

# Statement of Accounts 2008/2009



TEESDALE DISTRICT  
COUNCIL

*achieving excellence together*

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## **Explanatory Foreword**

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts for the financial year 2008/09, assist in the interpretation of the accounting statements, and provide an explanation in overall terms of the financial position at 31 March 2009. It also contains a commentary on the major influences affecting the authority's income and expenditure and cash flow, and information on the financial needs and resources of the authority.

The Statement of Accounts comprises:

### **Statement of Accounting Policies**

This explains 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.

### **Statement of Responsibilities for the Statement of Accounts**

This sets out the respective responsibilities of the authority and the Corporate Director - Resources for the accounts.

### **Auditors' Report**

The auditors' independent opinion on the accounts for the financial year ended 31 March 2009.

### **Core Financial Statements**

The core financial statements are applicable to all local authorities and are followed by a consolidated set of notes.

### **Income and Expenditure Account**

This statement is fundamental to the understanding of the Council'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.

### **Statement of Movement on the General Fund Balance**

This statement contains the amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year.

### **Statement of Total Recognised Gains and Losses**

Not all the gains and losses experienced by the Council are reflected in the Income and Expenditure Account, for example gains on revaluations of fixed assets and pension actuarial gains and losses are excluded as they are treated as arising from asset and liability valuation changes rather than from the Council's operating performance. This statement addresses the requirement to consider all gains and losses recognised in a period when assessing the financial result for that period.

#### Balance Sheet

The Balance Sheet is fundamental to the understanding of the Council's financial position at the year-end. It shows its balances and reserves and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. The Balance Sheet includes all of the assets and liabilities of all activities of the Council.

#### Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purposes of this statement as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

#### Notes to the Core Financial Statements

The notes to the core financial statements are required to be shown together after the core financial statements.

### **Supplementary Financial Statements**

#### Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund. It shows the transactions of the billing authority in relation to council tax and non domestic rates and illustrates the way in which these have been distributed to preceptors and the General Fund.

Following the financial statement are notes giving further information on the more significant items in the Collection Fund.

#### Annual Governance Statement

The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2003 (as amended) which requires authorities to 'conduct a review at least once in a year of the effectiveness of its system of internal control' and to prepare a statement on internal control 'in accordance with proper practices'.

## Financial Summary 2008/2009

### Revenue Income and Expenditure

Every year the Council approves a budget for the forthcoming twelve months. The budget for 2008/09 is summarised below and the actual outturn and variations are shown alongside.

	Budget £000	Actual £000	Variance £000
Gross service expenditure	12,502	12,908	406
Capital financing costs	207	128	-79
	12,709	13,036	327
Income:			
Specific grants	-5,847	-6,366	-519
Other income	-2,075	-2,010	65
Collection Fund surplus	-41	-41	-
General Government Grants	-299	-374	-75
Redistributed Non-Domestic Rates	-2,149	-2,149	-
Council taxpayers	-1,808	-1,808	-
Transfer to/from(-) balances	-10	-92	-82
Increase(-)/Decrease in General Fund balance for year	480	196	-284
Balance brought forward	-1,384	-1,373	11
Balance carried forward	-904	-1,177	-273

Fuller details of spending by category are shown in the Income and Expenditure Account on page 20. The above table shows an increase in gross expenditure of £327,000 and an increase in income of £454,000. The major reasons for these differences are:

	£000
<b>Gross expenditure:</b>	
Increase in housing benefit and council tax benefit payments	390
Increased utility charges	30
Additional sports centre expenditure (Climbing wall, CSN etc)	29
Additional elections expenditure	39
Increased vehicle costs	32
Early retirement/ redundancy costs	174
Reduced bank/ audit costs	-24
Reduction in interest charges and MRP	-79
Reduction in expenditure on concessionary travel	-22
Reduction in payroll/ procurement/ hr and legal expenditure	-38
Other (net) reduced spend	-204
	<b>327</b>
<b>Income and specific grants:</b>	
Increase in housing benefit and council tax benefit related subsidy	-434
Increase in other specific grants	-133
Additional elections grant	-41
Additional Sports centre income ( Climbing wall, CSN etc)	-20
Increase in interest and investment income	-20
Reduction in `right to buy` income	66
Reduction in planning fee, building control fee and land charges income	71
Reduction in Car parking income	35
Other (net) reductions in income	22
	<b>-454</b>

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Capital Expenditure in 2008/09

In 2008/09 the Council's capital spending was £1,610,585. Further details of this expenditure and how it was financed are provided in note 14 to the Core Financial Statements.

2007/2008			2008/2009	
%	£000		%	£000
		Total expenditure:		
15	149	Housing	17	274
85	831	General	83	1,337
	980			1,611
		Financed by:		
54	532	Borrowing	50	802
32	312	Capital Grants and Contributions	49	793
13	125	Capital Receipts	1	16
-	-	Major Repairs Allowance	-	-
1	11	Revenue	-	-
	980			1,611

At 31 March 2009 the Council had usable capital receipts of £83,615 (2007/08 £52,608) available to finance new capital expenditure in future years.

Prudential Code for Capital Finance

The code became effective from 1 April 2004, allowing the Council greater flexibility to borrow provided that the costs are affordable. This authority's use of the Code and the required indicators were approved by Council on 11 February 2008 as a part of the 2008/09 budget setting process. The Council did not extend borrowing in 2008/09.

Borrowing

No new loans were taken out during 2008/2009. A small amount of principal was repaid along with interest payments due.

Pensions Assets and Liabilities

FRS17 requires that the accounts show the benefit entitlement earned by employees of the Local Government Pension Scheme in the year rather than the costs to revenue of employer's contributions. The effect of this on the Balance Sheet is to reduce the net worth of the Council by the pension liability of £8,090,000 (£5,310,100 in 2007/08). Further information is available in note 44 to the Core Statements.

Major fixed asset acquisitions and disposals

A refuse vehicle valued at £126,123 was bought and simultaneously sold at the same price in a leaseback arrangement. This vehicle is currently in use by the new unitary authority under an operating lease.

Land was purchased by the authority for £125,000 using Section 106 Commuted Sums money. It is the intention that this land will be developed into car parking facilities as per the Section 106 agreement.

A plot of land at Stainton Grove Industrial Estate was sold for £45,000 during the year. There were no other major fixed assets acquisitions or disposals during 2008/2009.

### Summary of Revenue and Capital Investment Plans

As a result of Local Government Reorganisation and the creation of the new Unitary Authority Durham County Council on 01 April 2009, no review of the Council's priorities was conducted during 2008/2009. This review has been undertaken by the new unitary authority.

Capital budgeting has also become the responsibility of Durham County Council with effect from 01 April 2009.

### Significant Changes in Accounting Policies

The Statement of Recommended Practice (SORP) 2008 has introduced some changes to local authority financial statements. These changes are intended to make the financial statements easier to read, bring them more into line with practices in the private sector and be UK GAAP (Generally Accepted Accounting Practices) compliant.

The most significant changes for this Council arising from the SORP 2008 are as follows:

#### Discontinued Operations

Income and expenditure relating directly to discontinued operations should be shown separately on the face of the Income and Expenditure account under the heading of discontinued operations.

Due to Local Government Reorganisation, this Council ceased to exist from 01 April 2009, from that date all operations have been transferred and will be carried out by the Unitary Authority Durham County Council. A note has been added to the Income and Expenditure Account to highlight that all functions have transferred to the new authority.

#### Pension Scheme Asset Valuation

The 2008 SORP incorporates the requirements of the revised Pensions SORP published in 2007. The Durham County Council Pension Scheme holds a large quantity of investments to meet its pension obligations. These investments are required to be stated at their fair value as deemed to be the bid price where there is an active market. Previously these investments were value on a mid-market price basis.

Note 44 discloses information relevant to the pension schemes assets (predominately tradable securities). In the comparatives fair values have been restated for financial years ending 31 March 2008 and 2007 only as permitted in the transitional arrangements of FRS17.

#### Revenue Expenditure funded from Capital under Statute

The 2008 SORP has replaced deferred charges with a new category of expenditure - Revenue Expenditure funded from Capital under Statute (REfCuS). The treatment of such expenditure differs from prior years accounting policies, BVACOP 2008 requires the expenditure to be charged to the appropriate service revenue account rather than being initially taken to the Balance Sheet and then amortised to the Income and Expenditure Account

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In the previous financial year, no amounts remained on the Balance Sheet in relation to Deferred Charges. In the current financial year, all REfCuS has been fully grant funded.

Within the Cash Flow Statement, REfCuS is now included under the Revenue Activities section, (in previous years, such expenditure was included under Capital Activities). This amounts to a change in accounting policy and the Cash Flow Statement for the comparative period (2007/08) has been restated to reflect this.

Revenue Expenditure funded from Capital under Statute is still treated as Capital for control purposes.

#### Area Based Grant

From 2008/2009, the Local Area Agreement Grant has been replaced by the Area Based Grant (ABG). ABG is a non-ring fenced general grant. No conditions on its use are imposed, thus the Council has full control over how this funding is used. As ABG is a general grant it is included in the Income and Expenditure Account together with other general grants such as Revenue Support Grant (RSG).



## Statement of Accounting Policies

### 1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2008/2009 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice 2008 (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### 2 Accruals of Income and Expenditure

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

- o Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- o Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as stocks on the balance sheet.
- o Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- o 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.
- o Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 3 Provisions

Provisions are made where 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. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged 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. When payments are eventually made they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

#### 4 Reserves

The Council sets aside specific amounts as 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. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for fixed assets and retirement benefits that do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

#### 5 Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is a reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant and Area Based Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

#### 6 Retirement Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Durham County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

##### The Local Government Pension Scheme

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

- o The liabilities of the Durham County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of earnings for current employees.
- o Liabilities are discounted to their value at current prices, using a discount rate of 6.8% (based on the annualised yield on the iBoxx over 15 year AA rated corporate bond index).
- o The assets of the Durham County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

Asset	Valuation Method
Quoted securities	Bid price
Unquoted securities	Professional estimate
Unitised securities	Bid rate
Property	Market value

- o The change in the net pensions liability is analysed into seven components:

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Component	Description	Accounting Treatment
Current service cost	The increase in liabilities as a result of years of service earned this year	Allocated in the Income and Expenditure Account to the revenue accounts of services for which the employee worked
Past service cost	The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years	Debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
Interest Cost	The expected increase in the present value of liabilities during the year as they move one year closer to being paid	Debited to Net Operating Expenditure in the Income and Expenditure Account
Expected return on assets	The annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return	Credited to Net Operating Expenditure in the Income and Expenditure Account
Gains/losses on settlements and curtailments	The result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees	Debited/ Credited to the Net Cost of Services in the Income and Expenditure Account as part of Non-Distributed Costs
Actuarial gains and losses	Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions	Debited/ Credited to the Statement of Total Recognised Gains and Losses
Contributions paid to the Durham County Council Pension Fund	Cash paid as employer's contributions to the pension fund	Allocated in the Income and Expenditure Account to the revenue accounts of services for which the employee worked

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

### Discretionary Benefits

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

### 7 VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

### 8 Overhead and Support Services

The costs of overheads and support services are charged to those service areas that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- o Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation.
- o Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of the Net Cost of Services.

## 9 Intangible Fixed 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 revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

## 10 Tangible Fixed Assets

Tangible fixed assets 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

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

### Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

#### Type of Asset

Investment properties and assets surplus to requirements  
Dwellings, other land and buildings, vehicles, plant and equipment  
  
Infrastructure assets and community assets

#### Measurement Base

Lower of net current replacement cost or net realisable value  
Lower of net current replacement cost or net realisable value in existing use.  
Depreciated historical cost. A number of community assets have been valued at nominal cost as it is not possible for an independent valuer to determine an appropriate value.

Net current replacement cost is assessed as:

Type of Asset	Assessment
Non-specialised operational properties	Existing use value
Specialised operational properties	Depreciated replacement cost
Investment properties and surplus assets	Market value

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

### Impairment

The values of each category of assets and of 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 revenue 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.

### Disposals

When an asset is disposed of or decommissioned, 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 to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital

financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

### Depreciation

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

Type of Asset	Assessment Base
Dwelling and other buildings	Straight-line allocation over the life of the property as estimated by the valuer
Vehicles, plant and equipment	A percentage of the value of each class of assets in the Balance Sheet or straight-line allocation over the life of the asset

Where an asset has major components with different estimated useful lives, these are depreciated separately.

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

### 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 offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

## 11 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:

- o Depreciation attributable to the assets used by the relevant service
- o Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- o Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way

of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

## 12 Revenue Expenditure funded from Capital under Statute

Revenue expenditure funded from capital under Statute (REfCuS) represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. REfCuS incurred during the year has been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of the REfCuS from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

## 13 Leases

### Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- o A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
- o A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

### Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

The Council operates as a lessor and has granted a number of long-term leases to commercial operations mainly in respect of Stainton Grove Industrial Estate. These arrangements are accounted for as operational leases and the rental income is credited to the relevant service when it becomes receivable.

## 14 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken



place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

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

## 15 Financial Assets

Financial assets are classified into two types:

- o loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- o available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

### Loans and Receivables

Loans and receivables are 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 carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the Council's loans and receivables this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

The Council has not made any loans at less than market prices (soft loans) during the financial year.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

### Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.



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

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

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

The Council did not hold any available-for-sale assets during the financial year.

## 16 Stocks and Work in Progress

Stocks are included in the Balance Sheet as the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

## 17 Interests in Companies and Other Entities

The Council had a number of interest in companies and other entities as at 31 March 2009, in the form of councillors and officers being members of companies limited by guarantee without share capital.

