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1. EXPLANATORY FOREWORD

Introduction

The purpose of this foreword is to give an easily understandable guide to the accounts.

The Council's statutory accounts and financial statements for 2008/09 are set out on Pages 25-97 of this document.

The main purpose of the financial statements that make up the Statement of Accounts, are detailed below.

2. Report by the Corporate Director - Resources (Section 151 Officer)

The report summarises the most significant matters included in the accounts on pages 7-14.

The introduction of the Local Government White Paper - Strong and Prosperous Communities - in October 2006 enabled Durham County Council to prepare a successful bid submission to propose a Unitary Authority for County Durham.

On 25th February 2008 it was agreed by Parliament that a single unitary council for County Durham would replace the existing County and District Councils in County Durham with effect from 1st April 2009. All rights and obligations of the existing council will vest in the new council.

On 1st May 2008 elections were held to elect new Members to the County Council and these Members formed the new Unitary Council for Durham on 1st April 2009.

The Local Government Re-organisation (LGR) Programme was launched in early in 2008 to bring together the services of the former Durham County Council and the District authorities within County Durham.

The LGR Programme in 2008/09 was to amalgamate the individual service functions to become Durham County Council Unitary authority through a series of business critical projects by 1st April 2009. This has required incurring initial (transition) costs, which were to be met from reserves. The bid submission anticipated that savings should be realised over the next three years that would repay sums used from reserves.

The main event that happened during the previous financial year was that the Council transferred both the ownership, the provision of the service and the future liabilities associated with the Council housing stock to Cestria Community Housing Association Limited. The 2008/2009 accounts, when compared to the previous financial year, reflect the transfer.

3. Statement of Accounting Policies

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

The Statement of Accounts summarises the Council's transactions for the 2008/09 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 – 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.

Pages 15-24 explain the policies adopted in preparing the Council's Accounts.

4. Income and Expenditure Account

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

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

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

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

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

Pages 25-26 show the revenue expenditure and income for each service provided, including contributions to funds. Following each statement are notes providing further information and explanation on the more important items in the Income and Expenditure Account.

5. Statement of Total Recognised Gains and Losses

Not all the gains and losses experienced by a local authority 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 under UK GAAP as arising from asset and liability valuation charges rather than from an entities operating performance. It is necessary to consider all gains and losses recognised in a period when assessing the financial result for the period.

FRS 3 (Reporting Financial Performance) requires all gains and losses to be included in a Statement of Total Recognised Gains and Losses (STRGL) to be shown with the same prominence as the other primary statements.

Page 28 shows the Statement of Total Recognised Gains and Losses as at 31 March 2009.

6. Balance Sheet

The Balance Sheet is fundamental to the understanding of the authority'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.

Page 29 summarises the financial position of the Council as at 31 March 2009. Following the statement are notes providing further information and explanation on the more important items in the Balance Sheet.

7. 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 purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Its objective is to ensure that significant elements of receipts and payments of cash are highlighted in a way that facilitates comparison of cash-flow performance of different businesses and to provide information that assists in assessing their liquidity, solvency and financial adaptability.

Page 30 summarises the inflows and outflows of cash arising from revenue and capital transactions with third parties.

8. Housing Revenue Account

The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a revenue account for local authority housing provision in accordance with the Local Government and Housing Act 1989. The HRA has to remain open until the end of 2008/09, even though the housing stock and the responsibility for the management services have been transferred to Cestria Community Housing Association Limited. This is in order to finalise all issues, such as the housing subsidy entitlement, prior to obtaining ministerial consent to formally close the account. It includes the credit and debit items that are required to be taken into

account in determining the surplus or deficit on the HRA for the year. The amounts included in the HRA differ from the amounts in respect of HRA services included in the Income and Expenditure Account for the authority as a whole, which includes income and expenditure in accordance with the SORP rather than that required by statute and non-statutory proper practices. For this reason the HRA statement has two parts:

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

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

Chester-le-Street District Council transferred its housing stock as part of an LSVT to Cestria Community Housing Association on 4th February 2008 and therefore ceased to be a provider of rented accommodation from that date. Consent was received from the Secretary of State to close the HRA with effect from 31 March 2009 once all related transactions were completed in accordance with the requirements of the Communities and Local Government.

Pages 69-70 show the residual housing revenue expenditure and income, including contributions to funds, etc. Following each statement are notes providing further information and explanation on the more important items in the Housing Revenue Accounts.

This will be the last year the authority maintains an HRA. This year the account only deals with any final transactions and residual costs since the transfer of stock to Cestria Community Housing Association Limited.

9. Collection Fund

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.

Pages 76-78 show the income received by the Council from Council Tax payers, Non-Domestic Rate payers and government grants to meet the Council's demand (including precepts from Parish Councils) and precepts from Durham County Council, Durham Police Authority and the Durham and Darlington Fire and Rescue Authority during 2008/09.

10. Annual Governance Statement

Regulation 4(2) of The Accounts and Audit Regulations 2003 as amended by The Accounts and Audit (Amendment) (England) Regulations 2006 require the Council to 'conduct a review at least once in a year of the effectiveness of its system of internal control' and include a statement on internal control with any Statement of Accounts. This is now included in the Council's Annual Governance Statement.

Pages 79-96 summarise the responsibilities of the Authority, the Leader of the Council and the Head of Corporate Finance (Section 151 Officer), relating to monitoring of an effective system of internal control and arrangements to ensure effective corporate governance.

11. Statement of Responsibilities for the Statement of Accounts and Certification by the Section 151 Officer

Local authorities are required to include in their statement of accounts a statement of responsibilities for the statement of accounts, which sets out the respective responsibilities of the authority and the Chief Financial Officer for the accounts.

The statement of accounts is intended to present fairly the financial transactions of the Council during the year ended 31 March 2009 (the 2008/09 financial year).

Page 97 summarises the responsibilities of the Authority and the Corporate Director - Resources (Section 151 Officer) relating to the making of proper arrangements for the administration of the financial affairs of the Council and the keeping of accounting records.

The accounts and statements in respect of 2008/09 have been prepared using the professional guidance given in the Code of Practice on Local Authority Accounting 2008, together with other legal requirements as contained in various Acts of Parliament, including the Accounts and Audit Regulations 2003.

12. Pensions and Retirement Benefits

The Council participates in the Local Government Pension Scheme which is administered by Durham County Council Pension Fund (the Fund). The Balance Sheet includes a pension liability and a pension reserve of £24.94m at 31 March 2009. Although this has the effect of changing the Council's 'net worth' of £21.82m into negative equity of £3.12m it does not represent a reduction in the Council's cash or other reserves.

Whilst this pension deficit of £24.94m represents a significant shortfall between the estimated cost of future pensions, which the Council is committed to pay over a period of many years, and the current value of assets held in the Fund, it should be noted that, under the FRS 17 reporting standard, results can change dramatically depending on market conditions e.g. significant changes in global equity markets after 31 March 2009 would have a major impact on the capital value of the Fund's assets.

In addition, statutory arrangements for funding the pension deficit of £24.94m will be made good by increased contributions over the remaining working life of employees as assessed by the scheme's actuary.

With the liabilities being linked to the Actuary's AA Corporate Bond Yield Curve and the majority of the assets of the Fund being invested in equities there will always be volatility both in the net pension liability on the Balance Sheet and the actuarial gains and losses in the Statement of Total Recognised Gains and Losses.

13. Glossary of Terms

Pages 98-105 provides details of those accounting terms used within this document and give a basic definition in order to assist the reader to understand the Financial Statements.

2. REPORT BY CORPORATE DIRECTOR - RESOURCES (SECTION 151 OFFICER)

2.1 General Fund Revenue Expenditure

General Fund expenditure for 2008/09 is summarised in the Income and Expenditure Account in section 4 of the Statement of Accounts.

This shows the costs of the Council's services, other than Council housing and how the net expenditure has been funded.

The table below shows where our money came from and how we spent it.

