impairments.

Capital Expenditure
Expenditure on the acquisition of fixed assets or expenditure that adds to the value of fixed assets or increases the useful life of the asset.

Capital Financing Account
This account provided a balancing mechanism between the different rates at which assets are depreciated and financed.

Capital Grants Unapplied
Grants specifically for the purchase, construction or development of assets, which have yet to be applied

Capital Receipts
Proceeds from the sale of a fixed asset or the repayment of an advance made by the Council.

Cashflow Statement
This financial statement summarizes the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

CIPFA
The Chartered Institute of Public Finance and Accountancy.

Collection Fund
A statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of Council Tax, Non-Domestic Rates and residual Community Charge.

Community Asset
Those fixed assets that the local authority intends to hold in perpetuity and have no determinable useful life e.g. parks and historic buildings.

Consistency
The concept that consistent accounting policies should be applied both within the accounts for a year and between years.

Contingency
An event which exists at the balance sheet date, where the outcome will be confirmed by the occurrence or non-occurrence of one or more uncertain future events. A contingent gain or loss is a gain or loss dependent on a contingency.

Contributions Deferred
The unamortized amount of contributions received by the council in the purchase, enhancement or construction of fixed assets

Council Tax
A banded property tax which is levied on domestic properties throughout the country.

Council Tax Benefit
Financial assistance available to residents on a low income that are liable for Council Tax. The majority of the cost to the Council of these benefits is reimbursed by Central Government Grant.

Creditors
Amounts owed by the Council for work done, goods received or services rendered to the Council during the accounting period, but for which payment has not been made as at the balance sheet date.

Current Asset
An asset, which is expected to be disposed of, utilized or realized within twelve months of the balance sheet date.

Current Liability
A liability which is expected to be met within twelve months of the balance sheet date.

DCLG
Department for Communities and Local Government

Debtors
Amounts due to the Council, which relate to the accounting period and have not been received by the balance sheet date.

Deferred Capital Receipts
Proceeds from the sale of fixed assets, which will be received in installments over an agreed period of time.

Deferred Charges
Deferred charges comprise expenditure which may be capitalised, but which does not create a tangible fixed asset.

Deferred Liabilities
Deferred liabilities consist of liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

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

Earmarked Reserves
These reserves represent the monies set aside that can only be used for a specific usage or purpose.

Financial Reporting Standards (FRS's)
These are common standards of accounting practice issued by the Accounting Standards Board.

Financial Instruments
Any contract giving rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Instruments Adjustment Account
Provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the SORP and are required by statute to be met from the General Fund.

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

Fixed Asset Restatement Account
This account was required to balance the balance sheet when fixed assets are revalued or written out upon disposal.

Formula Spending Share
This is an amount derived by a formula and used to determine the amount of grant that a local authority will receive to support its general fund expenditure.

General Fund
The main revenue account of the Council, which brings together all income and expenditure other than recorded in the Housing Revenue Account, DSO Accounts and the Collection Fund.

Going Concern
The concept that a local authority’s services will continue to operate in the foreseeable future.

Government Grants
Assistance by Government and inter-government agencies in the form of cash or transfers of assets in return for past or future compliance with certain conditions.

Government Grants Deferred
Where a fixed asset has been financed by a Government Grant, the Grant is written off over the useful economic life of the asset. This reserve holds the amounts of Grant yet to be written off.

Group Accounts
These are required where a local authority has material interests in subsidiary and associate companies and/or joint ventures with other organisations.

Income and Expenditure Account
This statement reports the net cost for the year of the functions for which the authority is responsible, and demonstrates how that cost has been financed from general Government grants and income from local taxpayers.

Housing Benefits
Financial assistance paid to tenants on a low income to help pay their rent and service charges.

Housing Revenue Account
This account reflects the statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue account expenditure and income.

Housing Subsidy
A grant from or payment to Central Government in connection with the operation of the Housing Revenue Account.

Leasing
Leases and hire purchase contracts are means by which companies obtain the right to use or purchase assets. A finance lease is a lease that transfers substantially all the risks and rewards and ownership of an asset to the lessee. An operating lease is a lease other than a finance lease.

Long term Investments
Amounts invested by the Council with a remaining period to maturity greater than 1 year.

Major Repairs Allowance
This amount represents the amount payable to local authorities to help tackle the backlog of repairs in council housing.

Matching
The accounting concept that revenue and costs are recognised as they are earned and incurred, not as money is received or paid.

Materiality
The concept that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by a reader.

Minimum Revenue Provision
The minimum amount, which must be charged to an authority's revenue accounts and set aside as a provision to repay external debt.

National Non-Domestic Rates
Also known as business rates, this is the means by which local businesses contribute to the cost of local authority services. All business rates are paid into a central pool. Authorities receive a share of this central pool based on the number of residents in their area.

Non-operational assets
Fixed assets held by the local authority but not directly occupied, used or consumed in the delivery of services.

Operational Assets
Fixed assets held, occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory responsibility or discretionary responsibility.

Precepts
Precepts (or council tax income) are amounts levied on billing authorities, which collect the tax on behalf of other authorities such as county councils and parish councils.

Prior year adjustments
Those material adjustments applicable to prior years arising from changes to accounting policies or correction of fundamental errors.

Provisions
These are amounts set aside to meet any liabilities or losses arising from contractual obligations, but it is uncertain as to the amounts or dates on which they will arise.

Prudence
The concept whereby local authorities account for transactions on the basis of always taking a prudent view when losses are anticipated and not anticipating gains until they are certain.

Public Works Loan Board (PWLB)
A central government agency, which lends money to local authorities at lower rates than those generally available from the private sector.

REFFCUS
Revenue expenditure funded from expenditure under statute.

Revaluation Reserve
The unrealised surplus arising on the revaluation of the Council's Fixed Assets.

Revenue Expenditure
General revenue expenditure mainly on pay and other costs of running Council services, apart from housing.

Revenue Reserves (or Balances)
This is an authority's accumulated surplus income (in excess of expenditure), which can be used to finance future spending.

Revenue Support Grant
A general Government grant to support an authority's budget requirement.

Ring Fenced
This refers to the statutory requirement that certain accounts such as the Housing Revenue Account must be maintained separately from the General Fund.

SORP
Statement of Recommended Practice

Statements of Standard Accounting Practice (SSAP's)
These are common standards of accounting practice issued by the Accounting Standards Board.

Statement of Movement on General Fund Balance
This statement brings together all the recognised gains and losses of and identifies those which have and have not been recognised in the Income and Expenditure account.

Statement of Total Recognised Gains and Losses (STRGL)
A statement showing all of the gains and losses made by an entity for an accounting period, not just those recognised in the Income and Expenditure Account.

Substance over Form
This concept requires that the commercial effect of a transaction and any resulting assets, liabilities and losses are shown and that the accounts do not merely report the legal form of a transaction.

UITF
Urgent Issues Task Force

Work in Progress
The cost of work done up to a specified date on an uncompleted project.