A full listing can be found in note 32 where all partnerships are disclosed. For the purposes of preparing group accounts, the Council had a significant interest in Teesdale Development Company Ltd and a dominant interest in the newly formed Teesdale West Durham Community Interest Company Ltd. FRS 3 and 9 require these entities be accounted for as an associate and subsidiary respectively.

The Council has not prepared group accounts for its associate and subsidiary on the grounds of materiality. Given the relative small size of the associate and the dormancy of the subsidiary, group accounts would not further the reader's understanding of the Council's relationship with these entities.

## 18 Events after the Balance Sheet Date

Events arising after the balance sheet date (and up to the date of approval) are reflected in the Statement of Accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included, but only where the originating event took place prior to the year-end.

Events that arise after the balance sheet date (and up to the date of approval) and concern conditions that did not exist at that time are detailed in notes to the core statements if they are of such materiality that their disclosure is required for the fair presentation of the financial statements.

As a result of Local Government Reorganisation, with effect from 01 April 2009, all rights, obligations, assets and liabilities will vest in the new Unitary Authority Durham County Council.

## **The Statement of Responsibilities for the Statement of Accounts**

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

### **Durham County Council's responsibilities**

The County Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In 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 authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code 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 Teesdale 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 the Corporate Director - Resources**

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

S.D. Crowe C.P.F.A  
Corporate Director - Resources  
30 September 2009

Teesdale District Council Statement of Accounts 2008/2009  
Statement of Responsibilities for the Statement of Accounts

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 30 September 2009.

B. Myers MBE JP  
Chairman of the County Council  
Chair of the meeting approving the accounts

## Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year. From 1<sup>st</sup> April 2009, due to Local Government Reorganisation, all services have been transferred to the newly created Unitary Authority Durham County Council and have therefore been classified as discontinued operations.

2007/2008 Net Expenditure £'s		Gross Expenditure £'s	Gross Income £'s	2008/2009 Net Expenditure £'s
	Services transferred to Durham County Council			
244,673	Central services to the public	2,361,065	-1,834,803	526,262
2,712,133	Cultural, environmental and planning services	5,055,428	-1,935,315	3,120,113
327,271	Highways, roads and transport services	403,852	-289,972	113,880
375,082	Other housing services	4,856,163	-4,713,500	142,663
7,293	Social services	11,577	-996	10,581
1,449,279	Corporate and democratic core	1,455,013	-38,913	1,416,100
-	Exceptional Costs of Local Government Re-organisation	112,459	-	112,459
1,403	Non distributed costs	-	-	-
5,117,134	<b>Total Discontinued operations</b>	14,255,557	-8,813,499	5,442,058
-145,955	Local authority housing (HRA)	-	-	-
4,971,179	<b>Net Cost of Services</b>	14,255,557	-8,813,499	5,442,058
	- Profit (-) /loss on the disposal of fixed assets			-4,677
188,660	Parish council precepts			232,207
	- Surpluses(-)/deficits on trading undertakings not included in Net Cost of Services			-
-77,665	Interest payable and similar charges			101,792
12,243	Contribution of housing capital receipts to Government Pool			5,757
	- Investment losses			-
-312,494	Interest and investment income			-217,611
370,000	Pensions interest cost and expected return on pensions assets			450,000
5,151,923	<b>Net Operating Expenditure</b>			6,009,526
-2,048,031	Demand on the Collection Fund			-2,081,723
-1,578,580	General government grants			-373,703
-2,061,793	Non-domestic rates redistribution			-2,149,191
-536,481	<b>Surplus(-)/Deficit for the Year</b>			1,404,909

## Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- o Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- o The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax
- o Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2007/2008 £'s		2008/2009 £'s
-536,481	Surplus(-)/Deficit for the year on the Income and Expenditure Account	1,404,909
8,376	Net additional amount required by statute and non-statutory proper practices to be debited or credited(-) to the General Fund Balance for the year	-1,208,944
-528,105	Increase(-)/Decreased in General Fund Balance for the Year	195,965
-845,069	General Fund Balance brought forward	-1,373,174
-1,373,174	General Fund Balance carried forward	-1,177,209

## Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2007/2008 (Restated) <u>£'s</u>		2008/2009 <u>£'s</u>
-536,481	Surplus(-) or deficit for the year on the Income and Expenditure Account	1,404,909
-	- Surplus(-) or deficit arising on revaluation of fixed assets	-95,000
-	- Surplus(-) or deficit arising on revaluation of available-for-sale financial assets	-
-2,066,508	Actuarial gains(-)/losses on pension fund assets and liabilities	2,656,157
38,942	Any other gains and losses required to be included in the STRGL	-21,227
<u>-2,564,047</u>	<b>Total recognised gains(-)/losses for the year</b>	<u>3,944,839</u>

## Balance Sheet as at 31 March 2009

31 March 2008 (Restated) £'s		Note	£'s	31 March 2009 £'s
	<b>Fixed Assets</b>			
191,244	<b>Intangible Fixed Assets</b>	22	176,834	
	<b>Tangible Fixed Assets</b>			
	Operational assets:	14		
	Council dwellings		-	
3,927,356	Other land and buildings		3,781,999	
607,860	Vehicles, plant, furniture and equipment		794,436	
	Infrastructure assets		-	
12	Community assets		12	
	Non-operational assets:	14		
756,925	Investment properties		669,925	
	Assets under construction		125,000	
39,637	Surplus assets held for disposal		20,812	
5,523,034	<b>Total fixed assets</b>			5,569,018
	Long-term investments		-	
19,834	Long-term debtors	24		15,292
5,542,868	<b>Total long-term assets</b>			5,584,310
	<b>Current assets</b>			
39,770	Stocks and work in progress		24,443	
1,087,009	Debtors	25	1,158,188	
2,564,993	Investments		1,032,411	
1,431,046	Cash and Bank		1,272,659	
5,122,818				3,487,701
10,665,686	<b>Total assets</b>			9,072,011
	<b>Current Liabilities</b>			
-1,298	Short-term borrowing		-1,414	
-2,118,235	Creditors	26	-1,503,548	
	Bank overdraft		-	
-2,119,533				-1,504,962
8,546,153	<b>Total assets less current liabilities</b>			7,567,049
	<b>Long-term liabilities</b>			
-2,101,117	Long-term borrowing			-2,099,679
-4,000	Provisions	35		-5,700
-84,293	Grants and contributions unapplied			-73,342
-369,619	Government grants deferred			-566,143
	Deferred liabilities			-
-5,310,100	Liability related to defined benefit pension scheme			-8,090,000
677,024	<b>Total assets less liabilities</b>			-3,267,815
	<b>Financed by:</b>	36		
	Revaluation Reserve			50,000
3,949,149	Capital Adjustment Account			2,991,906
170,176	Financial Instruments Adjustment Account			151,268
52,608	Usable Capital Receipts Reserve			83,615
14,959	Deferred Capital Receipts			11,812
-5,310,100	Pensions reserve			-8,090,000
1,373,174	General Fund Balance			1,177,209
	Housing Revenue Account balance			-
	Major Repairs Reserve			-
427,058	Fund balances and earmarked reserves			356,375
677,024	<b>Total Net Worth</b>			-3,267,815



Teesdale District Council Statement of Accounts 2008/2009  
Cash Flow Statement

**Cash Flow Statement for the year ended 31 March 2009**

2007/08 Restated £		2008/09 £
	Revenue Activities	
	<b>Cash outflows</b>	
4,139,740	Cash paid to and on behalf of employees	4,343,513
4,369,570	Other operating cash payments	7,101,440
3,805,450	Housing Benefit paid out	4,164,096
2,629,695	National non-domestic rate payments to national pool	3,223,841
11,099,617	Precepts paid	11,479,899
12,243	Payments to the Capital Receipts Pool	5,757
<u>26,056,315</u>		<u>30,318,546</u>
	<b>Cash inflows</b>	
-	Rents (after rebates)	-
-11,408,666	Council tax receipts	-11,732,677
-2,079,811	National non-domestic rate receipts from national pool	-2,117,080
-2,589,641	Non-domestic rate receipts	-3,244,864
-378,862	General Government grants (RSG, ABG, LABGI)	-373,703
-6,476,240	DWP grants for benefits	-6,050,351
-277,454	Other government grants	-377,596
-737,864	Cash received for goods and services	-1,834,566
-2,925,394	Other operating cash receipts	-2,824,333
<u>-817,617</u>	Net cash inflow(-)/outflow from revenue activities	<u>1,763,376</u>
	Dividends from joint ventures and associates	
	<b>Cash inflows</b>	
-	Dividends received	-
<u>-</u>	Net cash inflow(-) from joint ventures and associates	<u>-</u>
	Returns on investments and servicing of finance	
	<b>Cash outflows</b>	
-53,409	Interest paid	101,792
-	Interest element of finance lease rental payments	-
	<b>Cash inflows</b>	
-309,236	Interest received	-217,611
<u>-362,645</u>	Net cash inflow(-)/outflow from returns on investments	<u>-115,819</u>
	Capital Activities	
	<b>Cash outflows</b>	
436,529	Purchase of fixed assets	782,028
-	Purchase of long-term investments	-
-	Other capital cash payments	107,523
	<b>Cash inflows</b>	
-16,176	Sale of fixed assets	-48,147
-266,847	Capital grants received	-831,872
-	Other capital cash receipts	-
<u>153,506</u>	Net cash inflow(-)/outflow from capital activities	<u>9,532</u>
	Acquisitions and disposals	
	<b>Cash outflows</b>	
-	Investments in associates or joint ventures	-
-	Investments in subsidiary undertakings	-
	<b>Cash inflows</b>	
-	Sales of investments in subsidiary undertakings	-
-	Sales of investments in associates and joint ventures	-
<u>-1,026,756</u>	Net cash inflow/outflow before financing	<u>1,657,089</u>
	Management of liquid resources	
-1,000,000	Net increase/decrease in short-term deposits	-1,500,000
-	Net increase/decrease in other liquid resources	-
<u>-1,000,000</u>	Increase/Decrease(-) in liquid resources	<u>-1,500,000</u>
	Financing	
	<b>Cash outflows</b>	

Teesdale District Council Statement of Accounts 2008/2009  
Cash Flow Statement

2,513,057	Repayments of amounts borrowed	1,298
-	Capital element of finance lease rental payments	-
	<b>Cash inflows</b>	
-687,000	New loans raised	-
-	New short-term loans	-
<u>1,826,057</u>	Increase/Decrease(-) in financing	<u>1,298</u>
<u>-200,699</u>	<b>Net increase(-)/decrease in cash</b>	<u>158,387</u>

## Notes to the Core Financial Statements

### 1 Services transferred to Durham County Council

From 01 April 2009, Teesdale District Council ceased to exist, however all functions continue to be provided by the new Unitary Authority Durham County Council. Durham County Council has been created through the merger of Durham County Council and the seven District Councils within County Durham.

### 2 Exceptional Items

As a result of LGR, the Chief Executive and remaining Chief Officers' employment ceased on 31 March 2009. Redundancy and early retirement payments (if applicable) were made to the 3 officers totalling £112,459.

### 3 Section 137 Expenditure

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's expenditure under this power was £53,954 on donations to voluntary bodies working in the local area (2007/2008 £13,084).

### 4 Expenditure on Publicity

Per the requirements of section 5(1) of the Local Government Act 1986, the council's spending on publicity was:

	2008/2009	2007/2008
	£	£
Recruitment Advertising	718	26,171
Other Advertising	16,400	19,814
Information relating to regional government	-	-
Other Publicity	54,400	39,990
<b>Total</b>	<b>71,518</b>	<b>85,975</b>

### 5 The Building Control Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. Teesdale District Council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Building Regulations Charging Account	Non-Chargeable 2008/2009 £	Chargeable 2008/2009 £	Total Building Control 2008/2009 £
<b>Expenditure</b>			
Employee Expenses	30,889	52,917	83,806
Premises	2,478	4,246	6,724
Transport	2,908	4,981	7,889
Supplies and Services	15,259	22,907	38,166
Central and support service charges	38,240	29,398	67,638
<b>Total Expenditure</b>	<b>89,774</b>	<b>114,449</b>	<b>204,223</b>
<b>Income</b>			
Building regulation charges		-122,265	-122,265
Miscellaneous income		-1,104	-1,104

Teesdale District Council Statement of Accounts 2008/2009  
Notes to the Core Financial Statements

<b>Total Income</b>		<b>-123,369</b>	<b>-123,369</b>
Surplus(-)/Deficit for Year	89,774	-8,920	-80,854
<b>Comparatives for 2007/2008</b>			
Expenditure	58,855	107,989	166,844
Income	-	-121,634	-121,634
Surplus(-)/Deficit for year	58,855	-13,645	45,210

## 6 General Government Grants

The Council received the following general government grants during 2008/09.

	2008/2009	2007/2008
	£	£
Revenue Support Grant	299,185	346,013
Local Authority Business Growth Incentive	52,018	31,860
Area Based Grant	22,500	-
DCLG OHD Grant	-	1,199,718
Other		989
<b>Total</b>	<b>373,703</b>	<b>1,578,580</b>

## 7 Local Area Agreements

The Council is a participant in an LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2008/09, the LAA has completed the final year of its three year agreement.

The purpose of the LAA is:

- o To form agreement between the partners in County Durham and Government (represented by Government Office North East) as a means of securing significant improvements in services for the people of County Durham
- o To agree specific outcomes and targets that will be achieved each year for the three years of the agreement
- o To improve the effectiveness and efficiency of public service in County Durham by pooling and aligning funding streams.