WE SPENT MONEY ON:-

Service	Net Actual Expenditure £'000	Percentage of Total
Leisure	1,824.6	16.2%
Environmental Health	594.6	5.3%
Planning	133.7	1.2%
Environmental Services	2,615.2	23.2%
Revenues and Benefits	565.4	5.0%
Finance and Accountancy	169.4	1.5%
Organisational Development	53.5	0.5%
Corporate Development Unit (Including Concessionary Travel)	1,269.8	11.3%
Regeneration	1,254.2	11.1%
Legal and Democratic Services	347.9	3.1%
Corporate Functions and Savings	2,429.6	21.6%
Sub Total	11,257.9	100.0%
Less: Capital Accounting Adj.	(862.1)	
Less: Interest on Investments	(663.6)	
Less: Contribution from Reserves	(1,489.1)	
Net	8,243.1	

WHERE THE MONEY CAME FROM:-

	£'000	Percentage of Total
Council Tax	3,095	37%
Revenue Support Grant	626	8%
Business Rates	4,496	54%
Collection Fund Surplus	30	1%
Budget for the year	8,247	100%

The Council set a net General Fund Revenue Budget of £8,246,983 for 2008/09.

The table below shows the budgeted figures for 2008/09 as compared with the actual outturn for the year.

Service	Net Budget £'000	Net Actual Outturn £'000	Variance from Budget £'000
Leisure	1,669.7	1,824.6	+ 154.9
Environmental Health	585.8	594.6	+ 8.8
Planning	176.4	133.7	- 42.7
Environmental Services	2,756.7	2,615.2	- 141.5
Revenues and Benefits	781.0	565.4	- 215.6
Finance and Accountancy	53.5	169.4	+ 115.9
Organisational Development	135.9	53.5	- 82.4
Corporate Development Unit	1,288.9	1,269.8	- 19.1
Regeneration	1,050.0	1,254.2	+ 204.2
Legal and Democratic Services	304.6	347.9	+ 43.3
Corporate Functions and Savings	1,485.0	2,429.6	+ 944.6
Less:			
Capital Accounting Adj.	(877.1)	(862.1)	+ 15.0
Less:	(494.4)	(663.6)	- 169.2
Interest on Investments			
Less:	(669.0)	(1,489.1)	- 820.1
Contribution from Reserves			
Net	8,247.0	8,243.1	- 3.9

The final position for 2008/09 shows an underspend of £3,848 as compared with the agreed budget. This has been transferred to reserves.

Changes in the treatment of capital charges, which, effectively, show the depreciation of assets used to provide the service, have affected the outturn for several service areas; leisure, environmental services and regeneration, are the main services affected by these changes. Capital charges do not, however, affect the real cost of the general fund services as they are reversed out in the capital accounting adjustments and are not taken into account in the net costs of services.

Excluding the effects of the changes in capital charges, the main variances from the agreed budget were as follows:

Service	£'000
Leisure	+ 99.3
Planning	- 53.3
Environmental Services	+ 49.9
Revenues and Benefits	- 215.6
Financial Services and Accountancy	+ 115.9
Organisational Development	- 82.5
Corporate Development Unit	- 19.1
Regeneration	+ 112.9
Legal and Democratic Services	+ 43.3
Corporate Functions and Savings	+ 912.1
Interest on Investments	- 169.2
Contributions from Reserves	- 820.1

The most significant variances from the agreed budget are highlighted below by service area:

Leisure

The end of year position for leisure services shows an overspend against budget of just below £100,000. This is mainly due to shortfalls in income at the Leisure Centre Gym, Roseberry Grange Golf Complex and the Nursery, as well as significant increases in utilities expenditure.

Planning

The outturn position in Planning is showing an underspend against budget for the year amounting to £53,324. Development Control income significantly improved in comparison to the mid year monitoring position and by the end of the year income exceeded the agreed budget by £38,649. Building Control income however, was under budget by £28,562. Salary savings across the Planning budgets amounted to £58,109 at the end of the financial year.

Environmental Services

There are a number of issues within Environmental Services which account for the net overspend for the year amounting to just under £50,000. Car Park fine/enforcement income was under budget by £12,204. Vehicle repairs and maintenance costs, fuel prices, tipping tickets and agency fees affected Refuse Collection (domestic and trade) and Street Cleansing resulting in these two service areas being over budget by £68,806. In addition the utilities, fuel oil and telephone costs at Sacriston Depot all impacted on the £22,361 overspend in this area. However, additional income has been generated in respect of Grounds Maintenance and Cemeteries, and this helped reduce the actual overspend for the year. The recycling service was over budget by £24,112 in 2008/09 and the impact of the contractor going into administration is reflected in this area.

Revenues and Benefits

The service is showing a net underspend against budget for the year of £215,617. The service has made significant salary savings in the year which amount to £158,766 net of agency fees. The net subsidy position in respect of Council Tax Benefits and Rent Allowances, account for the balance of the underspend, notwithstanding an overspend on NNDR Discretionary Charitable Relief amounting to £16,302.

Financial Services and Accountancy

The overspend for the year (£115,946) is mainly due to the cost of consultancy in respect of closing the accounts in 2007/2008 and ongoing financial issues in respect of the Large Scale Voluntary Transfer of the Council Housing Stock. This accounted for approximately £82,000 of the total overspend in this service area. The only other significant factor was an overspend in the Insurances budget due to excess payments and compensation costs amounting to £23,673.

Organisational Development

The underspend for the year (£82,452) is as a result of a decision taken to make savings in respect of the Corporate Training Programme to offset the projected overspend identified in the mid year monitoring report. The end of year outturn in Corporate Training was under budget by £68,806. The remaining underspend is due to savings in respect of the Stress Management support for staff and this amounted to £9,748.

Corporate Development Unit

The net underspend for the year amounting to £19,063 is due to additional grant income shown in this budget area that was not budgeted for (£25,250) and the General Area Based Grants in respect of Community Cohesion and Climate Change (£48,971). There were other underspends in this budget area due to salaries recharges. However, the recharge to Chester-le-Street District Council for the cost of the Concessionary Fares Scheme in 2008/09 is £923,972. This is over our budget of £828,880 by £95,092 and a provision has been made in the accounts to reflect this.

Regeneration

The service is showing a net overspend against budget for the year of £112,986. The main reason is a shortfall in Market income of £98,641 for the year. In addition CCTV expenditure is over budget by £23,345 due to increased salaries costs and the cost of maintaining the equipment. An amount of £43,057 has been spent above budget to carry out maintenance works and health and safety related testing at the Communal Rooms. These overspends have been offset by additional income in respect of Industrial Unit rentals and income from de-minimis land sales.

Legal & Democratic Services

Due to the economic downturn, Land Charges income was under budget by £81,488 at the end of the financial year. Taking into account salary savings throughout this budget area the overspend in respect of Legal & Democratic Services is £43,324.

Corporate Functions and Savings

The main variances showing against Corporate Functions and Savings are simply due to the fact that the salary contingency and other savings are reflected in the individual services in the net actual outturn for 2008/09; the costs of Local Government Reorganisation (LGR) are reflected here and are offset by the agreed contribution from reserves highlighted below. It was anticipated that the Council would receive income from 21 Right to Buy sales at £9,999 each, however, due to the economic downturn there were only 12 sales in 2008/09, resulting in a shortfall of £89,992. This shortfall was met by an additional contribution from reserves, again highlighted below. The Council received a net income from a VAT claim from Her Majesty's Revenue and Customs relating to a wide range of Leisure services from the early 1990's amounting to £212,590. £161,058 of this was used to contribute towards the cost of Early Retirement and Voluntary Redundancies (ER/VR) as a result of LGR as agreed by Council.

Interest on Investments

The investment interest earned in 2008/09 fell short of the predicted level by approximately £21,000 due to the decline in interest rates. However, net interest received from Her Majesty's Revenue and Customs (HMRC) in relation to the outstanding VAT issue referred to above amounted to £190,000. This additional income helped offset overspends in the services highlighted above.