The LAA partners are:

- o Local Government Bodies – Durham County Council, City of Durham Council, District of Easington Council, Sedgefield Borough Council, Wear Valley District Council, Derwentside District Council, Chester-le-Street District Council and Teesdale District Council
- o Community Protection Authorities – Durham Constabulary and Durham and Darlington Fire and Rescue Authority
- o Health Bodies – County Durham Primary Care Trust
- o Learning Bodies – Learning & Skills Council, North East Chamber of Commerce and Connexions
- o Voluntary Organisations – Community & Voluntary Service, One Voice Network

Teesdale District Council Statement of Accounts 2008/2009  
Notes to the Core Financial Statements

- Other Organisations – Chester-le-Street LSP, City of Durham LSP, Derwentside LSP, East Durham LSP, Sedgefield Borough LSP, Teesdale LSP, Wear Valley LSP, Jobcentre Plus and Government Office for the North East.

Durham County Council acts as the accountable body for the LAA. This means that they are responsible for managing the distribution of the grant paid by the Government office to the partners involved, but do not determine which bodies are due payments, this is determined by the partnership.

As a body in receipt of grant from the partnership and not the accountable body, Teesdale District Council has not therefore recognised the full amount of LAA Grant in its financial statements, but only the part to be spent by the council in providing services.

The total amount of LAA grant received by Durham County Council in 2008/09 is £849,184 (2007/08 £24,120,289). Teesdale District Council received £45,000 in 2008/09 (2007/08 £97,011) of this total to fund its own services.

## 8 Members' Allowances

The total paid in respect of members' allowances for 2008/09 was as follows:

	2008/2009	2007/2008
	£	£
Payments Made	134,316	134,237

Details of the amounts paid to each member of the Council are published annually in the local newspaper.

## 9 Officers' Emoluments

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £10,000 was:

Remuneration Band	Number of Employees 2008/2009	Number of Employees 2007/2008
£50,000 - £59,999	-	2
£60,000 - £69,999	-	-
£70,000 - £79,999*	1	-
£80,000 - £89,999*	1	1
£90,000 - £99,999	-	-
£100,000 - £109,999	-	-
£110,000 - £119,999	-	-
£120,000 - £129,999	-	-
£130,000 - £139,999	-	-
£140,000 - £149,999*	1	-

\*Redundancy and Early Retirement costs due to LGR are included in the above

## 10 Related Parties

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

Central government 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 relating to the Cash Flow Statement.

Members of the Council have direct control over the Council's financial and operating policies. Members operate within the Code of Conduct and are required to declare any relationships on appointment, at each committee meeting prior to the issue being discussed, and annually in the form of a questionnaire and signed declaration. The relevant members do not take part in any discussion or decision if such an interest is declared. During 2008/09 grants totalling £75,466 were paid to 6 voluntary organisations in which 4 members had an interest. The grants were made with proper consideration of declarations of interest and the relevant members did not take part in any discussion or decision relating to the grants. Senior Officers are required to identify information regarding any related party transactions in the form of a questionnaire and signed declaration. Disclosure is only required where there have been material transactions. There are no such related party transactions to disclose.

Some Members and Senior Officers have been appointed as directors of companies that have links and transactions with the Council. The companies concerned and the nature of the interest are detailed in interests in companies (note 32).

## 11 Audit Costs

In 2008/09 Teesdale District Council incurred the following fees relating to external audit and inspection:

	2008/2009	2007/2008
	£	£
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	114,434	111,651
Fees payable to the Audit Commission in respect of statutory inspection	23,652	18,130
Fees payable to the Audit Commission for the certification of grant claims and returns	11,105	17,610
Fees payable in respect of other services provided by the appointed auditor	4,050	6,728
Total	<u>153,241</u>	<u>154,119</u>

The fees for other services payable in 2008/09 related to National Fraud Initiative £1,550 and review of early retirement (voluntary redundancies) £2,500

## 12 Explanation of the significance of the Statement of Movement on the General Fund Balance

The Income and Expenditure Account brings together all of the functions of the authority and summarises all of the resources that the authority has generated, consumed or set aside in providing services during the year. However, this accounting basis is currently out of line with the statutory provisions that specify the net expenditure that authorities need to take into account when setting local taxes. In order to give a full presentation of the financial performance of an authority during the year and the actual spending power carried forward to future years, the outturn on the Income and Expenditure Account needs to be reconciled to the balance established by the relevant statutory provisions.

The Statement of Movement on the General Fund Balance provides the necessary reconciliation. The full significance of the Statement for local taxation is described in the introduction to the statement itself.

Teesdale District Council Statement of Accounts 2008/2009  
Notes to the Core Financial Statements

13 Breakdown of reconciling items in the Statement of Movement on the  
General Fund Balance

2007/2008 Restated		2008/2009
£'s		£'s
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	
-51,310	Amortisation of intangible fixed assets	-60,211
-476,259	Depreciation and impairment of fixed assets	-602,833
381,489	Government Grants Deferred amortisation	654,999
-532,168	Amounts treated as Revenue Expenditure in accordance with SORP but which are classified as Capital Expenditure by Statute	-1,010,057
-	Net gain/loss(-) on sale of fixed assets	4,677
170,176	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	-18,908
-880,000	Net charges made for the retirement benefits in accordance with FRS17	-740,000
<u>-1,388,072</u>		<u>-1,772,333</u>
	<b>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 for the year</b>	
129,362	Minimum revenue provision for capital financing	44,799
10,814	Capital expenditure charged in-year to the General Fund Balance	
-12,243	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	-5,757
691,339	Employer's contributions payable to the Durham County Pension Fund and retirement benefits payable direct to pensioners	616,257
<u>819,272</u>		<u>655,299</u>
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
-538,652	Housing Revenue Account balance	-
1,199,718	Voluntary revenue provision for capital financing	-
-83,890	Net transfer to or from(-) earmarked reserves	-91,910
<u>577,176</u>		<u>-91,910</u>
<u>8,376</u>	Net additional amount required to be credited to the General Fund balance for the year	<u>-1,208,944</u>

Teesdale District Council Statement of Accounts 2008/2009  
Notes to the Core Financial Statements

14 Movement on Fixed Assets

Operational Assets

	Council dwellings	Other land and buildings	Vehicles, plant, etc	Infra-structure	Community assets	Total
<b>Cost of valuation</b>						
At 1 April 2008	-	5,028,180	1,198,413	-	12	6,226,605
Additions	-	59,665	378,631	-	49,931	538,227
Donations	-	-	-	-	-	-
Disposals	-	-45,000	-	-	-	-
Reclassifications	-	-	-	-	-	-
Revaluations	-	95,000	-	-	-	-
At 31 March 2009	-	5,137,845	1,577,044	-	49,943	6,764,832
<b>Depreciation and impairments</b>						
At 1 April 2008	-	-1,100,824	-590,553	-	-	-1,691,377
Charge for 2008/09	-	-255,022	-192,055	-	-49,931	-497,008
Disposal	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
At 31 March 2009	-	-1,355,846	-782,608	-	-49,931	-2,188,385
<b>Balance Sheet amount at 31 March 2009</b>	-	3,781,999	794,436	-	12	4,576,447
<b>Balance Sheet amount at 1 April 2008</b>	-	3,927,356	607,860	-	12	4,535,228
<b>Nature of asset holding</b>						
Owned	-	3,781,999	794,436	-	12	4,576,447
Finance Lease	-	-	-	-	-	-
PFI	-	-	-	-	-	-

Non-operational Assets

	Investment Properties	Assets under construction	Surplus assets held for disposal	Total
<b>Cost of valuation</b>				
At 1 April 2008	756,925	-	39,637	796,562
Additions	-	125,000	-	125,000
Donations	-	-	-	-
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2009	756,925	125,000	39,637	921,562
<b>Depreciation and impairments</b>				
At 1 April 2008	-	-	-	-
Charge for 2008/09	-87,000	-	-18,825	-105,825
Disposal	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2009	-87,000	-	-18,825	-105,825
<b>Balance Sheet amount at 31 March 2009</b>	669,925	125,000	20,812	815,737
<b>Balance Sheet amount at 1 April 2008</b>	756,925	-	39,637	796,562
<b>Nature of asset holding</b>				
Owned	669,925	125,000	20,812	815,737
Finance Lease	-	-	-	-
PFI	-	-	-	-



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15 Capital Expenditure and Financing

	2008/2009	2007/2008
	£	£
<b>Opening Capital Financing Requirement</b>	1,119,973	3,234,054
Capital Investment		
Intangible Assets	45,801	44,511
Operational assets	554,727	402,832
Non-operational assets		-
Revenue Expenditure funded from Capital under Statute		
	1,010,057	532,168
Sources of finance		
Capital receipts	-16,060	-125,424
Government grants and other contributions	-793,023	-311,775
Sums set aside from revenue (NB: includes direct revenue financing, MRP and any voluntary set aside)	-44,799	-2,651,635
<b>Closing Capital Financing Requirement</b>	1,876,676	1,124,731
Explanation of movements in year		
Increase in underlying need to borrowing (supported by Government financial assistance)	-	-
Increase in underlying need to borrowing (unsupported by Government financial assistance)	756,703	-2,109,323
<b>Increase/(Decrease) in Capital Financing Requirement</b>	756,703	-2,109,323

16 Commitments under Capital Contracts

At 31 March 2009 three capital projects had been committed to as follows:

- o The implementation phase of the visioning project had been delayed due to the need for further consultation affecting the planning stage. The Council has committed £59,365 to the implementation stage phase.
- o An extension to the Sports Centre climbing wall was not complete as at 31 March 2009 with contractual obligations amounting to £19,000. This work was completed during April 2009.
- o Sports Centre boiler improvements projects continued beyond 31 March 2009 with contractual obligations amounting to £39,756. This work was completed during April 2009.

17 Information on Assets Held

Fixed assets owned by the Council include the following:

	At 31 March 2009	At 31 March 2008
	No.	No.
<b>Operational Assets</b>		
Council dwellings	-	-
Other Land and Buildings		
Lock-up garages	-	-
Council offices	2	2
Depots and workshops	2	2
Markets	1	1
Off-street car parks	2	2
Public conveniences	7	7
Industrial estate	1	1
Sport centre	1	1
Community Assets		
Cemeteries	8	8
Parks	2	2
Picnic sites	1	1
<b>Non-operational Assets</b>		
Caravan site	1	1
Community Centre	1	1
Public convenience	1	1

## 18 Finance and Operating Leases

Vehicles, Plant, Furniture and Equipment – the authority uses leased cars, refuse and other vehicles, office equipment, computer equipment and wheeled bins under the terms of operating leases. The amount paid under these arrangements in 2008/09 was £127,783 (2007/08 £194,087).

Land and Buildings – the Council leases property on King Street which has been accounted for as an operating lease. The rentals payable in 2008/09 were £1,560 (2007/08 £1,320).

Authority as Lessor – the authority has granted a number of leases to various third parties for land and buildings including industrial units. The arrangements are accounted for as operating leases. During 2008/2009 the aggregate rentals received were £ 64,114 (2007/08 £75,667)

Commitments under Operating Leases - The authority was committed at 31 March 2009 to making payments of £159,438 under operating leases in 2009/10, comprising the following elements:

	Other Land and Buildings £000's	Vehicles, Plant and Equipment £000's
Leases expiring in 2009/10	-	69
Leases expiring between 2010/11 and 2014/15	-	73
Leases expiring after 2014/15	-	17

Authority as Lessor – with regard to the authority's activity as a lessor, the gross value of assets held for use in operating leases was £632,350 for various land and buildings (valued at 1 April 2004 and subject to £154,724 depreciation to 31 March 2009).

## 19 Valuation Information

Valuations are carried out by the District Valuer, a qualified and independent valuer. The basis for valuation is set out in the statement of accounting policies.

	Other Land and Buildings £'s	Vehicles, Plant, Equipment £'s	Investment Properties £'s	Assets Under Construction £'s	Total £'s
Valued at Historic Cost	-	794,436	-	125,000	919,436
Valued at current value in:					
2008/09					
2007/08	-	-	-	-	-
2006/07	-	-	-	-	-
2005/06	-	-	-	-	-
2004/05	3,781,999	-	669,925	-	4,451,924
2003/04	-	-	-	-	-
<b>Total</b>	<b>3,781,999</b>	<b>794,436</b>	<b>669,925</b>	<b>125,000</b>	<b>5,371,360</b>

## 20 Information about depreciation methodologies

Detailed information about depreciation methodologies is contained in the Accounting Policies (paragraph 10) and in note 12 above (Movement on Fixed Assets).

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21 Changes in Depreciation Methods

There were no changes in depreciation methods during 2008/09.

22 Movement in Intangible Assets

	Purchased software licences	Licences, trademarks and artistic originals	Patents	Total
	£'s	£'s	£'s	£'s
Original Cost	313,116	-	-	313,116
Amortisations to 1 April 2008	-121,872			-121,872
Balance at 1 April 2008	191,244	-	-	191,244
Expenditure in Year	45,801	-	-	45,801
Written off to revenue in year	-60,211	-	-	-60,211
Balance at 31 March 2008	176,834	-	-	176,834

ICT software licences are held for systems such as Cash Receipting, Financial Management System, Planning, Leisure and Cemeteries. The cost of these along with all other less significant software licences are being written off over an estimated life of 5 years.

23 Changes in Amortisation Method for Intangible Fixed Assets

There were no changes in amortisation method for intangible fixed assets in 2008/09.

24 Long-term Debtors

Debts that will become due after more than one year:

	31 March 2009	31 March 2008
	£'s	£'s
Mortgages relating to council house sales	11,812	14,959
Loans to individuals	3,480	4,875
Total	15,292	19,834

25 Debtors and Payments in Advance

	31 March 2009	31 March 2008
	£'s	£'s
Non-domestic rate payers	135,630	96,574
Council tax payers	801,084	723,233
Government departments	83,243	357,638
Sundry debtors	457,433	519,950
	1,477,390	1,697,395
Less provision for bad debts	-473,398	-757,238
	1,003,992	940,157
Payments in advance	154,196	146,852
Total	1,158,188	1,087,009

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26 Creditors and Receipts in Advance

	31 March 2009	31 March 2008
	£'s	£'s
Non-domestic rate payers	118,475	100,170
Council tax payers	353,139	327,567
Government departments	313,268	659,676
Sundry creditors	570,512	860,264
Interest on borrowing	-	-
	1,355,394	1,947,677
Receipts in advance	148,154	170,558
Total	<u>1,503,548</u>	<u>2,118,235</u>

27 Analysis of Net Assets Employed

	31 March 2009	31 March 2008
	£'s	£'s
General Fund	-3,268	677
Housing Revenue Account	-	-
Trading Operations	-	-
Total	<u>-3,268</u>	<u>677</u>

28 Financial Instruments Balances

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	31 March 2008	31 March 2009	31 March 2008
	£	£	£	£
Financial liabilities at amortised cost	2,099,679	2,101,117	1,414	1,298
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	<u>2,099,679</u>	<u>2,101,117</u>	<u>1,414</u>	<u>1,298</u>
Loans and receivables	-	-	1,032,411	2,564,993
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Total investments	<u>-</u>	<u>-</u>	<u>1,032,411</u>	<u>2,564,993</u>

As at 31 March 2008		As at 31 March 2009
£'s		£'s
	Analysis of loans by type	
2,087,473	Public Works Loans Board	2,086,059
2,087,473	Total Outstanding	2,086,059
	Analysis of loans by maturity	
1,415	Between 1 and 2 years	1,542
7,054	Between 2 and 6 years	7,692
28,538	Between 6 and 15 years	31,151
2,050,466	More than 15 years	2,045,674
<u>2,087,473</u>		<u>2,086,059</u>

29 Financial Instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses (STRGL) in relation to financial instruments are made up as follows:

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	Liabilities measured at amortised cost	Loans and receivables	Available- for-sale assets	Total 2008/09
	£	£	£	£
Interest expense	-94,681	-	-	-94,861
Losses on derecognition	-	-	-	-
Impairment losses	-	-	-	-
Interest payable and similar charges	-94,681	-	-	-94,681
Interest income	-	147,313	-	147,313
Gains on derecognition	-	-	-	-
Interest and investment income	-	147,313	-	147,313
Gains on revaluation			-	
Losses on revaluation			-	
Amounts recycled to the Income and Expenditure Account after impairment			-	
Surplus arising on revaluation of financial assets			-	
Net gain/loss(-) for the year	-94,681	147,313	-	

Of the total net gain of £309,573 for 2007/2008 (as detailed below), £139,397 impacted on the General Fund and £170,176 was credited to the Financial Instruments Adjustment Account to be spread over the next 9 years. During 2008/2009, £18,908 was credited to the General fund and the Financial Instrument Adjustment account reduced by the same amount in respect of this.

Prior year comparatives:

	Liabilities measured at amortised cost	Loans and receivables	Available- for-sale assets	Total 2007/08
	£	£	£	£
Interest expense	-104,179	-	-	-104,179
Losses on derecognition	-	-	-	-
Impairment losses	-	-	-	-
Interest payable and similar charges	-104,179	-	-	-104,179
Interest income	-	224,667	-	224,667
Gains on derecognition	189,085	-	-	189,085
Interest and investment income	189,085	224,667	-	413,752
Gains on revaluation			-	
Losses on revaluation			-	
Amounts recycled to the Income and Expenditure Account after impairment			-	
Surplus arising on revaluation of financial assets			-	
Net gain/loss(-) for the year	84,906	224,667	-	

### 30 Fair Value of Assets and Liabilities Carried at Amortised Cost

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

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- As all financial liabilities were with the PWLB, the 31 March 2009 value has been calculated by reference to the 'premature repayment' set of rates in force on that day, and the 31 March 2008 value by reference to the set of rates in force on 30 March 2008, by the PWLB
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- 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 2009		31 March 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	£	£	£	£
Borrowing	2,101,093	2,228,980	2,102,415	2,264,252

The fair value is more than the carrying amount because the authority'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 at the Balance Sheet date.

	31 March 2009		31 March 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	£	£	£	£
Investments	1,032,411	1,032,411	2,564,993	2,564,993

The fair value of loans and receivables is the same as the carrying amount because all loans and receivables will mature in the next 12 months.

### 31 Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Re-financing risk – the possibility that the authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such as interest rates and stock market movements.

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum Fitch rating or equivalent of short term 'F1' and long term 'A'. The authority has a policy of not lending more than £2m of its surplus balances to one institution.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability, adjusted to reflect current market conditions where appropriate.

	Amount at 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2009	Estimated maximum exposure to default and uncollectability
	£ A	% B	% C	£ (AxC)
Deposits with banks and financial institutions	2,178,741	0.06	0.06	1,307
Bonds	-	-	-	-
Customers	197,930	3.00	3.00	5,938
				<u>7,245</u>

The authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The historical experience of default for deposits has been taken from Fitch, a credit rating organisation used by the Council and applies for the period 1990-2007 (on investments out to 5 years). Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, historical default rates have been maintained as a good indicator under the current conditions.

The historical experience of default for customers has been derived from actual losses occurring from 1 April 2004 to 31 March 2008.

Although debts are due immediately the authority generally allows customers up to 30 days for payment, such that £75,485 of the £197,930 balance is past its due date for payment. The past due amount which has not been impaired can be analysed by age as follows:

	£
Less than three months	21,968
Three to six months	16,005
Six months to one year	585
More than one year	0
	<u>38,558</u>

### 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 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. 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 and 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. The 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 of greater than one year in duration are the key parameter used to address the risk. The Council approved treasury and investment strategies address the main risk. The central treasury team addresses the operational risks within the approved parameters. This includes:

- o Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing, or the rescheduling of the existing debt.
- o Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs. 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 based on outstanding principal is as follows:	31 March 2009	31 March 2008
	£	£
Less than one year	1,414	1,298
Between one and two years	1,542	1,415
Between two and six years	7,692	7,054
Between six and fifteen years	31,151	28,538
More than fifteen years	2,045,674	2,050,466
	<u>2,087,473</u>	<u>2,088,771</u>

The maturity analysis of financial assets based on invested principal is as follows:

	31 March 2009	31 March 2008
	£	£
Less than one year	1,000,000	2,500,000
Between one and two years	-	-
Between two and three years	-	-
More than three years	-	-
	<u>1,000,000</u>	<u>2,500,000</u>

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



## Market risk

### Interest rate risk

The authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- o Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- o Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- o Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- o Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, 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 £ for £. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The authority has a number of strategies for managing interest rate risk. The policy aim is to keep a maximum of 80% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provides compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget monthly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

£

Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	-
Increase in government grant receivable for financing costs	7,113
Impact on Income and Expenditure Account	<u>7,113</u>
Decrease in fair value of fixed rate investment assets	-
Impact on STRGL	<u>-</u>

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

#### Price risk

The authority does not generally invest in equity shares. The authority is consequently not exposed to losses arising from movements in the prices of shares.

#### Foreign exchange risk

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

### 32 Interests in Companies

The Council has minor interests in a number of companies and organisations and provides limited support through small contributions or officer time as follows:

#### o Durham Rural Community Council Limited

DRCC is a rural community development agency, committed to improving the quality of life for people in County Durham. Its role is in the development and delivery of community support, together with intelligence gathering and influencing on rural policy matters:

- Specialist advice and support on rural issues: transport, housing and community buildings
- Support and guidance on Parish Planning and community planning initiatives
- Community development and tackling issues of social exclusion in targeted rural areas
- Networking and sharing best practice and providing consultation on government policy with other RCCs.

The Council has no on going financial commitment.

1 Council member is a director on the board.

#### o West Durham Groundwork Trust Limited

- Working with communities throughout West Durham and Darlington bringing together partnerships aimed at delivering cleaner, greener, safer and more empowered communities
- Identifying the real needs of an area economically, socially and environmentally
- Working in partnership to identify and source new funding streams
- Involving local people in meaningful dialogue about their changing environment
- Working with people to develop local skills and abilities.

The Council provides an annual revenue contribution of £8,942 towards running costs, plus match funding for individual projects.

1 Council member is a director on the board.

#### o Middleton Plus Development Trust Limited

A private company limited by guarantee without share capital, Middleton Plus works with residents of Middleton and the upper dales to market the area and promote tourism. The trust has an active role with the monthly farmers market, operates a voluntary Tourist Information Centre and publicises and organises an ongoing programme of events.

The Council has no ongoing financial commitment but provides match funding for some individual projects.

1 Council member is on the board of directors.

- o Teesdale and Wear Valley Enterprise Agency Limited

A not for profit organisation offering a range of support services, business counselling, advice, training and consultancy as an aid to encourage and support the development of a stable and diverse local economy. The Enterprise Agency delivers models of best practice and skills development to start and improve enterprises and assists in the identification and accessing of grant funding.

The Council provides an annual revenue contribution of £6000 towards running costs.

1 officer and 1 Council member are directors on the Board.

- o Teesdale West Durham Community Interest Company Limited

A limited by guarantee company formed on 16 March 2009 with the objective to increase the provision of affordable housing in the local region. As at 31 March 2009, 1 officer and 1 council member were members of the company and controlled 100% of the votes exerting dominant influence over the company. At the Balance Sheet date, the company had no assets or liabilities and had not started to trade.

- o Teesdale Development Company Limited

A limited by guarantee company with the objective to further the economic development of Teesdale, primarily through the provision of office space and business consulting to local enterprises. As at the Balance Sheet date, Teesdale District council had significant influence over this company controlling 22% of votes from membership of the company

- o Teesdale Marketing Limited

A non profit distributing company formed in 1998 to promote Teesdale and to encourage economic prosperity and vitality, the company attracts funding from a variety of sources for projects with clear commercial and social benefits for Teesdale businesses and residents.

The Council has no ongoing financial commitment but provides match funding for some individual projects.

1 member is on the Board of Directors.

- o Teesdale Housing Association Limited

Teesdale Housing Association Ltd, part of the North Star Housing Group, was incorporated and registered as a charitable Industrial and Provident Society in October 2005 in order to acquire the housing stock of the Council. The Association is governed by a Board of Management on which up to 5 of the 15 members are nominated by Teesdale District Council. Teesdale District Council has no ownership of the Association.

The stock transfer (July 2006) included a contract for the improvement of housing to meet and exceed the Decent Homes Standard set by central government. In respect of this a VAT sharing arrangement was determined that is expected to generate approximately £1m for each party over 10 years. The Council is also entitled to receive £9,900 per right-to-buy disposal.

Various agreements are in place with the Association for the provision of services to the Council (buildings maintenance, allocations, homelessness) and from the Council (processing of RTBs), that are reviewed annually.

### 33 Partnership Arrangements

#### County Durham E-Government Partnership

The County Durham e-Government Partnership was established in November 2006. The partnership includes Durham County Council and the seven district councils in County Durham. The aim of the partnership is to promote the use of technology to offer all local taxpayers the freedom to access services provided by the member authorities in different ways. In 2008/09 the council made a contribution of £17,745 to the partnership. The contribution in 2007/08 was £23,938.

Wear Valley District Council, the lead authority, has prepared the following financial summary for the partnership:

	2008/2009 £000's	2007/2008 £000's
Income and Expenditure Account for the year ended 31 March		
Income: Authority contributions	-424	-675
Interest earned	-20	-32
Total Income	-444	-707
Expenditure	800	878
Appropriation to Retained Income Fund	356	171

The Balance Sheet shows retained income brought forward of £663,000 which, when offset by the deficit of £356,000 above, gives a balance carried forward of £307,000.

#### Coalfields Housing Renewals Project

The Durham Housing Strategy has been developed by the Durham Housing and Neighbourhoods Partnership Board (DHNPB). The purpose of the group is to act as the strategic partnership within County Durham for the consideration of housing and related policy issues to assist the development of more sustainable communities and to support the well being of County Durham. The Board acts in a commissioning role to:

- o Maintain an appropriate strategic housing policy framework to guide the direction of the Partnership's work and programmes and those of individual members and other stakeholders
- o Ensure that housing policies blend better with other plans and strategies for County Durham and the North East region.

In 2008/09 the council made a contribution of £4,464 to the partnership (2007/08 £4,464).

Sedgefield Borough Council, the lead authority, has prepared the following financial summary for the partnership:

	2008/2009 £
Income: Authority contributions	-139,142
Other Income – Northern Consortium	-91,156
Total Income	-230,298
Expenditure	178,471
Appropriation to Retained Income Fund	-51,827

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The Balance Sheet shows retained income brought forward of £117,303 which, when added to the surplus of £51,827 above, gives a balance carried forward of £169,130.

### 34 Insurance Provisions

The Council elected to adopt a £5,000 deductible (with an aggregate cap) against each insurance claim in June 2000 and established a reserve to meet this cost and to contribute towards the cost of risk management initiatives. The level of the reserve is maintained in accordance with the advice of the Council's insurance advisors, based upon known outstanding losses and estimated future losses.

### 35 Provisions

	Third Party Planning Appeal Costs Payable	Third party Solicitor's Costs Payable	Total
	£	£	£
<b>Provision at 01 April 2008</b>	<b>4,000</b>	-	<b>4,000</b>
Increase in provision	-	5,700	5,700
Decrease in provision	-4,000	-	-4,000
<b>Provision at 01 April 2008</b>	<b>-</b>	<b>5,700</b>	<b>5,700</b>

The costs of a planning appeal to be awarded to the appellant were confirmed as being £1,288 and paid in full during 2008/09. As at 31 March 2009 the council held a provision of £5,700 relating to solicitor costs of a Local Strategic Partnership Consultant whose contract was terminated. Settlement with the consultant was reached in December 2008; however negotiations with the solicitors over their costs are on going. It is expected that this will be settled during 2009/10.