Contributions from Reserves

The additional drawdown from reserves in 2008/09 was mainly due to the agreed drawdown from the General Fund Reserve in respect of the shortfall in Right to Buy revenue sales (£89,992) and to part fund the costs of Early Retirement and Voluntary Redundancies (ER/VR) as a result of LGR (£649,873). As a result of LGR, the Chief Executive, the Director of Corporate Services, the Acting Head of Resources and two Personal Assistants employment ceased on 27 March 2009. Total redundancy and early retirement costs in 2008/09 for the five officers amounted to £810,931.

2.2 Housing Revenue Account

The Housing Revenue Account (HRA) is a statutory ring-fenced account into which all items of expenditure and income relating to the provision of the public sector housing service must be charged. The HRA cannot be subsidised from the General Fund, neither can it subsidise the General Fund. Housing Revenue Account expenditure for 2008/09 is summarised in section 10 of the Statement of Accounts.

The Council closed its HRA with effect from 1 April 2009 following consent from the Secretary of State. The table below shows the budgeted figures for 2008/09 compared with the actual outturn for the year. No budget was set for 2008/09, all items of income and expenditure shown below are housing residual costs to the period 31 March 2009.

	Original Budget £'000	Actual Outturn £'000	Variance from Budget £'000
<u>Income</u>			
Rents and other income	-	-	-
Major Repairs Allowance	-	-	-
Interest receivable	-	-	-
Negative subsidy paid to DCLG	-	(10)	(10)
Rent Constraint Allowance	-	-	-
Total income	-	(10)	(10)
<u>Expenditure</u>			
Property Services	-	8	8
Central Costs	-	2	2
Special Services – Sheltered Housing	-	7	7
Care for the Elderly – Careline	-	62	62
Council House Sales	-	-	-
Cost of Democracy	-	-	-
Depreciation	-	-	-
Debt Management and Loan Charges	-	-	-
Direct Revenue Financing	-	-	-
Total expenditure	-	79	79
(SURPLUS)/DEFICIT	-	89	89

The main reason for the deficit on the Housing Revenue Account of £90,000 is an irrecoverable debtor for £60,000 raised in 2007/08 and residual costs relating to housing services before the stock transfer date of 4 February 2008 amounting to £29,000.

The closing balance on the Housing Revenue Account reserve at the end of 2008/09 is £1.474million. This has been transferred to the General Fund following consent from the Secretary of State dated 2 April 2008 to close the HRA from 31 March 2009.

2.3 Building and Maintenance - Direct Labour Organisation (DLO)

The Council transferred its Direct Labour Organisation to Cestria Community Housing Association as part of an LSVT on 4 February 2008.

2.4 Capital Programme

At the start of the year it was estimated that the Council would receive £1.200 million of capital receipts from new land sales. However, only £0.212 million of capital receipts from new land sales were received due to the downturn in the economic climate.

Total Capital Programme expenditure amounted to £3.040 million, as compared with estimated resources of £4.844 million. At the year end the capital commitments to carry forward into 2009/10 amount to £1.143 million.

The expenditure incurred during 2008/09 was mainly on regeneration and other general fund schemes. The main areas of expenditure included:-

	£'000
Pelton Fell Regeneration	828
Sacrison Community Centre	317
SHIP	257
Disabled Facilities Grants	246
Town Centre Regeneration	212
Play Areas	191
Civic Centre	190
Sacrison Heart of the Village	119
Cemeteries	57
Information Technology	46

The total capital programme expenditure of £3.040 million was financed as follows:-

	£'000	Percentage of Total
Other Grants and Contributions	1,534	50.5%
Capital Receipts	1,239	40.7%
Government Grants	153	5.0%
Direct Revenue Financing	114	3.8%
Total	3,040	100%

2.5 Revenue Recovery

The table below summarises the performance of the Council in recovering amounts due from local taxpayers and tenants.

	Arrears	Arrears
	31 March 2008	31 March 2009
	£	£
Council Tax	747,299	708,160
Non Domestic Rates	143,728	279,742
Rents	0	0
Total	891,027	987,902

The total amount of Council Tax collected during 2008/09 amounted to £21,253,865.62 and the total amount of Non-Domestic Rates amounted to £6,873,577.81.

The authority achieved a collection rate of 97.5% for Council Tax and 97.5% for Non-Domestic Rates in 2008/09.

2.6 Borrowing

For 2008/09 the Council set its Authorised Limit which is the 'Affordable Borrowing Limit' required by s3 of the Local Government Act 2003 at £5.05 million.

The Council did not exceed its authorised limit.

The Operational Boundary, set at £4.04 million for 2008/09, is a potential borrowing position that could be required in the event of cash flow problems that could arise during the year, and periods when the actual position is either below or over the boundary would be acceptable, subject to the Authorised limit not being breached.

The Operational Boundary is how we manage external debt to ensure we remain within the authorised limit.

The maximum gross borrowing position during the year was £3.00 million, and the minimum gross borrowing position was nil. All borrowing during 2008/09 was temporary and no long term borrowing was raised during the year.

2.7 Investments

The Council's investments amounted to £2.00 million on 31 March 2009. An average rate of interest of 5.54% was earned on investments during 2008/09, compared with 5.71% for 2007/08.

2.8 Reserves and Balances

At the end of 2008/09, the Council's total General Fund reserves amounted to £1.131 million. This total comprises:-

	£'000
General Fund Reserve	540
Insurance Reserve	24
Earmarked Revenue Reserves	586
Collection Fund Balance	(19)
Total	1,131

The General Fund reserve is a reserve set aside for unforeseen events and is needed to help cash flow management.

The Council is responsible for collecting the Council Tax for Durham County Council, Durham Police Authority, Durham and Darlington Fire and Rescue Authority and the Parish Councils, as well as itself. Instead of paying their share of the Council Tax as it is collected, the Council has to pay a proportion of the total due to the different organisations at specific times during the year, irrespective of whether the amounts due have been collected. It is important, therefore, to have the general reserve available to help meet these payments should this be required.

The earmarked revenue reserves are a wide variety of funds earmarked for specific revenue purposes. The total includes funding earmarked for Leisure activities and various health projects.

2.9 Annual Governance Statement

The Annual Governance Statement (AGS) is detailed in section 12 of the Statement of Accounts and is the last AGS prepared for Chester-le-Street District Council prior to handover to the new unitary authority for County Durham. This includes the requirements of the former Statement of Internal Control and as well as setting out the Council's governance arrangements comprises the annual review of effectiveness. The AGS was prepared a little earlier this year in order to meet the necessary deadlines for submission to Audit Committee and for approval at the final meeting of Full Council which was held on 19 March 2009.

3. STATEMENT OF ACCOUNTING POLICIES

3.1 General Principles

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2008.

The general principles conform with the requirements of the various Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS) issued by the Accounting Standards Committee, with the exception of the following:-

SSAP9 – Stocks

The recommended practice of including stocks and work in progress in financial statements at cost or net realisable value, whichever is the lower, has not been adopted in the case of stocks. Stocks are included in this statement at latest price.

3.2 Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets that yields benefits to the Council and the services it provides for a period of more than one year is capitalised in the accounts on an accrual basis, with the exception of amounts of £5,000 or less which have been classed as de-minimis and charged to revenue. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to the Income & Expenditure Account - Net Cost of Services.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. They have been classified into the groupings required by the Code of Practice on Local Authority Accounting and have been valued on the following basis:

- Land and operational buildings are at open market value in existing use or, in the case of specialist buildings which are rarely if ever sold on the open market, at depreciated replacement cost
- Vehicles, plant, equipment are at historical cost net of depreciation as they are of a specialist nature and have no readily available market value
- Infrastructure assets are at historic cost net of depreciation
- Community assets are at historical cost
- Non-operational assets, including investment properties and assets that are surplus to requirements, are at the lower of net current replacement cost or net realisable value. In the case of investment properties this is normally open market value.

The valuation of assets is planned at five yearly intervals, the last being in 2005/06.

A number of sites have been identified, in the year, as being suitable for development. These have been re-classified as Property Surplus to Requirements and, therefore, were revalued at 31 March 2009 by the Principal Valuer of Sedgefield Borough Council (Gary Bainbridge – Member of the Royal Institute of Chartered Surveyors).