### 36 Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 1 April 2008 £'s	Gains and Losses £'s	Transactions with reserves £'s	Balance 31 March 2009 £'s
Capital Adjustment Account	3,949,149	-	-957,243	2,991,906
Revaluation Reserve	-	95,000	-45,000	50,000
Financial Instruments Adjustment Account	170,176	-	-18,908	151,268
Usable Capital Receipts	52,608	2,067	28,940	83,615
Deferred Capital Receipts	14,959	-3,147	-	11,812
Pensions Reserve	-5,310,100	-2,656,157	-123,743	-8,090,000
General Fund	1,373,174	-1,403,829	1,207,864	1,177,209
Collection Fund	-10,210	21,227	-	11,017
Insurance Provision	44,473	-	-516	43,957
Commutated Sums	82,784	-	-	82,784
Building Control	930	-	-	930
Planning Delivery	60,835	-	51,553	112,388
Revenue	31,969	-	3,179	35,148
Improvement Fund	79,112	-	-28,741	50,371
Community Improvement Fund	57,180	-	-40,631	16,549
CPA Fund	20,342	-	-17,111	3,231
Contingency	59,643	-	-59,643	-
<b>Total</b>	<b>677,024</b>	<b>-3,944,839</b>	<b>-</b>	<b>-3,267,815</b>

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Reserve	Purpose of the Reserve	Further Detail of Main Movements
Capital Adjustment Account	Store of capital resources set aside to meet past expenditure	
Revaluation Reserve	Store of gains on revaluation of fixed assets not yet realised through sales	Revalued land – two plots at Stainton Grove totalling £95,000, subsequent sale of one plot at £45,000.
Financial Instruments Adjustment Account	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	Discount arising from premature debt repayment spread over 10 years. Movement reflects year 9 credit to the General fund. Balance represents 8 years
Usable Capital Receipts	Proceeds of fixed assets sales available to meet future capital investment	£45,000 receipt from sale of Stainton Grove plot of land.
Pensions Reserve	Balancing account to allow inclusion of pensions liability in the Balance Sheet	Retirement benefits note to the Core Financial Statements (note 42).
General Fund	Resources available to meet future running costs for non-housing services	
Insurance	Resources to meet insurance deductible and risk management costs	Insurance provision note to the Core Financial Statements (note 32).
Commuted Sums	Resources for car parking and open space provision	
Building Control	Available resources for investment in the building control service	
Superannuation Reserve	Amounts set aside to contribute to the superannuation fund	Balance transferred to general fund during 2007/2008.
Planning Delivery Reserve	Unallocated planning delivery grant	Used to fund planning improvements.
Revenue Reserve	Amounts earmarked for specific revenue needs anticipated for 2008/09	
Improvement Fund	Resources available to deliver the improvement programme	All resources are allocated to specific areas of improvement.
Community Improvement Fund	Resources available to deliver 'Teesdale Listens'	Balance of £16,549 committed to be spent.
CPA Fund	Resources identified to meet any costs arising from the Council's CPA reassessment	
Contingency	Resources available to address unbudgeted expenditure requirements	

### 37 Movement on the Revaluation Reserve

The Revaluation Reserve contains revaluation gains recognised since 1 April 2008, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

	2008/2009	2007/2008
	£	£
Balance at 1 April	-	-
Add:		
Revaluation Gains	95,000	-
Less:		
Sale of previously re valued asset	-45,000	-
Balance at 31 March	50,000	-

### 38 Movement on the Capital Adjustment Account

The balance on the Capital Adjustment Account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

	2008/2009	2007/2008
	£	£
Balance at 1 April	3,949,149	1,843,926
Add:		
Usable capital receipts used to finance capital expenditure	16,060	125,424
Revenue financing of capital expenditure	-	10,814
Minimum revenue provision and loan repayments	44,799	2,640,821
Government grants deferred	654,999	390,061
Less:		
Depreciation and impairment	-663,044	-529,729
Revenue Expenditure funded from Capital under Statute (prev. Deferred Charges)	-1,010,057	-532,168
Balance at 31 March	2,991,906	3,949,149

### 39 Usable Capital Receipts Reserve

	2008/2009	2007/2008
	£	£
Balance at 1 April	52,608	1,485,840
Add:		
Amounts received	47,067	3,933
Less:		
Used to finance capital expenditure	-16,060	-125,424
Used to repay borrowing	-	-1,311,741
Balance at 31 March	83,615	52,608

### 40 Contingent Liabilities

There are no contingent liabilities identified in respect of the financial year 2008/09.

### 41 Contingent Assets

#### VAT on Off-Street Car Parking

The council has made voluntary disclosures to reclaim overpaid VAT in respect of off-street car parking since February 1998 amounting to £244,244. These disclosures are being held by HM Revenue and Customs pending the resolution of the Isle of Wight case that has been referred to the European Court of Justice.

### VAT in relation to Fleming (Bodycraft) case – UK 3 Year Capping Provision

The Court of Appeal ruled in February 2006 that Fleming, a motor trader could claim for overpaid VAT in excess of a time limit of three years imposed in the mid-1990s. The court ruled that since there was no transitional period involved when the government introduced the three-year cap, the cap was incompatible with European Union law. In relation to this case, the council has made voluntary disclosures to reclaim VAT in respect of car parking, car park excess charges and leisure income amounting to £133,872. A decision on these claims will be made in the near future

### 42 Authorisation of Accounts for Issue

The date on which the Corporate Director of Resources – Stuart Crowe authorised the statement of accounts for issue was 21<sup>st</sup> July 2009

### 43 Events after the Balance Sheet Date

There were no events arising after the Balance Sheet date and up to the approval date that materially affected the amounts included or the fair presentation of the financial statements. As a result of Local Government Reorganisation, with effect from 01 April 2009, all rights, obligations, assets and liabilities will vest in the new Unitary Authority Durham County Council.

### 44 Retirement Benefits

#### Participation in Pension Scheme

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

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

#### Transactions Relating to Retirement Benefits

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

	Funded		Unfunded	
	2008/2009	2007/2008 (Restated)	2008/2009	2007/2008 (Restated)
	£'s	£'s	£'s	£'s
Income and Expenditure Account				
Net Cost of Services:				
Current service cost	-290,000	-510,000	-	-
Past service costs	-120,000	-240,000	-	-
Net Operating Expenditure:				



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Interest cost	-1,120,000	-1,000,000	-70,000	-60,000
Expected return on assets in the scheme	790,000	930,000	-	-
Net Charge to the Income and Expenditure Account	-740,000	-880,000	-70,000	-60,000
<hr/>				
Statement of Movement in the General Fund Balance				
Reversal of net charges made for retirement benefits in accordance with FRS17	740,000	880,000	70,000	60,000
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to scheme	616,257	691,340	71,162	-
<hr/>				

Assets and Liabilities in Relation to Retirement Benefits

The change in the present value of the authority's pension liabilities to 31 March 2009 is shown in the reconciliation below:

	Funded		Unfunded	
	2008/2009	2007/2008 (Restated)	2008/2009	2007/2008 (Restated)
	£'s	£'s	£'s	£'s
01 April	-16,630,000	-18,980,000	-1,070,000	-1,130,000
Current service cost	-290,000	-510,000	-	-
Past service costs	-120,000	-240,000	-	-
Interest cost	-1,120,000	-1,000,000	-70,000	-60,000
Contributions by scheme participants	-160,000	-160,000	-	-
Net benefits paid out	710,000	1,070,000	60,000	70,000
Actuarial (gains and losses)	190,000	3,190,000	100,000	50,000
31 March	-17,420,000	-16,630,000	-980,000	-1,070,000

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £18.40m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £3,267,815. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy; the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The change in the fair value of the scheme assets to 31 March 2009 is shown in the reconciliation below:

	2008/2009	2007/2008 (Restated)
	£'s	£'s
01 April	12,360,000	12,880,000
Expected rate of return	790,000	930,000
Employer contributions	490,000	670,000
Contributions by scheme participants	160,000	160,000
Net benefits paid out	-710,000	-1,070,000
Actuarial gains and losses	-2,780,000	-1,210,000
31 March	10,310,000	12,360,000

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

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yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £2.78m loss (2007/08 £1.21m loss).

The scheme's main asset categories are shown in the table below along with the long-term expected rate of return on each asset category and proportion of total assets held:

	Long-term expected rate of return on scheme assets:		Asset split	
	2008/2009	2007/2008	2008/2009	2007/2008
	%	%	%	%
Equities	7.0	7.6	45.2	47.4
Property	6.0	6.6	3.9	4.4
Government Bonds	4.0	4.6	30.0	29.3
Corporate Bonds	5.8	6.8	11.0	9.2
Other	1.6	6.0	9.9	9.7
Total	5.4	6.4	100.0	100.0

#### Scheme History of Liabilities and Assets

	2008/ 2009 £m's	2007/2008 (Restated) £m's	2006/2007 (Restated) £m's	2005/2006* £m's	2004/2005* £m's
Present value of liabilities					
- Funded	17.42	16.63	18.98	18.77	16.75
- Unfunded	0.98	1.07	1.13	1.12	0.97
Total	18.40	17.70	20.11	19.89	17.72
Fair value of assets in the pension scheme					
- Funded	10.31	12.36	12.91	12.26	9.83
Surplus/(deficit) in the scheme					
- Funded	-7.11	-4.27	-6.10	-6.51	-6.92
- Unfunded	-0.98	-1.07	-1.13	-1.12	-0.97
Total	-8.09	-5.34	-7.23	-7.63	-7.89

\* The authority has elected not to restate the fair value of assets for 2005/06 and 2004/05 as permitted by FRS 17(revised).

Prior year comparative deficit does not reconcile to the balance sheet exactly due to rounding.

The total cumulative actuarial gains and losses taken to the Statement of Total Recognised Gains and Losses at the balance sheet date is a loss of £2,069,649.

#### Basis for Estimating Assets and Liabilities

The scheme actuaries, Hewitt Associates Limited, employ a building block approach in determining the rate of return on scheme 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 (see above). 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 scheme at 31 March 2009

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Durham

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County Council Pension Fund liabilities have been assessed by Hewitt Associates Limited, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2008.

The main assumptions used in their calculations have been:

	Funded		Unfunded	
	2008/2009	2007/2008	2008/2009	2007/2008
<b>Mortality assumptions:</b>				
<u>Men and Women</u>				
- Base table (in 2007)	PNMA00 with allowances for MC improvement factors to 2007			
Scaling to above base table rates	125%	125%	125%	125%
<u>Men</u>				
- Cohort improvement factors (from 2007)	80% of LC	100% of MC	80% of LC	100% of MC
- Minimum underpin to improvement factors	1.25%	1.00%	1.25%	1.00%
- Future lifetime from age 65 (currently aged 65)	21.1	20.3	21.1	20.3
- Future lifetime from age 65 (currently aged 45)	23.4	22.2	23.4	22.2
<u>Women</u>				
- Cohort improvement factors (from 2007)	60% of LC	100% of MC	60% of LC	100% of MC
- Minimum underpin to improvement factors	1.25%	0.50%	1.25%	0.50%
- Future lifetime from age 65 (currently aged 65)	23.2	22.4	23.2	22.4
- Future lifetime from age 65 (currently aged 45)	23.4	22.2	23.4	22.2
<b>Principle financial assumptions:</b>				
Rate of inflation	3.4%	3.7%	3.4%	3.7%
Rate of increase in salaries	4.9%	5.2%	4.9%	5.2%
Rate of increase in pensions	3.4%	3.7%	3.4%	3.7%
Rate for discounting scheme liabilities	6.7%	6.8%	6.7%	6.8%

Actuarial Gains and Losses

	2008/09		2007/08		2006/07		2005/06		2004/05	
	£m	%	£m	%	£m	%	£m	%	£m	%
<b>Differences between the expected and actual return on assets</b>										
- Funded	-2.78	26.96	-1.21	-9.8	0.11	0.9	1.92	15.7	0.41	0.42
<b>Differences between actuarial assumptions about liabilities and actual experience</b>										
- Funded *	-0.09	-1.0	0.55	3.0	-0.06	-0.3	0.01	0.1	0.19	1.3
- Unfunded	0.1	1.0	-0.01	0.1						
- Funded and unfunded	0.01	0	0.54	3.1	-0.06	-0.3	0.01	0.1	0.19	1.3
<b>Total actuarial gain/(loss) #</b>	<b>-2.77</b>	<b>-26.96</b>	<b>-0.76</b>	<b>-6.7</b>	<b>0.05</b>	<b>0.6</b>	<b>1.93</b>	<b>15.8</b>	<b>0.60</b>	<b>1.72</b>

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The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the categories above, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2009

\* In accordance with paragraph 79 of FRS 17 (revised), unfunded liabilities are disclosed separately for periods beginning on or after 06 April 2007. The history of experience gain/loss on liabilities shown has not been restated for periods ending 2005, 2006 and 2007. They are included in the experience relating to funded liabilities.

# Includes gains/losses in respect of liability experience only and excludes any changes in liabilities in respect of changes to actuarial assumptions used. The figure has been adjusted to reflect actual contributions.

It is expected that Durham County Council will need to pay contributions of £530,000 in 2009/10 to meet funded scheme liabilities and £70,000 in 2009/10 with respect to unfunded liabilities.

#### 45 Notes Relating to the Cash Flow Statement

Reconciliation of net surplus/deficit on the Income and Expenditure Account to the revenue activities net cash flow in the Cash Flow Statement.

	31 March 2009	31 March 2008 (restated)
	£	£
Total surplus(-)/deficit on all revenue accounts:		
Income and Expenditure Account	1,404,909	-536,481
Housing Revenue Account	-	-147,132
Collection Fund	-21,227	38,942
	<u>1,383,682</u>	<u>-644,671</u>
Non cash transactions:		
Net charges made for retirement benefits	-740,000	-880,000
Appropriations to(-)/from the Pensions Asset/Liability Account	616,257	691,340
Payments to the Capital Receipts Pool	-5,757	-12,243
Amortisation of intangible fixed assets	-60,211	-51,310
Depreciation and impairment of fixed assets	-602,833	-478,419
Depreciation in HRA equivalent to MRA received		
Amortisation of government grants	654,999	390,062
Other non cash transactions	18,008	368,425
	<u>-119,537</u>	<u>27,855</u>
Debtors and creditors:		
Net movement in revenue debtors and creditors	116,599	-577,652
Stocks and provisions:		
General provisions	-1,700	-4,000
Movement in stocks	-15,327	-30,274
Provision for bad debts	283,840	48,480
	<u>266,813</u>	<u>14,206</u>
Items classified in another category in the Cash Flow Statement:		
Net interest received	115,819	362,645
Net Cash Flow from Revenue Activities	<u>1,763,376</u>	<u>-817,617</u>

#### Movement in cash and cash equivalents

	31 March 2008	31 March 2009	Movement
	£	£	£
Bank balances	1,373,231	1,221,466	-151,765
Cash in hand	57,815	51,193	-6,622
Net movement	<u>1,431,046</u>	<u>1,272,659</u>	<u>-158,387</u>

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Reconciliation of management of liquid resources and financing items

	31 March 2008	31 March 2009	Movement
	£	£	£
Short term investments	2,500,000	1,000,000	-1,500,000
Short term loans	-	-	-
Net movement	2,500,000	1,000,000	-1,500,000
Interest	64,993	32,411	-32,582
Carrying value on Balance Sheet	2,564,993	1,032,411	-1,532,582
Long term borrowing	2,087,473	2,086,059	-1,414
Short term borrowing	1,298	1,414	116
Net movement	2,088,771	2,087,473	-1,298
Interest	13,644	13,620	-24
Carrying value on Balance Sheet	2,102,415	2,101,093	-1,322

Movement in cash reconciled to the movement in net debt

	£
Increase(-)/decrease in cash during the year	-158,387
Cash inflow(-)/outflow from short-term investments	-1,500,000
Cash inflow(-)/outflow from long-term investments	-
Cash inflow(-)/outflow from short-term borrowing	-116
Cash inflow(-)/outflow from long-term borrowing	1,461
Change in net funds	-1,657,042
Net debt as at 31 March 2008	1,893,624
Net debt as at 31 March 2009	236,582

Analysis of government grants

	31 March 2009	31 March 2008
	£	£
DEFRA	-842	-3,028
Home Office	-63,684	-62,585
Planning Delivery Grant	-81,275	-76,702
Department of Transport	-76,732	-13,368
DCA/ Ministry of Justice	-4,875	-2,746
Communities and Local Government	-19,727	-76,536
Department of Health	-	-11,514
Homelessness	-52,500	-30,975
Department for Works and Pensions	-44,363	-
Big Lottery	-33,598	-
Total	-377,596	-277,454

## Collection Fund Income and Expenditure Account for the year ended 31 March 2009

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

2007/2008 £		2008/2009 £
	<b>Income</b>	
-11,444,005	Income from Council Tax (Net of benefits, discounts for prompt payments and transitional relief)	-11,784,073
	<b>Transfers from General Fund:</b>	
-1,606,564	Council Tax Benefits	-1,651,797
-2,351	Transitional Relief	-883
	Discounts for Prompt Payment	
-3,110,335	Income collectable from business ratepayers	-3,283,920
	<b>Contributions:</b>	
-	Towards previous year's Collection Fund deficit	
-	Adjustment of previous years' community charges	
-16,163,255		-16,720,673
	<b>Expenditure</b>	
	<b>Precepts:</b>	
8,965,612	Durham County Council	9,221,438
1,222,325	Durham Police Authority	1,282,511
723,020	County Durham & Darlington Fire and Rescue Authority	743,743
1,997,831	Teesdale District Council	2,040,523
	<b>Business Rate:</b>	
3,141,154	Payment to national pool	3,242,146
41,074	Costs of collection	41,774
	<b>Bad and doubtful debts/appeals:</b>	
	Write-offs	
-4,685	Provisions	-293,630
	<b>Contributions:</b>	
	Towards previous year's estimated Collection Fund surplus:	
50,200	General Fund	41,200
253,590	Durham County Council	204,200
26,420	Durham Police Authority	27,800
20,200	County Durham & Darlington Fire & Rescue Authority	16,500
	Adjustment of previous years' community charges	
16,436,741		16,568,205
273,486	Movement on fund balance	-152,468
-200,560	Balance brought forward	72,926
72,926	Balance carried forward	-79,542

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Collection Fund

Non-Domestic Rates

Non-domestic rates operate on a national basis whereby the Council collects rates due from the ratepayers in the area but pays the proceeds into a Pool administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities on the basis of a fixed amount per head of population.

The Government specified a multiplier of 46.2p (44.4p in 2007/08) and, subject to the effects of transitional arrangements, local businesses paid rates calculated by multiplying their rateable value by that amount. The total non-domestic rateable value for the District at 31 March 2009 was £8,652,631 (2007/08 - £8,686,892).

Calculation of Council Tax Base for 2008/09

The Local Government Finance Act 1992 requires a billing authority to calculate its council tax base for tax setting purposes between 1 December and 31 January in the financial year preceding that to which the tax base applies.

The following calculation was made in the manner prescribed by the Local Authorities (Calculation of Council Tax Base) Regulations 1992 for the year 2008/09.

Band	Number of Dwellings on Valuation List	Discounts and Exemptions	Equivalent Number after Discounts and Exemptions	BAND D EQUIVALENTS
A(DIS)	0	10.50	10.50	5.8
A	3455	-675.00	2780.00	1853.3
B	2697	-410.75	2286.25	1778.2
C	1945	-264.50	1680.50	1493.8
D	1675	-159.50	1515.50	1515.5
E	1231	-118.75	1112.25	1359.4
F	533	-40.25	492.75	711.8
G	225	-22.75	202.25	337.1
H	27	-8.00	19.00	38.0
Total	11788	-1689.00	10099.00	9092.9

The council tax base after allowing for a collection rate of 99.0% is 9,001.97 (9,006.23 in 2007/2008).

Precepts and Demands

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

	2008/2009 £000	2007/2008 £000
Durham County Council	9,221	8,966
Durham Police Authority	1,283	1,222
County Durham and Darlington Fire and Rescue Authority	744	723
Teesdale District Council	1,808	1,809
Parish Councils & Meetings	232	189
	13,288	12,909

### Accounting for the Collection Fund Balance

The opening balance for the Collection Fund for 2008/09 was £72,926 deficit. An in-year surplus of £152,468 resulted in a surplus of £79,542 at the end of the year. On the basis that surpluses and deficits are shared between the precepting authorities (70% Durham County Council, 10% Durham Police Authority, 6% County Durham and Darlington Fire and Rescue Authority and 14% Teesdale District Council), the Council accounted for the Collection Fund balance in its 2008/09 Statement of Accounts as follows:

- o In the Balance Sheet at 31 March 2009, the Council included the £79,542 surplus on a disaggregated basis as creditors to the value of £68,525 (£56,180 to Durham County Council, £7,814 to Durham Police Authority and £4,531 to County Durham and Darlington Fire and Rescue Authority) and a £11,017 attributable surplus on the Collection Fund balance alongside the General Fund balance.
- o In the STRGL, the attributable movement on the Collection Fund balance a £21,227 profit  $((72,926 - 79,542) \times 13.9222\%)$  is shown under `any other gains and losses`.



## **Annual Governance Statement 2008/09**

### **1. Scope of Responsibility**

Teesdale District Council is responsible for ensuring 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the 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 found on the new Unitary Authority website: [www.durham.gov.uk](http://www.durham.gov.uk) or by contacting:

Durham County Council  
Teesdale House  
Galgate  
Barnard Castle  
Co Durham  
DL12 8EL

Telephone: 01833 690000

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. This statement also conforms to The Local Government (Structural Changes) (Further Transitional and Supplementary Provisions and Miscellaneous Amendments) Regulations 2009, which came into force on 11 March 2009.

### **2. The Purpose of the Governance Framework**

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council 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 the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2009. Teesdale District Council will be abolished on 1 April 2009 and will become part of the new unitary authority for the area, Durham County Council. The Annual Governance Statement will be updated by Durham County Council officers and formally submitted to the County Council together with the Annual Report and Statement of Accounts, which will incorporate the accounts for each of the seven former District Councils.

### **3. The Governance Framework**

The Council's governance framework derives from six core principles identified in the 2004 publication: 'The Good Governance Standard for Public Services', produced by the Independent Commission on Good Governance in Public Services, set up by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Office for Public Management. The commission utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007.

The six core principles are:

- Focusing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability.

#### **3.1 Focusing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area**

A clear statement of the Council's purpose and vision is set out in the 2008/09 Transition Plan which incorporates the Council's Corporate Plan and Best Value Performance Plan.

The Council's vision, jointly agreed with our Local Strategic Partnership, is:

'Teesdale will be a place where people will want to live, work and visit while we protect and enhance our valuable environment; where we use opportunities to strengthen our economy; where our communities are vibrant and prosperous; and where our people are safe and healthy and able to realise their full potential.'

Our corporate priorities remain unchanged from last year and are:

- To make Teesdale a cleaner, greener place
- To grow Teesdale's economy
- To improve the health and well-being of our residents and develop safer communities
- To meet the housing needs of our residents.

Our core values, which underpin all the work we do to achieve our vision and deliver our priorities, are:

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- Equality and Diversity
- Effective Partnership Working
- Innovation and Imagination
- Listening and Acting

Our priorities are reflected within the Sustainable Community Strategy and also within the Council's key strategies, such as the Medium Term Financial Strategy, Housing Strategy, Local Development Framework, People Strategy, Economic Development Strategy, Supporting People Strategy and Tourism Strategy, and within operational objectives to be achieved by each service in the departmental service plans which are prepared and updated annually.

Performance against these objectives, and agreed targets and performance indicators, are monitored monthly by individual services with high level exception reports submitted to the Corporate Management Team (CMT), quarterly reports to the Improvement and Performance Board, comprising Executive, and Overview and Scrutiny members together with CMT, and also subjected to initial and outturn reviews by Overview and Scrutiny Committee, which has established task and finish groups to examine specific issues.

Specific and general satisfaction surveys and a formal complaints procedure allow the Council to gauge customer satisfaction with regard to the effectiveness of service delivery.

The Local Strategic Partnership for the District continued to develop during 2008/09, with an independent chair and with community, parish and independent representation. The Sustainable Community Strategy, which covers the period to 2021, has four overarching priorities:

- People
- Prosperity
- Access
- Environment

The LSP work programme is delivered largely through its eight working groups:

- Children and Young People
- Community Safety
- Economy and Tourism
- Environment and Transport
- Health and Social Care
- Housing
- Lifelong Learning
- Leisure and Culture

In 2004, the Council received a 'poor' Comprehensive Performance Assessment rating. Following a period of recovery and improvement, monitored and supported by the Department for Communities and Local Government, Audit Commission, and Improvement and Development Agency, the Council underwent a follow-up inspection in March 2008. The Council received an improved 'fair' assessment, which was recognition of the steady progress made since 2004.

Subsequently, in the Direction of Travel report (February 2009), the Audit Commission stated that the Council has continued to improve performance as it comes towards the end of its final year. The prospect of abolition through local government reorganisation has not distracted the Council from maintaining, and in many cases further improving, services. The level of improvement is above

average and the number of performance indicators in the top quartile increased to 38%, above the average for District Councils. The Council (the report states) has been well managed in its last year. Council efficiency targets have been met, there is increased community engagement, more assistance to vulnerable and minority groups and some particularly effective partnerships contribute to good service delivery.

### 3.2 Members and officers working together to achieve a common purpose with clearly defined functions and roles

The Council has adopted a Constitution which sets out how it operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people.

The Council adopted the 'fourth option' or 'alternative arrangements' decision making system (available only to District Councils with a population under 85,000) in 2002, following the implementation of the Local Government Act 2000. Subsequent reviews have taken place and the Council now has a single, politically balanced Executive Committee, comprising the Leader and Deputy Leader (these posts first established in 2005) and six other lead members, each with a defined lead role.

In 2007, the Council established a new Audit and Governance Committee, with separate membership from both Executive, and Overview and Scrutiny Committees; all committees have clearly defined roles within the Constitution.

All committee meetings are open to the public except where exempt or confidential matters are being considered. There are provisions for public speaking at meetings of the Council, Overview and Scrutiny Committee, and the Planning and Licensing Committees.

The Executive Committee has delegated authority from the Council to make decisions in accordance with the policy and budget framework, subject to the call-in provisions which may be exercised by the Overview & Scrutiny Committee. Regulatory functions are undertaken by the Planning and Licensing Committees.

The Executive Committee operates in accordance with a rolling forward plan of upcoming matters for decision, published with each agenda and updated monthly on the Council's website. The Council's practice exceeds the minimum requirements laid down in the Local Government Act 2000.

Both the Executive and Planning Committees meet on a four weekly cycle and this, together with appropriate delegation to senior managers, enables speedy decision making. The scheme of delegation to committees and officers is regularly reviewed, most recently in 2007, following the implementation of the new management structure.