Increases in valuations, when they occur, are matched by credits in the Revaluation Reserve to recognise unrealisable gains made since 1 April 2007 which was the date of the formal implementation of the Revaluation Reserve into the Council's accounts. Gains arising before that date have been consolidated into the Capital Adjustment Account.

3.3 Intangible Assets

Intangible Assets are assets which do not have a physical substance but are identifiable and controlled by the Council and have a life exceeding one year. The balance is amortised to revenue over the economic life to reflect the consumption each year. The balance identified on the balance sheet relates to computer software and licences.

3.4 Receipts Arising from the Sale of Capital Assets

Under the Local Government Act 2003, the previous 'set aside' requirements for housing capital receipts were replaced with pooling arrangements, whereby 75% of the receipts from the sale of Council houses and 50% of the proceeds of other housing assets have to be paid over to central government on a quarterly basis. In the current year, as a result of the transfer of housing stock, this only applied to refunded discounts in respect of Council houses.

3.5 Depreciation

Depreciation is required to be provided for on all fixed assets with finite and determinable useful lives using the straight line method.

3.6 Impairment

Impairment is a downward movement in the value of assets and results from either a consumption of economic benefits or a general market decline in value.

Consumption of Economic Benefits

As required by FRS 11, the value of each category of asset included in the Balance Sheet was reviewed, at 31 March 2009, by the District Valuer (John R Murray - Member of the Royal Institute of Chartered Surveyors) for evidence of impairment that occurred as a result of a consumption of economic benefits, examples of which are:

- Obsolescence and structural damage to the asset
- Change in the use of the asset
- Decline in public demand for the asset
- Change to the statutory or regulatory environment.

General Market Decline in Value.

As the present economic climate has resulted in a significant downturn in the property market over the last twelve months the District Valuer also reviewed, at 31 March 2009, all operational, community and non-operational assets for evidence of impairment that occurred as a result of the general market decline in value.

Impairment also includes capital expenditure which does not add to the value of the assets, as calculated on guidelines set down in 1999 by the District Valuer.

Impairment adjustments are required to be included in the Income & Expenditure Account - Net Cost of Services. Where the impairment is the result of a general market decline in value the loss, up to any revaluation gains attributable to the asset, is written off against the Revaluation Reserve and is recognised in the Statement of Recognised Gains and Losses.

Reductions from the Balance Sheet value to the sale price of assets that were disposed of in 2007/08 were treated as impairments and accounted for as set out in the paragraph above. From 2008/09, this reduction is no longer treated as impairment and is required to be charged to the Income & Expenditure Account – Loss on Disposal of Fixed Assets.

3.7 Capital Charges to Revenue

Service revenue accounts, central support services and statutory trading accounts are charged with a capital amount for all fixed assets used in the provision of the service.

Such amounts record the real cost to the service for the use of the fixed asset and are as follows:

- Depreciation attributable to tangible fixed assets.
- Impairment losses on fixed assets either attributable to the consumption of economic benefits or from a general market decline in value where the loss is greater than any revaluation gain in the revaluation reserve for the particular asset subject to impairment
- Amortisation attributable to intangible fixed assets.

An offsetting credit is made with regard to the amortisation of grants and contributions used to finance the purchase of fixed assets.

As these amounts are not to be met from the principle sources of finance i.e. government grants and local taxation, an appropriation is made from the capital adjustment account to the statement of movement on the general fund balance.

However, the Council is required to make a prudent provision from revenue to contribute towards the repayment of external debt used to fund capital expenditure. This is known as the minimum revenue provision and the Council has adopted the option of calculating this amount on the basis of 4% of the opening capital financing requirement at 1 April.

3.8 Revenue Expenditure funded from Capital Under Statute

This is a new category of expenditure, replacing Deferred Charges, and represents expenditure that would otherwise be classified as revenue e.g. improvement grants to private house owners, but which is allowed under statute to be classified as capital so that it can be financed from capital resources.

The expenditure is now charged to the appropriate service revenue account rather than being initially taken to the Balance Sheet and amortised. Where the expenditure is funded by capital grants or contributions, these have also been recognised as revenue and credited to the appropriate service revenue account to match the expenditure.

Where the Council has met the cost of Revenue Expenditure Funded from Capital under Statute from existing capital resources, a transfer from the Capital Adjustment Account is made which reverses out the amounts charged to the Statement of Movement on the General Fund Balance so that there is no impact on the amount to be met from Government Grants and Local Taxation.

For cash flow purposes, the expenditure and associated funding has been reclassified as revenue, and although the note to the accounts showing the movement on Deferred Charges is no longer required, they remain in the note on capital expenditure and funding as these items are still treated as capital for control purposes.

3.9 Government Grants and Other Contributions

Money received from central government is credited to the appropriate revenue and capital accounts when the money is due rather than when it is actually received (accrual basis).

All grants and contributions to finance capital expenditure are credited to the Government Grants Deferred Account. Amounts are released to the Income and Expenditure Account over the useful life of the asset to match the depreciation charged on to asset to which it relates.

If no depreciation is charged, the related grant or contribution will remain in the accounts until the asset is disposed of.

3.10 Leases

The two types of lease agreements that the Council can enter into, either as lessee or lessor, are known as finance leases or operating leases. The accounting treatment of each of these is as set out below.

Finance Leases

Leases are treated as finance leases when substantially all the risks and rewards of ownership relating to the leased assets transfers either from the third party to the Council, in which event the Council is the lessee, or to the third party from the Council, in which event the Council is the lessor.

The Council as Lessee

The acquisition of the Council's interest, which excludes the ownership, in the assets is recognised in the Balance Sheet as fixed assets and treated as capital expenditure. At the start of the lease, this is matched in the Balance Sheet, by the Council's corresponding liability for the future principal elements of the rentals which is then written down as they become payable.

The fixed assets so acquired are accounted for using the same policies that apply to other fixed assets with the exception of depreciation which is calculated on the lease term if this is shorter than the estimated useful life of each of the fixed assets.

The finance element of the rentals is charged to the Income and Expenditure Account - Net Operating Expenditure, when they become payable.

The Council as Lessor

Rentals receivable for the disposal of the Council's interest, which excludes the ownership, in the fixed assets, are accounted for as follows:

- principal element is treated as a capital receipt
- finance element is credited to the Income and Expenditure Account - Net Operating Income.

When the Council disposes of its interests, the fixed assets are removed from the Balance Sheet even though the Council retains the ownership.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases.

The Council as Lessee

Rentals payable are debited to the Income and Expenditure Account - Net Cost of Services, generally on a straight-line basis over the term of the lease.

The fixed assets so acquired are not included in the Council's Balance Sheet.

The Council as Lessor

Rentals receivable are credited to the Income and Expenditure Account - Net Cost of Services, generally on a straight-line basis over the term of the lease.

The fixed assets so leased out remain on the Council's Balance Sheet.

3.11 Income and Expenditure and the basis on which Debtors and Creditors Outstanding at 31 March 2009 are included in the Accounts

The Revenue Accounts are maintained on an accruals basis, in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2008. Income and Expenditure are accounted for in the year in which they arise by the creation of debtors and creditors. The amounts outstanding at 31 March 2009 in respect of debtors and creditors have been included in the Balance Sheet. The figures shown represent actual amounts due to and from the Council.

3.12 The Nature of Material Provisions and Reserves

Provisions

Provisions are amounts which have been set aside to meet existing liabilities or losses.

The Council has created a provision to meet potential losses in income as a result of bad debts.

Reserves

Revenue:

Earmarked amounts, which are set aside for specific policy purposes, which may be of a capital or revenue nature, and balances which represent resources set aside for purposes such as general contingencies and cash flow management. Details of the Council's reserves as at 31 March 2009 are given in note 9.18 on page 43.

Capital:

The requirements of the capital accounting system for local authorities involve the maintenance of certain capital reserves in the Balance Sheet that do not represent usable resources for the Council. These reserves are explained in note 9.34 on page 61 to the core financial statements.