Executive lead members meet regularly with the appropriate chief and senior officers to ensure that members are kept informed of relevant matters and to enable them to provide support for, and to speak authoritatively about, the particular service area in meetings and in the wider community, including the media. The Chief Executive and (Interim) Deputy Chief Executive meet weekly with the Leader and Deputy Leader and also meet regularly with the political group leaders and the Chair and Vice Chair of Overview and Scrutiny Committee to enable discussions to take place on major and emerging issues.

All members have clearly defined roles and responsibilities and these are considered as required by an Independent Remuneration Panel which makes recommendations to the Council on the level of members' allowances. The last review of the Scheme of Members' Allowances took place in late 2007 and was submitted to Council in December 2007, which approved a revised scheme.

The Corporate Management Team, comprising the Chief Executive and chief officers, meets on a fortnightly basis and provides strategic support and direction to the Council, its members and employees. It also considers other internal control issues, including risk management, performance management, efficiency, value for money, financial management, ethical and corporate governance. A number of key officers have left the Council during the year, due to its impending demise, and appropriate interim arrangements have been put in place, including support from other local authorities, most notably Durham County Council.

A Managers' Forum, comprising all senior officers, meets monthly to assist good communication of issues, good practice and team building.

A monthly 'Teesdale Talks Shop' session is led by the Chief Executive. This is an informal briefing session to which all employees are invited with lunch provided. Significant corporate messages are discussed and employees have the opportunity to raise concerns and questions with the Chief Executive and Corporate Management Team.

There is a robust budget and policy framework and detailed financial and contract procedures, which are monitored by the Chief Finance Officer and Monitoring Officer. The Constitution is updated as required to reflect any changes in structure.

Teesdale, being a small local authority with limited capacity, recognise the benefits which can be gained from partnership working. It is important, therefore, that the intended benefits to be gained from partnerships are clearly defined from the onset and that all partners have clearly defined roles and responsibilities.

### 3.3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The behaviour of members and officers is regulated through separate codes of conduct which have been formally approved and adopted. These codes are supported by protocols and policies which apply the principles of the codes to specific areas of Council activity, for example, Member Officer Protocol, Planning Code of Practice, Anti-Fraud and Corruption Strategy, Whistle Blowing Policy.

The Members' Code of Conduct was originally adopted in 2002, and then revised in 2007. A national officers' code was proposed in the Local Government Act 2000. As this has still not been forthcoming, the Council adopted a local code, in line with best practice, in 2006.

The Council has a Standards Committee, the principal functions of which (in accordance with statutory requirements) are:

- o Promoting and maintaining high standards of conduct within the District and Parish Councils
- o Advising and training members on the code of conduct and related standards matters
- o Undertaking investigations into alleged breaches of the code of conduct by District and Parish Council members

- o Reporting to Council where appropriate on any standards matter.

The Council's Standards Committee comprises independent and parish representatives as required by legislation and is chaired (also as required) by an independent representative. All independent and parish representatives have been encouraged to apply for membership of the new Durham County Council Standards Committee, to be established from April 2009.

Complementing the codes of conduct and supporting protocols, the Council has three statutory officers: Head of Paid Service, Chief Finance (Section 151) Officer and Monitoring Officer, whose roles are specified in legislation and within the Constitution. These officers, jointly and individually, have responsibility for ensuring that all reports and decisions comply with the budget and policy framework and are lawful. Where, in the judgment of the Section 151 Officer or Monitoring Officer, the Council has made, or may be on the point of making, a decision contrary to the budget or policy framework or the law, these officers have the power to stop the decision being implemented, pending consideration by the Council of a report, agreed by all three statutory officers. In practice, the Corporate Management Team acts as a clearing house for reports prior to their being submitted to Council or committee.

All members receive copies of all Council and committee agendas in advance. A standard item on all agendas requires members to declare any personal or prejudicial interests at the outset of the meeting. In addition, members are encouraged to undertake any training relevant to their area of decision making.

Internal and External Audit work together to review and provide annual opinions of the control framework, governance arrangements and the validity of the annual accounts. Internal Audit operates to standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.

The Council has policies to safeguard itself and its staff when making decisions. Members of the Planning and Licensing Committees, in particular, need to be aware of the requirement to avoid bias or predetermination, personal or prejudicial interests when considering applications and to take appropriate action (which may amount to withdrawal) where there are sufficient grounds for doing so.

The Anti-Fraud and Corruption Strategy and Whistle Blowing Policy provide clear reporting channels for staff particularly, but also for members, who suspect impropriety of actions or behaviours by either members or officers.

The financial management of the Council is conducted in accordance with the financial rules set out within the Constitution and detailed within the Financial Procedure Rules. The Council has designated the Chief Finance Officer as the statutory Section 151 Officer in accordance with the provisions of the Local Government Act 1972.

The Council's overall financial arrangements are governed by the Medium Term Financial Strategy, which sets out the financial framework for the delivery of the Council's strategies and plans. In determining the revenue and capital financial framework, a number of factors are taken into account including the national context, the distribution of local government funding from central government along with other local and external funding sources.

This is supported by robust budget setting via the Star Chamber process, established in 2005, and monitoring arrangements which require spending

departments to monitor their budgets on a regular basis, making returns to the Accountancy Section, which provides support and challenge to budget holders. Financial position update reports are submitted monthly to Executive Committee, budget monitoring reports quarterly to Improvement and Performance Board, and compliance reports are submitted quarterly to Audit and Governance Committee. The Overview and Scrutiny Committee scrutinises the budget setting process. There are regular opportunities, therefore, for member challenge. The Executive lead member for Resources is responsible for presenting financial reports to Council.

Due to local government reorganisation, it has not been necessary for the Council to prepare a budget for next year (2009/10).

The Council manages its borrowing and investments within the guidelines of its Treasury Management and Investment Strategy, which is approved by the Council on an annual basis. Performance against this strategy is reported annually in the Treasury Management Annual Report.

### 3.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council's Constitution provides for transparent and accountable decision making, with provision for appropriate challenge and scrutiny.

The Overview and Scrutiny Committee has an overarching statutory responsibility to scrutinise decisions and the performance of the Council, its members and officers; holding decision makers to account and undertaking policy development and review.

Following a review, in 2007, of responsibility for functions and having regard to the capacity constraints on the Council, the non-executive members (24), previously all members of Overview and Scrutiny Committee, were subdivided into a new Audit and Governance Committee (6 members) and Overview and Scrutiny Committee, with 18 members, each with separate memberships and clearly defined functions.

The Audit and Governance Committee was given specific responsibility for overseeing the risk and internal control framework, overseeing the Council's financial reporting and audit processes, and responsibility for overseeing the corporate governance framework. The functions of the Overview and Scrutiny Committee were realigned to enable the committee to adopt an increased external and community focus, notwithstanding its statutory right to review or scrutinise any area of the Council's activity or community interest.

The capacity of both of these committees has been increased by the addition of two co-opted members of the public with expertise or interest in the particular area. This arrangement continued in 2008/09.

Risk management has been given an increased profile within the Council, responsibility for managing the process being allocated to the Chief Finance Officer as part of the 2007 management restructure. The Risk Management Group, which oversees the process, has also been given an increased profile, responsibility now lying with the Corporate Management Team, with member representatives from the Executive, and Audit and Governance Committees providing support and challenge to the process. Each service manager is responsible for preparing and maintaining a service risk register, with CMT being



responsible for maintaining the corporate risk register, which is reported to Audit and Governance Committee, and Improvement and Performance Board.

Regulatory decisions are taken by the Planning and Licensing Committees, in accordance with the decision making framework set out in the Constitution. Members of these committees need to be aware of the possible conflicts which may arise during the decision making process: bias, predetermination, personal and prejudicial interests; and take appropriate action to ensure that the Council's integrity is not compromised.

### 3.5 Developing the capacity and capability of members and officers to be effective

The Council has devoted resources to ensuring high levels of experience and expertise among its staff. All Council services are delivered by trained, experienced officers. Job descriptions and person specifications are prepared for all posts and are reviewed, as a minimum annually, to ensure that the best candidates are appointed into each position and that employees' development is aligned to the requirements of the post.

All Council officers receive an annual Performance Development Review at which performance can be measured against set objectives. There is also a six-month progress review. Training needs are also identified as part of this process and addressed via the Corporate Training Plan and/or individual service as appropriate.

The Council has a recruitment and selection policy aimed at attracting and retaining good quality staff. The Council seeks to encourage flexibility and succession planning, within the constraints of a small establishment. The reorganisation of local government in County Durham from April 2009 is presenting a challenge to maintaining this policy and retaining adequate staffing levels during this last year of the Council's existence.

Member development, within Teesdale has, historically, suffered from limited budget, induction, training and awareness raising being undertaken largely in-house or through county or regional networks. This was highlighted as a significant weakness in the Council's 2004 Comprehensive Performance Assessment and subsequent development programmes have focused on capacity building in this area, with support from, in particular, the Improvement and Development Agency (IDeA). Opportunities from organisations such as the North East Improvement Partnership and Audit Commission have provided another source of specific and general training for members. The fourth, and final, IDeA support programme was completed during 2008.

Member briefings are a regular means of informing the decision making process. In addition to the regular Chief Executive/Deputy Chief Executive briefings with Leader/Deputy Leader, Group Leaders and Overview & Scrutiny Chair/Vice Chair, and the lead member/lead officer meetings, each Executive Committee is preceded by a briefing meeting for all members of the committee prior to the agenda being issued. Also, Chairs/Vice Chairs of committees have regular meetings with the appropriate lead officers to ensure that they are kept abreast of relevant issues and to assist in the smooth running of the meetings.

The Overview and Scrutiny Coordinating Group, comprising Chair/Vice Chair of the committee and the Panel Chairs, meets regularly to ensure that the senior committee members have an overall awareness of and involvement in the committee's work programme.



### 3.6 Engaging with local people and other stakeholders to ensure robust public accountability

The Council recognises that communication with all stakeholders plays a fundamental role in the successful delivery of quality, efficient and cost effective services.

The Council is constantly striving to improve its communications performance, to build on its track record of continuous improvement and to ensure that the authority as a whole is open and accessible to the community, service users and staff.

All Council and committee meetings are open to the public except where exempt or confidential matters are considered. All agendas and minutes are placed on the Council's website, as are Council policies and strategies. Agendas are also available for inspection at the Council's offices and the main public library. The Council maintains a forward plan of Executive Committee business: this is published with each committee agenda and is updated monthly on the Council's website. This practice exceeds the statutory minimum requirement for Councils to publish a forward plan of key decisions.

The Combined Corporate and Best Value Performance Plan, this year incorporating the local government reorganisation Transition Plan, is the key document which outlines the Council's vision, objectives and priorities for the year ahead, sets performance targets and outlines the Council's accountability to stakeholders. The Corporate Plan links with the wider Local Strategic Partnership Sustainable Community Strategy.

The Best Value Performance Plan details the Council's post-CPA Improvement Programme 'Improving Together'. The previous improvement projects were all formally concluded by the end of May 2008 and all remaining actions have been subsumed into appropriate service work programmes. The only remaining project is the Local Government Reorganisation project which, following the March CPA inspection has become the principal focus of the Council's activity during the remainder of its existence. To that end, close working relationships are now established with the County and District Councils to ensure a smooth as possible transition to the new County Durham Council.

The Council has a formal complaints procedure which allows the public and other stakeholders to make a complaint regarding the service received from the Council. Complaints can be made on-line or in writing and the Council has set targets for responding to all complaints received. The corporate complaints procedure was updated in 2006 and has links to the Information Commissioner and the Standards Board for England, which deal with complaints regarding requests for information and complaints about member conduct respectively. In the latter case, a new system of local management of complaints against members was introduced in May 2008, the Standards Board now acting as the regulatory body for complaints against members.

The Teesdale Local Strategic Partnership, comprising District and Parish Council representatives, other public sector organisations (Police, Primary Care Trust, and Fire & Rescue), voluntary sector and private interests has adopted a higher profile during the last year. The Sustainable Community Strategy was adopted in 2008 with its four main priorities: people, environment, access, prosperity.

The 'operational' work of the LSP is carried out through a series of 'thematic' working groups: Children and Young People, Community Safety, Economy and

Tourism, Environment and Transport, Health and Social Care, Housing, Leisure and Culture, Lifelong Learning; each working to an agreed work programme. The Council plays a leading role in all groups through the involvement of Executive lead members and appropriate officers. The work of the LSP is directed and overseen by a management board of which the Council Chief Executive is Vice Chair.

Teesdale, being a small District Council, is involved in a number of partnerships, the remit of each being to deliver a particular service or services to the community or a particular group. In 2007, the Council carried out a review of its partnership working and agreed a set of criteria for ensuring that the principal partnerships operated within a clear set of parameters. Ten key partnerships were identified and the Council has concentrated specifically on these during the last year, monitoring performance and expending key staff, members and financial resources on them.

#### **4. Review of the Effectiveness of the Governance Framework**

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

The key features of the Council's governance framework are summarised in this section.

##### **4.1 The Council**

The key formal document governing the internal control framework for the Council is the Constitution. All delegation of decision making is made in accordance with the requirements of the Constitution and the Scheme of Delegation, which forms part of the Constitution.

The formal rules governing the way in which the Council, committees and officers conduct business are also set out in the Constitution and include:

- Budget and Policy Framework
- Financial and Contract Procedure Rules
- Procedure Rules for Council and Committee Meetings
- Access to Information Procedure Rules

All reports are reviewed by the Monitoring Officer to ensure they are lawful, and by the Section 151 Officer for financial and risk implications and, more generally, by the Corporate Management Team collectively, prior to inclusion on committee agendas.

The Council has approved a scheme of delegation for decision making by the Executive Committee, Regulatory Committees and by named senior officers, reserving decisions on 'Council only' functions to the full member body. Executive Committee decisions may be subject to call-in by Overview and Scrutiny Committee prior to implementation.

The Monitoring Officer (Chief Governance Officer) has a duty to monitor and review the operation of the Constitution to ensure that its aims and principles are

given full effect. Changes to the Constitution may only be made by the Full Council on a two thirds majority of members present and voting, after consideration of the proposal by the Executive Committee.

The Constitution was fully updated in February 2008, to include revisions occasioned by the management and committee restructuring, and the revised Members' Allowances Scheme (approved in December 2007) and re-issued to all members. A fully updated version is also available on the Council's website.

#### 4.2 Overview and Scrutiny Committee

The Council has an Overview and Scrutiny Committee comprising eighteen councillors plus two co-opted members, which has responsibility for undertaking all functions prescribed by legislation and regulations for scrutiny committees, including policy development and review, the scrutiny of executive decisions with the power of call-in, and holding decision makers (Executive members and officers) to account.

It also undertakes reviews in accordance with its annual work programme, agreed in consultation with the Executive Committee and approved by Council. Reviews undertaken during 2008/09 have included: Street Care Services Value for Money, Performance Indicator Monitoring, Internal Audit Report Follow Up, Cemetery Provision, Rural Policing, Fire and Risk Assessment of Council Buildings, Enforcement Activity, Car Parking Charges, and Assessment of CPA Report and Follow Up.

#### 4.3 Standards Committee

The Council has a Standards Committee which meets quarterly. It has had an independent chair since 2006/07 and terms of reference which are in line with legislation and good practice. The principal focus of the committee's work programme since 2007 has been to gain a working knowledge of the revised (2007) Members' Code of Conduct and prepare for the implementation of the local management of complaints against members, which was implemented in May 2008.

Since the introduction of the code of conduct in 2002, thirteen complaints have been submitted to the Standards Board: ten of them in 2007/08. None were referred for investigation. From May 2008, with the introduction of local assessment, the local Standards Committee now has the task of considering complaints and deciding whether they should be investigated. None, as yet, has been received.

#### 4.4 Audit and Governance Committee

The Council, in 2007, reviewed the function of the former Audit Committee against the 2005 CIPFA: 'Audit Committees: Practical Guidance for Local Authorities' and the emerging CIPFA/SOLACE: 'New Governance Framework' and established a new Audit and Governance Committee, independent of both executive and overview and scrutiny responsibilities, and therefore better able to undertake its principal responsibilities: reviewing the adequacy of internal control, monitoring the performance of internal audit, agreeing the internal and external audit plans, risk management and overseeing the corporate governance framework.

The committee, comprising six Council members and two co-opted members of the public, has adopted an increasingly proactive and challenging role towards its

functions, in particular, scrutiny and progress chasing of internal audit reports, budget manager monitoring returns and membership of the re-vamped Corporate Risk Management Group, comprising the Corporate Management Team and member champions from Executive, and Audit and Governance Committees.

#### 4.5 Internal Audit

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk-based audit plan is prepared annually by the Audit Manager, in consultation with the Chief Finance Officer, chief officers and the Council's external auditors, and presented to the Audit and Governance Committee. The internal audit function is undertaken in accordance with the requirements of the CIPFA: 'Code of Practice for Internal Audit in Local Government in the UK'.

The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager and/or chief officer; summaries of all reports, with recommendations and action plans, are also submitted to the Audit and Governance Committee.

Each audit report also includes an action plan, agreed with the relevant service manager. All action plans are reviewed periodically, according to their significance for the Council's internal control processes. An opinion of the overall internal control environment is also provided. Where assurance is deemed to be unsatisfactory, immediate action is required.

The Audit Manager reports directly to the Audit and Governance Committee at each of its meetings. This officer maintains a degree of independence from the Council's senior officer hierarchy and, generally, does not require CMT approval for his reports to members, although prior discussion will take place, where appropriate, with chief officers. The Audit Manager left the Council's employment at the end of March 2008 and specialist cover has been provided this year by the Audit Manager, Durham County Council.

The Audit and Governance Committee approves the Audit Plan and monitors the performance of Internal Audit and the progress against audit recommendations. Internal Audit reports annually to the Audit and Governance Committee, providing the audit opinions of all audits undertaken and an overall audit opinion.

Risk management, at a corporate level, was previously managed by a small officer group, supplemented by the lead member for Resources. Following the management restructure and a review of risk management within the authority, the Corporate Management Team has now assumed responsibility, with the Chief Finance Officer as lead officer and with member representatives from Executive and Audit & Governance Committees participating in risk management review meetings. The corporate risk register is now reported to both the Improvement and Performance Board, and the Audit and Governance Committee. The Risk Management Group has identified a number of risks associated with local government reorganisation and these have been closely monitored, and action taken as necessary, in the lead up to April 2009.

Key points from the Annual Internal Audit Report 2008/09 are as follows:

- o During 2008/09, the transition year to unitary local government, there has been a common approach to internal audit coverage in the county, with audit plans concentrating on core financial systems, thereby enabling authorities to

maximise the maintenance of 'business as usual' in the lead up to local government reorganisation.

- All audit work planned has been completed. Of the 14 final reports, four were categorised as 'substantial assurance', six as 'moderate assurance', and four as 'limited assurance'.
- Of the 29 audit recommendations, 23 were accepted by management. Of those, sixteen have been completed whilst seven are still in progress. The remainder were not accepted by management and reported to committee as such. Justification was given and, in most cases, the recommendations were not agreed due to being superseded by Durham County Council processes.
- There have been no instances of suspected fraud reported to the Audit Commission in the last year.
- All recommendations arising from the review of governance arrangements have either been implemented or are considered to be no longer applicable.
- An overall conclusion of 'moderate assurance' has been given to the Council's core financial systems.
- Any subsequent weaknesses arising from audit of non-financial control systems have been addressed or are being considered in relation to local government reorganisation.
- An overall opinion of moderate assurance has been given on the effectiveness of the overall system of internal control.

#### 4.6 Other Assurance Mechanisms

The Council, in common with all local authorities, is required to provide satisfactory assurances that all reasonable steps are taken to deliver the services required in an efficient, effective and economic manner.

The most common sources of assurance are:

- Performance Management
- Internal Audit
- External Audit
- Assurances from Managers
- Risk Management
- External Reports including Service Inspections
- Ombudsman Reports

The Council has a Performance Management Framework through which quality of service can be measured by both local and national performance indicators. Performance targets are agreed and set within service plans and monitored monthly by service managers and Corporate Management Team. Performance is also reported quarterly to the Improvement and Performance Board. Overview and Scrutiny may decide, or be asked, to undertake specific reviews on any aspect of performance; it has set up a number of task and finish performance groups to examine specific performance issues.

The year 2006/07 was an encouraging year for the Council's Best Value Performance Indicators. We were able to build on that in 2007/08 and continued to make improvements. 54% of PIs showed improvement on 2006/07, while 16% stayed the same; 30% got worse. In terms of target setting, 58% of PIs were on target with another 7% just failing to meet target. 35% fell short of target.

Key Audit Commission reports during the year were the Annual Audit and Inspection Letter and Direction of Travel, both formally reported to Council by the District Auditor in March 2009.

The Audit Commission has drawn attention to a number of key messages:

- The Council has made good progress over the last few years. The CPA report in June 2008 recognised the progress and assessed the Council as having moved from 'poor' to 'fair'. The Council was able to demonstrate stronger corporate capacity, improved community leadership and better working in partnership. In addition, there is a strong commitment to transition planning for local government reorganisation.
- An inspection of the strategic housing service found that the Council has a clear focus on customers and a reasonable understanding of the local housing market. The Council needs to make greater use of partnership working to enhance the limited capacity available.
- Further improvements to the arrangements for preparation of the accounts were made in 2007/08. In September 2008, an unqualified opinion was given on the Council's accounts and an unqualified conclusion on its arrangements for securing economy, efficiency and effectiveness in its use of resources. The preparation of the 2008/09 accounts will be equally challenging and a review of the lessons learned from this year will be important in the light of local government reorganisation.
- A review of the two housing benefit performance indicators found that the statutory guidance had not been correctly followed by the Council's service provider. Incorrect dates were used to calculate the speed of processing claims which overstated the Council's performance and the PIs were qualified.
- During the year, specific pieces of work were carried out on the Council's approach to access to services and absence management. These reviews were undertaken on a county wide basis and both reports identified a number of strengths and areas for improvement which need to be considered by the new unitary council.
- The Council has recognised the need to engage more fully with stakeholders and is now an active member of the LSP and other strategic groups.
- Political and managerial leadership of the Council has improved significantly since 2004, with clearer roles and responsibilities for officers and members.
- Whilst political capacity has improved there are still shortcomings, particularly evident in the scrutiny function. Progress on diversity has been slow, although the Council has now achieved level 2 of the Equality Standard for local government.
- The Council is making more effective use of its resources. A score of 2 out of 4 (adequate performance) was maintained although against a background of stricter inspection criteria.

The Annual Audit and Inspection Letter also details areas where action is needed by the Council as it enters the final phase of its existence:

- The Council needs to maintain an appropriate focus on delivering services, particularly as key staff take up posts in the new Council or elsewhere. Alongside this, members and officers need to manage the financial pressures that flow from the higher than planned transition costs of local government reorganisation, the credit crunch and from meeting the challenging savings targets built into the 2008/09 budget.
- In terms of service performance, there are a number of key issues specific to Teesdale which will need to continue to be addressed by the new council. These are:
  - the action plan arising from the inspection of strategic housing services needs to be shared with the new unitary council;
  - the correct guidance needs to be followed for the calculation of the housing benefit performance indicators;

- the key issues arising from the work on access to services and sickness absence will need to be addressed by the new unitary council; these reports should be made available to the new council.

The Council's Annual Report from the Local Government Ombudsman for 2007/08 was positive in that no formal complaints were recorded, that is, none which warranted a formal investigation. During 2008/09, that pattern has continued, two complaints being examined, as at the time of writing, none having reached the stage of being formally investigated.

In January 2009, the Council received its three yearly inspection by the Office of the Surveillance Commissioner, into its surveillance procedures under the Regulation of Investigatory Powers Act 2000. Whilst, at the time of writing, the formal report has not yet been received, the inspector commented favourably on the Council's procedures, particularly the collaborative approach being made to local government reorganisation and the transition towards a single authority approach to RIPA.

## **5. Significant Governance Issues**

The work done during the year by Internal Audit and External Audit may highlight significant governance issues which need to be addressed. Other issues may emerge from other areas.

The most significant issue for the Council, which has been the principal focus of activity in 2008/09, is the move towards the establishment of unitary local government in County Durham and the abolition of the two tier system of County and District Councils. The challenge for the Council has been to maintain its service delivery functions and statutory responsibilities, and to continue operating to the highest governance standards, notwithstanding the significant risks involved.

The Council has suffered from loss of staff, particularly senior staff, due to the increasing uncertainty over their futures, at a time when the Council has been heavily involved in the preparations for the new authority, itself a distraction from the 'day job'. Members and officers, however, have engaged fully in the reorganisation process to ensure that the interests of the Teesdale community are protected as the new service delivery and decision making structures are being put in place.

The CPA report (June 2008) concluded with a number of recommended actions for the Council to consider:

To exercise its community leadership role effectively during the transition to a new unitary council for the county of Durham, the Council should:

- o Ensure that it continues to play an appropriate role in the various work streams underway, contributing effectively to Local Government Reorganisation (LGR) and ensuring that it promotes the needs of the district and the interests of local people so that these can be reflected in the development of new local government structures and future delivery of services in the county;
- o Ensure that it does not allow the demands of LGR to impact negatively on service quality during the transition period, whilst continuing to actively address areas of relatively poor performance; and



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- Improve the attendance and contribution of councillors at partnership groups, keeping the profile of the district and the needs of its residents as high as possible during the period of transition.

To continue improving the way in which it functions, the Council should:

- Tackle the shortcomings of the scrutiny function, manage it more effectively and ensure that the energy of scrutiny is channelled into supporting achievement of the Council's priorities, management of performance, policy development and value for money;
- Build on recent improvements to its overall approach to promoting equality and diversity by ensuring the pace of this work continues and that all minority groups are given the opportunity to participate in setting local priorities for improvement;
- Ensure that staff concerns over strategic leadership are fully tackled; and
- Ensure that action plans are sufficiently robust so that outcomes are improved, and clear, achievable but challenging targets are met.

The Audit Commission, in its subsequent reports referred to in this statement, has commented on the extent to which (mostly positive) the Council has tackled these issues.

It states (Direction of Travel report, February 2009) that:

'There is a clear focus on working towards a single authority for County Durham and LGR is now the only project within Teesdale Council's Improvement Programme.'

The areas where significant action has been highlighted as being necessary as the Council goes forward into the new unitary council are as follows:

- The need to maintain an appropriate focus on continuing to deliver services and ensuring a smooth transition into service delivery by the new unitary council.
- The need to ensure that the action plan arising from the inspection of strategic housing services is maintained and taken forward by the new unitary council.
- The need to ensure that the correct guidance is followed in the calculation of the housing benefit performance indicators.
- The need to ensure that the work arising from the access to services and sickness absence reviews are properly addressed by the new unitary council.

### **Declaration**

We propose, up to the demise of the Teesdale District Council on 31 March 2009, to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements identified in our review of effectiveness and will monitor their implementation and operation until the vesting date of the new unitary authority on 1 April 2009.

### **Signed**



## Independent Auditor's Report

### Opinion on the Financial Statements

I have audited the Authority accounting statements and related notes of Teesdale 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 Teesdale 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 criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Teesdale 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