3.13 Overheads

The costs of management and administration overheads have been fully allocated to services. The bases of allocation used for the main costs are outlined below:-

Cost	Basis of Allocation
Central Departments (Legal and Administration etc.)	Estimate of time spent by staff
Administrative Buildings (Civic Centre)	Floor area occupied
Professional Services (Accountants, Personnel, Computer etc)	Service Level Agreements
Telephones	Actual usage / Number of extensions

Other overhead costs are dealt with in accordance with CIPFA's Best Value Accounting Code of Practice (BVACOP) 2008.

3.14 Pensions and Retirement Benefits

As part of the terms and conditions of employment, employees of the Council may participate in the Local Government Pension Scheme which is administered by Durham County Council Pension Fund (the Fund).

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme whereby the Council and employees pay contributions to the Fund calculated at a level intended to balance the pension liabilities with the investment assets. The scheme provides defined benefits to members, earned when they were employees, based on their final pensionable salary.

The liabilities of the Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates, etc together with projections of earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate of 6.7% based on the Actuary's AA Corporate Bond Yield Curve using the duration of the Scheme Employer's liabilities.

The discount rate for the previous year was based on the annualised yield on the iBoxx over 15 year AA-rated corporate bond index.

The use of a different discount rate for 2008/09 is to better reflect the duration of the pension liabilities compared with the relatively short duration of the index.

The assets of the Fund attributable to the Council are included in the Balance Sheet at their fair value:

Quoted securities – current bid price

Unquoted securities – professional estimate

Utilised securities – current bid price

Property – market value.

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

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 whom the employees worked

Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years e.g. grant of early retirement with added years of service - 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 the Net Operating Expenditure in the Income and Expenditure Account

Expected return on assets – the annual investment return on the assets attributable to the Council, based on the average of the expected long-term return – credited to the Net Operating Expenditure in the Income and Expenditure Account where, for presentation purposes, it is netted off against the interest cost

Settlements – the result of actions to relieve the Council of liabilities e.g. when employees are transferred to another scheme as a result of the Council transferring its services to another body – allocated to the Net Cost of Services in the Income and Expenditure Account as part of Non-Distributed Costs

Curtailments - events that reduce the expected future service or accrual of benefits of employees e.g. closing a business unit - allocated 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 pension liability that arise, either because events have not coincided with assumptions made for the last actuarial valuation or because actuaries have updated their assumptions - debited to the Statement of Total Recognised Gains and Losses and taken directly to the Pension Reserve without any impact on the Income and Expenditure Account or General Fund Balance

Contributions paid to the Fund – cash paid as employer's contribution

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Fund in the year, not the amount calculated according to FRS 17. In the Statement of

Movement on the General Fund Balance this means that there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the 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.

Further information provided by the Actuary can be found in note 9.6 on page 33 of the Notes to the Core Single Entity Accounting Statements.

3.15 Interest Charges

All surplus capital and revenue monies are externally invested, in line with the Council's approved Annual Treasury Management Strategy and in accordance with the Local Code of Treasury Management.

3.16 Premiums and Discounts on the Early Redemption of Debt

The residual premiums that remained after stock transfer are charged to the Income and Expenditure Account – Net Operating Expenditure – over the life of the loans redeemed.

3.17 Investments

External investments to the value of £2.00 million were held at 31 March 2009. These represent surplus capital receipts and reserves, and were in the form of a deposit with a building society. The Balance Sheet reflects the nominal value of this investment together with accrued interest due. The Council has no interests of any sort in associated or subsidiary companies.

3.18 Group Accounts

The 2008 Local Authority SORP requires the Council to prepare Group Accounts based closely on the Financial Reporting Standards FRS 2 Accounting for Subsidiary Undertakings and FRS 9 Associates and Joint Ventures.

The intention is that authorities enhance their accounts through the consolidation (grouping) of the transactions and balances of subsidiaries and of interests in associated and joint ventures to provide a complete picture of the activities over which the Authority has control or significant influence.

It has not been necessary to produce group accounts.

3.19 Value Added Tax (VAT)

Income and expenditure is shown net of VAT where this is recoverable. Claims to Customs and Excise for the net VAT are made on a monthly basis.

3.20 Post Balance Sheet Events

Events arising after the balance sheet date 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 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.

3.21 Changes in Accounting Practice and Prior Year Adjustments

Pensions and Retirement Benefits

Following the adoption of the amended FRS 17, quoted securities held as assets in the defined benefit pension scheme are now valued at current bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £35.35m to £35.27m resulting in an increase of the pension deficit from £17.24m to £17.32m. In addition, for 2007/2008, the Pension Interest Cost and the Expected Return on Pension Assets increased from £500k to £510k, with a corresponding change on the Deficit for the Year from £143,074k to £143,084k.

The Durham County Council Pension Fund requires the full reimbursement for the cost of added years granted by the Council to employees who retired early in 2008/2009. In previous years the Council was allowed to spread this cost by paying instalments over five years.

4. INCOME AND EXPENDITURE ACCOUNT

Restated 2007/2008 Net Expenditure £'000		2008/2009			Notes
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
		0	0	0	
0	Total Continuing Operations	0	0	0	
	Services transferred to Durham County Council				
535	Housing – Services	12,378	(11,889)	489	
158,885	HRA Housing	89	0	89	
7,787	Cultural, Environmental and Planning Services	11,640	(3,677)	7,963	
1,119	Highways, Roads and Transport Services	982	(441)	541	
518	Central Services to the Public	5,152	(4,406)	746	
1,576	Corporate and Democratic Core	4,617	(951)	3,666	
317	Non Distributed Costs	648	0	648	
170,737	Total Discontinued Operations	35,506	(21,364)	14,142	
170,737	Net Cost of Services	35,506	(21,364)	14,142	
(2,032)	Net (Gain)/Loss on Sale of Fixed Assets			202	
189	Parish Council Precepts			215	
510	Pension Interest Cost and Expected Return on Pension Assets			1,310	9.6
802	Interest Payable and Similar Charges			33	
2,546	Amortisation of Premiums			0	
39	(Surplus) / Deficit on Undertakings Not included in the Net Cost of Services			256	9.1
1,476	Contribution of Housing Capital Receipts to Government Pool			26	
(498)	Interest and Dividends Receivable			(664)	9.7
173,769	Net Operating Expenditure			15,520	
	Principal Sources of Finance:-				
(3,248)	Demand from the Collection Fund			(3,340)	
(724)	Revenue Support Grant			(626)	
(22,396)	Overhanging Debt Grant			0	
0	Area Based Grant			(49)	
(4,317)	Redistributed Non-Domestic Rates (From National Pool)			(4,496)	
143,084	(Surplus) / Deficit for Year			7,009	

5. STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

Restated 2007/2008 £'000		2008/2009 £'000
143,084	(Surplus) / Deficit for Year on the Income and Expenditure Account	7,009
(143,088)	Net Additional amount required by statute and non-statutory proper accounting practices to be debited or credited to the General Fund balance for the year	(7,155)
(4)	(Increase) / Decrease in General Fund Balance for the Year	(146)
(390)	General Fund Balance Brought Forward	(394)
(394)	General Fund Balance Carried Forward	(540)

5.1 Note of Reconciling Items for the Statement of Movement on the General Fund Balance

Restated 2007/2008 £'000		2008/2009 £'000
	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	
(165,943)	Depreciation and Impairment of Fixed Assets	(3,804)
2,134	Amortisation of Government Grants Deferred	188
(3,025)	Write down of Revenue Expenditure funded from Capital Under Statute	(558)
2,032	Net (Gain)/Loss on Sale of Fixed Assets	(202)
1,010	Adjustment made to Retirement Benefits in accordance with FRS17	(2,790)
(2,546)	Premiums on Debt Repaid	2
(166,338)	Sub Total	(7,164)
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance	
152	Minimum Revenue Provision for Capital Financing	33
22,396	Settlement of Overhanging Debt	
	Capital Expenditure Charged in year to Revenue	114
(1,476)	Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	(26)
2,020	Employers Contributions payable to Pension Fund and Retirement Benefits payable direct to Pensioners	2,050
23,092	Sub Total	2,171
	Transfers to or (from) the General Fund Balance required to be taken into account when determining the Movement on the General Fund Balance for the year	
263	Surplus / (Deficit) Transferred to / (from) Housing Revenue Account Balance	(89)
	Transfer HRA Balance	(1,474)
(105)	Net Transfer to or (from) Earmarked Reserves	(599)
158	Sub Total	(2,162)
(143,088)	Net Additional amount required by statute and non-statutory proper accounting practices to be debited or credited to the General Fund Balance for the year	(7,155)

6. STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Restated 2007/2008 £'000		2008/2009 £'000
143,084	(Surplus) / Deficit for the year from the Income and Expenditure Account	7,009
(1,963)	(Surplus) / Deficit arising from the Revaluation of Fixed Assets	(500)
(4,230)	Actuarial (Gains) / Losses on Pension Fund Assets and Liabilities	6,880
	Any other (Gains) / Losses required to be included in the STRGL:-	
42	Collection Fund	27
765	Deferred Premiums on Early Repayment of Debt	0
137,698	Total Recognised (Gains) / Losses for the year	13,416

A prior year adjustment has been made by the Actuary to the Expected Return on Pension Assets which has resulted in the Income and Expenditure Account Deficit for 2007/08 being amended from £143,074 to £143,084. In addition, the Actuary has made a prior year adjustment to the Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities which has resulted in the amount for 2007/08 being amended from (£4,200) to (£4,230).

This has led to the Total Recognised (Gains)/Losses for 2007/08 being amended from £137,718 to £137,698.

7. BALANCE SHEET – As at 31 March 2009

Restated Year Ended 31 March 2008 £'000		Notes	Year Ended 31 March 2009	
			£'000	£'000
221	Fixed Assets			
	Intangible Fixed Assets	9.21	171	
	Tangible Fixed Assets	9.20		
	Operational Assets-			
99	Council Dwellings		0	
17,170	Other Land and Buildings		15,054	
1,106	Vehicles Plant and Equipment		956	
1,144	Infrastructure		1,079	
1,529	Community		1,371	
	Non-Operational Assets			
3,160	Investment Properties		3,121	
24,429	Total Fixed Assets			21,752
1,725	Long-Term Debtors	9.22		1,517
26,154	Total Long-Term Assets			23,269
	Current Assets			
17	Stocks and Work in Progress	9.23	22	
24,750	Short-Term Investments	9.26	2,002	
5,868	Debtors	9.24	3,356	
70	Cash at Bank		0	
3	Cash in Hand		3	
30,708				5,383
56,862	Total Assets			28,652
	Current Liabilities			
3,275	Short-Term Borrowing	9.26	0	
21,631	Creditors	9.25	2,446	
0	Cash Overdrawn		527	
24,906				2,973
31,956	Total Assets Less Current Liabilities			25,679
	Long Term Liabilities			
55	Long-Term Creditors			0
2,403	Capital Grants Unapplied			1,912
34	Deferred Liabilities			0
1,852	Government Grants Deferred			1,951
17,320	Liability Related to Defined Benefit Pension Scheme	9.6		24,940
10,292	Total Assets Less Liabilities			(3,124)
	Financed by:	9.34		
503	Revaluation Reserve			893
21,252	Capital Adjustment Account			18,117
503	Usable Capital Receipts Reserve			48
2,274	Deferred Capital Receipts			1,719
(94)	Financial Instruments Adjustment Account			(92)
(17,320)	Pension Reserve			(24,940)
394	General Fund Balance			540
1,563	Housing Revenue Account Balance			0
8	Collection Fund Balance			(19)
1,209	Earmarked Reserves	9.18		610
10,292	Total Net Worth			(3,124)

8. CASH FLOW STATEMENT

	Year Ended 31 March 2008		Year Ended 31 March 2009	
	£'000	£'000	£'000	£'000
REVENUE ACTIVITIES				
Cash Outflows				
Cash paid to and on behalf of Employees	9,817		7,833	
Other Operating cash payments	16,838		28,842	
Housing Benefit paid out	4,773		11,473	
Precepts paid	21,217		21,780	
Housing Subsidy	980		606	
Payments to Capital Receipts Pool	1,736		185	
Contributions to NNDR Pool	6,171	61,532	6,735	77,454
Cash Inflows				
Rents (after Rebates)	(3,678)		(373)	
Council Tax	(20,286)		(20,910)	
Non-Domestic Rates	(6,420)		(6,724)	
Revenue Support Grant / Area Based Grant	(725)		(675)	
Contribution from National NDR Pool	(4,317)		(4,496)	
DSS Grants for Rebates	(14,737)		(15,083)	
Other Government Grants	(1,244)		(1,133)	
Charges for Goods and Services	(11,759)		(6,093)	
Other Income	(15,676)	(78,842)	0	(55,487)
Revenue Activities Net Cash Flow		(17,310)		21,967
SERVICING OF FINANCE				
Cash Outflows				
Interest paid	1,144		49	
Cash Inflows				
Interest received	(456)	688	(858)	(809)
CAPITAL ACTIVITIES				
Cash Outflows				
Purchase of Fixed Assets	4,099		244	
Other Capital Payments	2,817	6,916	664	908
Cash Inflows				
Sale of Fixed Assets	(3,802)		(309)	
Capital Grants received	(2,354)		(1,310)	
Other Capital Cash income	0	(6,156)	(375)	(1,994)
NET CASH OUTFLOW(INFLOW) BEFORE FINANCING		(15,862)		20,072
MANAGEMENT OF LIQUID RESOURCES				
Net increase / (decrease) in Short-Term Deposits		18,360		(22,750)
FINANCING				
Cash Outflows				
Repayments of Amounts Borrowed	140,479		176,878	
Cash Inflows				
New Long-Term Loans raised	(1,089)		0	
New Short-Term Loans raised	(143,745)	(4,355)	(173,603)	3,275
(INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS		(1,857)		597

9. NOTES TO THE CORE SINGLE ENTITY ACCOUNTING STATEMENTS

From April 1 2009, Chester-le-Street 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.

9.1 Trading Undertakings

The Council operates a number of Trading Activities as follows:-

		£'000	£'000
The Council owns and manages an outdoor market , in the Town Centre, generating rental income from the letting of market stalls. The trading objective is to maximise the surplus. (The trading deficit for 2007/2008 was £218,615)	Turnover	108	
	Expenditure	159	
	Deficit		51
The Council lets 57 units in Industrial Estates located in various parts of the District. The trading objective is to maximise rental income. (The trading surplus for 2007/2008 was £201,009)	Turnover	272	
	Expenditure	284	
	Deficit		12
The Council owns and manages the Selby Cottage Child Care Facility located in South Pelaw. The trading objective is to break-even before asset charges are applied. The deficit for 2008/2009 before asset charges was £66,438 (The trading deficit for 2007/2008 was £76,694)	Turnover	443	
	Expenditure	692	
	Deficit		249
Net Deficit on Trading Activities before FRS 17 Adjustment			312
FRS 17 Adjustment – see note 9.6			(56)
Net Deficit on Trading Activities after FRS 17 Adjustment			256

9.2 Section 137 Expenditure

The Local Government Act 2000 granted new powers to authorities in England and Wales to provide well being in their area. As a consequence, the majority of the provisions of Section 137 (Local Government Act 1972) were repealed with effect from October 2000, however, it is still a requirement to disclose any expenditure incurred under Section 137. The Council incurred expenditure amounting to £31,666 in 2008/09 (£23,524 in 2007/08).

9.3 Agency Service

The Council provides a Gully Emptying agency service on behalf of Durham County Council the costs of which are fully reimbursed. As the transactions relating to the agency services are not incurred as part of the Council's normal functions, they have been excluded from the Council's Income and Expenditure Account. Gully emptying costs incurred in 2008/09 amounted to £67,666 (2007/08 £55,343).

9.4 Publicity

Section 5 of the Local Government Act 1986 requires local authorities, with effect from 1 April 1988, to keep a separate account of expenditure on publicity. The definition of publicity is very wide, and as a result certain descriptions of publicity and expenditure have been exempted. However, local authorities may choose to include in the account all expenditure on publicity under the wider definition, and this choice has been exercised in the figures shown below.

	2007/2008 £'000	2008/2009 £'000
Total Expenditure on Publicity	181	121
Comprising:-		
Staff Recruitment	39	3
Housing Matters	12	0
Leisure Matters	28	28
Public Notices	33	15
Regeneration	21	28
Economic Development	3	0
District News	20	20
Other	10	27
Comprehensive Performance Assessment	15	0
	181	121

9.5 Finance and Operating Leases

- (a) The Council is the lessee in respect of a finance lease for alarm equipment that provides emergency services to the elderly. Principal payments made in 2008/09 amounted to £55,000 and at 31 March 2009 the Council is committed to making a final principal payment of £55,000 on 28 February 2010.
- (b) The Council is the lessor in respect of a finance lease granted to Cestria Community Housing Association Limited for the exclusive use of the alarm equipment that provides emergency services to the elderly for which the Council had itself taken out a finance lease as set out in (a) above.

In 2008/09, the principal rental amount received for this finance lease of £55,000 was credited to the Useable Capital Receipt Reserve. At 31 March 2009 a further principal amount of £68,374.32 is due of which £55,000 is due on 28 February 2010 and £13,374.32 is due on 28 February 2011. This is shown in the Balance Sheet both as a Long Term Debtor (13,374.32)/Debtor (£55,000) and a Deferred Capital Receipt (£68,374.32).

- (c) The Council no longer holds any assets by way of an operating lease.
- (d) The Council acts as lessor under numerous operational leases (rental agreements) for industrial units, commercial and other properties let to charitable/voluntary organisations.

All these agreements have been accepted as operating leases for the following reasons:

- the total rental income over the lease term does not meet 90% or more of the fair value of any of the assets - if it did, the agreement would be a finance lease.
- the Council maintains responsibility for maintenance and insurance of all of the assets and retains all the risks and rewards of ownership - if this were not the case the agreement would be a finance lease.

In 2008/09, the rental income from these leases amounting to £286,639 (2007/08 - £285,666) was credited to the Income & Expenditure Account – Net Cost of Services.

9.6 Pensions and Retirement Benefits

Introduction

The disclosures below relate to the funded liabilities within the Durham County Council Pension Fund (the Fund) which is part of the Local Government Pension Scheme. The Council participates in the Fund which provides defined benefits, based on members' final pensionable salary.

In accordance with FRS 17 reporting standard the Council has to disclose certain information concerning assets, liabilities, income and expenditure relating to pension schemes for its employees based on the true economic cost of providing pension benefit earned by employees in 2008/09 as provided by the Actuary-Hewitt Associates Limited.

Further to note 3.14 on page 21 in the Statement of Accounting Policies the Council recognises the cost of retirement benefits in the Income & Expenditure Account - Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, in accordance with FRS 17 the charge the Council is required to make against the 'amount to be met from government grants and local taxation' is the amount payable in the year so the real cost of retirement benefits is adjusted in the Statement of Movement on the General Fund Balance.

Contributions to the Fund

For 2008/09, the Council's contribution to the Fund amounted to £1,410,000 (2007/2008 £1,870,300) representing 23.9% of pensionable pay.

In addition, the Council makes payments to the Fund of unfunded benefits which are outside the provisions of the scheme e.g. the cost of early retirement and added years awarded to former employees. For 2008/09, the Council's contribution due to the Fund amounted to £956,703 (2007/08 £364,110) representing 16.2% of pensionable pay.

Principal Assumptions

The principal assumptions used by the Actuary in updating the latest valuation of the Fund for FRS 17 purposes were:

i) Financial

	31 March 2008 % p.a.	31 March 2009 % p.a.
Rate of Inflation	3.7	3.4
Rate of Increase in Salaries	5.2	4.9
Rate of Increase to Pensions in Payment	3.7	3.4
Rate of Increase to Deferred Pensions	3.7	3.4
Rate for Discounting for Pension Costs	6.8	6.7

ii) Demographic – Post Retirement Mortality

To determine the life expectancies of current and future pensioners, set out below, the '00 series' base tables were used. These tables were adjusted to reflect a common increase to the standard mortality rates and further adjusted for an allowance based on a percentage of the long term mortality improvements and then overlaid with a percentage of the long cohort standard short term improvement patterns.

Post Retirement Mortality	31 March 2008 Years	31 March 2009 Years
Males		
Life Expectancy from Age 65 (Currently aged 65)	20.3	21.1
Life Expectancy from Age 65 (Currently aged 45)	22.2	23.4
Females		
Life Expectancy from Age 65 (Currently aged 65)	22.4	23.2
Life Expectancy from Age 65 (Currently aged 45)	23.6	25.3

iii) Expected Return on Assets

The approximate split of assets of the Fund, as a whole, and the long-term expected rate of return for each asset class is shown below. The overall long-term expected rate of return is derived by aggregating the expected rate of return for each asset class over the actual asset allocation for the Fund at the 31 March 2009.

The Council employs a building block approach in determining the overall expected rate of return on assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles.

Assets consist of the following categories, by value and proportion of the total assets held:

	Asset Split at 31 March 2008 %	Long-term expected rate of return at 31 March 2008 % p.a.	Asset Split at 31 March 2009 %	Long- term expected rate of return at 31 March 2009 % p.a.
Equity Investments	47.4	7.6	45.2	7.0
Government Bonds	29.3	4.6	30.0	4.0
Corporate Bonds	9.2	6.8	11.0	5.8
Property	4.4	6.6	3.9	6.0
Cash/Other Assets	9.7	6.0	9.9	1.6
Overall	100.0	6.4	100.0	5.4

Analysis of the Income and Expenditure Account

The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance.

	2007/08 £'000	2008/09 £'000
<u>Income and Expenditure Account</u>		
<u>Net Cost of Services</u>		
Current Service Cost	1,500	710
Past Service Costs	440	770
Settlement Cost	(3,460)	0
<u>Net Operating Expenditure</u>		
Interest Cost	3,290	3,560
Expected Return on Assets in Scheme	(2,790)	(2,250)
Net Charge to the Income and Expenditure Account	(1,020)	2,790
<u>Statement of Movement on the General Fund Balance</u>		
Reversal of Net Charges made for Retirement Benefits in accordance with FRS 17	1,020	(2,790)
<u>Actual Amount Charged against the General Fund Balance for Pensions in the Year</u>		
Employers Contribution Payable to the Fund	2,020	2,050

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £6,880,000 (2007/08 – actuarial gains £4,230,000) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £2,650,000 (2007/08 – actuarial gains £4,230,000).

Reconciliation of Present Value of the Pension Fund Liabilities

	2007/08 Total	2008/09 Total
	£m	£m
Opening Present Value	63.75	52.59
Current Service Cost	1.50	0.71
Interest Cost	3.29	3.56
Contribution by Participants	0.47	0.37
Actuarial Gains	(5.27)	(0.56)
Net Benefits Paid Out	(2.70)	(2.52)
Past Service Cost	0.44	0.77
Settlements	(8.89)	0
Closing Present Value	52.59	54.92

Reconciliation of Fair Value of the Pension Fund Assets

	2007/08 Total	2008/09 Total
	£m	£m
Opening Fair Value	39.17	35.27
Expected Return	2.78	2.25
Actuarial Losses	(1.04)	(7.44)
Contribution by Employer	1.87	1.90
Contribution by Participants	0.47	0.37
Net Benefits Paid Out	(2.55)	(2.37)
Settlements	(5.43)	0
Closing Fair Value	35.27	29.98

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on Pension Fund assets in the year is as set out below:

	2007/08 Total	2008/09 Total
	£m	£m
Expected Return	2.78	2.25
Actuarial Losses	(1.04)	(7.44)
Actuarial Return on Assets	1.74	(5.19)

Scheme History

	31 March 2005	31 March 2006	31 March 2007	31 March 2008	31 March 2009
	£m	£m	£m	£m	£m
Present Value of Liabilities					
Funded	51.73	58.52	61.38	50.33	52.68
Unfunded	2.11	2.26	2.37	2.26	2.24
Total Liabilities	(53.84)	(60.78)	(63.75)	(52.59)	(54.92)
Fair Value of Assets	28.44	36.19	39.17	35.27	29.98
Surplus/(Deficit)	(25.40)	(24.59)	(24.58)	(17.32)	(24.94)

In accordance with the SORP, the assets for the current period and the previous two periods are measured at current bid price. Asset values, previously measured at mid-market value, for periods ending 31 March 2007 and 31 March 2008 have been re-measured for this purpose. Asset values for periods ending 31 March 2005 and 31 March 2006 have not been re-measured and, as permitted by the amended FRS 17, are shown at mid-market value.

History of Experience Gains and Losses

The actuarial gains/ (losses) can be further analysed as follows:

	2004/05	2005/06	2006/07	2007/08	2008/09
	£m	£m	£m	£m	£m
Experience Gains & (Losses) on Liabilities *					
Funded	**	**	**	(1.89)	(0.27)
Unfunded	**	**	**	(0.02)	0.02
Total	0.18	0.03	(0.17)	(1.91)	(0.25)
Experience Gains & (Losses) on Assets	1.01	5.61	0.31	(1.04)	(7.44)

* This consists of gains and (losses) in respect of liability experience only and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

** In accordance with the amended FRS 17, unfunded liabilities are to be disclosed separately for periods beginning on or after 6 April 2007. Therefore, the history of experience gains and losses on liabilities has not been re-stated for 2004/05, 2005/06 and 2006/07.

All the information required by the Actuary has been provided by the Fund Administrator.

Further information can be found in the Annual Report of Durham County Council Superannuation Fund and is available from the Corporate Director (Resources), Durham County Council, County Hall, Durham DH1 5UB.

9.7 Interest Receivable

Interest	2007/2008 £'000	2008/2009 £'000
Interest Received on External Investments	(468)	(468)
Interest Received on Leisure VAT Claim	0	(191)
Interest Received on Sale of Land	0	(9)
Interest Received on Cestria S.25	(41)	(3)
Interest Received on Cestria Lease	(1)	(4)
Interest Payable to Inland Revenue	1	0
Total Interest Received	(509)	(675)
Less Recharged to Other Accounts	11	11
Net Credit to Income and Expenditure Account	(498)	(664)

9.8 Premiums / Discounts on Early Redemption of Debt

The repurchase (early redemption) of external debt generates either a premium or discount as a result of interest rate differentials. Where the interest rate on a loan redeemed is higher than the prevailing rate available at the date of redemption, a premium is incurred, where it is below a discount is earned.

In accordance with recommended accounting practice, premiums and discounts incurred on such repayments are being amortised to revenue accounts over a number of years, as outlined in the Statement of Accounting Policies. The impact on revenue accounts is shown below:-

	2007/2008 £'000	2008/2009 £'000
General Fund Premiums	2	2
Total Charge	2	2

9.9 Minimum Revenue Provision

The Local Authorities (Capital Finance and Accounting) Regulations 2003 removed the previous system of capital controls and redefined the calculation of the minimum revenue provision which had been in place since 1 April 1992 under the terms of the Local Government and Housing Act 1989

In accordance with guidelines set out in the Local Authorities (Capital Finance and Accounting) Regulations 2008, which superceded the rules set out in the 2003 Regulations, the Council is required to make a prudent provision from revenue to provide for the repayment of external debt used to fund capital expenditure. The Council, in accordance with the guidelines set out in the 2008 Regulations, has adopted the option of calculating the minimum revenue provision on the basis of 4% of the opening capital financing requirement at 1 April.

The amounts included in the accounts are detailed below:-

	2007/2008 £'000	2008/2009 £'000
Depreciation and Amortisation of Intangible Assets	(3,244)	(937)
Impairment of Assets	(162,699)	(2,867)
Minimum Revenue Provision (MRP)	152	33
Excess Depreciation over MRP	(165,791)	(3,771)
Credit to Income and Expenditure Account	(165,791)	(3,771)

9.10 Acquired and Discontinued Operations

Due to Local Government Reorganisation this Council ceased to exist from the 1st April 2009, from that date all operations have been carried out by the Unitary Council "Durham County Council".

9.11 Officers' Emoluments

The number of employees whose remuneration in 2008/09, excluding pension contributions, was £50,000 or more, in bands of £10,000 are as follows:-

Remuneration Band	2007/2008 Number of Employees	2008/2009 Number of Employees
£50,000 - £59,999	1	1
£60,000 - £69,999	3	0
£70,000 - £79,999	1	2
£80,000 - £89,999	0	0
£90,000 - £99,999	0	0
£100,000 - £109,999	0	0
£110,000 - £119,999	1	2

9.12 Members Allowances

During 2008/09, the total sum paid to Members in respect of basic allowance and special responsibility allowance was as follows:-

Type of Allowance	2007/2008 £'000	2008/2009 £'000
Basic Allowance	150	161
Special Responsibility Allowance	40	37
Total	190	198

9.13 Insurance Provisions/Self Insurance

The balance on the insurance reserve as at 31 March 2009 was £23,744 against £124,304 as at 31 March 2008. In view of the transfer of the Council's functions to the new Unitary Authority for County Durham, together with outstanding claims from third parties not being met by MMI being extremely remote has justified this reduction.

9.14 Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 (SI 1998 No. 3129) require an authority to disclose information regarding the nature, turnover and profits/losses of the Building Control Account. The statement below shows the total cost of operating the Building Control service divided between the chargeable and non-chargeable activities for 2008/2009, the ninth year of the scheme. The Government requires the Building Control Trading Account to break-even over a three year period, subject to local authorities recovering at least 90% of their operating costs.

	Chargeable 2008/2009 £'000	Non Chargeable 2008/2009 £'000	Total Building Control 2008/2009 £'000
Expenditure:			
Employees	58	43	101
Supplies and Services	3	2	5
Third Party Payments	9	0	9
Direct Support Services	3	2	5
Indirect Support Services	15	11	26
	88	58	146
Income			
Building Control Fees	93	0	93
Building Control Notice	15	0	15
	108	0	108
Surplus/(Deficit) for the Year	20	(58)	(38)

9.15 Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide Goods and Services to other public bodies. During 2008/09 the following services were provided:-

	2007/2008 £'000	2008/2009 £'000
<u>Cestria Community Housing Association</u>		
Grounds Maintenance	0	223
Refuse Collection	0	1
Information Technology	0	10
Fuel	0	33
Cashiers	0	29
<u>Other Public Bodies</u>		
Emergency Alarm Monitoring for Housing Associations	9	0
Vehicle Safety Checks and Servicing	1	0
Grounds Maintenance Works	3	12
Internal Audit Services	4	4
Total	17	312

9.16 Related Party Transactions

The Council is required, under Financial Reporting Standard FRS 8, to disclose material transactions with related parties 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 may have been constrained in its ability to operate independently or may have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties e.g. housing benefits. Details of transactions with government departments are disclosed in note 9.36 (d) page 67.

Members, Chief Officers, Service Team Managers (including family and household members) and entities controlled by them.

Members of the Council have direct control over the Council's financial and operating policies. Chief Officers and Service Team Managers might be in a position to influence significantly the policies of the Council. Family or household members may have an ability to influence Members, Chief Officers or Service Team Managers.

Guidance has been issued to make Members, Chief Officers and Service Team Managers aware of the requirement to declare interests relevant to the Council and they have been requested to complete and return a specific declaration in respect of related party transactions.

In 2008/09, a number of Members declared that they or their spouse had positions on outside bodies funded by the Council. These bodies are shown below:

- Groundwork West Durham
- Arts Council
- North East Direct Access
- Local Government Association
- Citizen's Advice Bureau
- Council for Voluntary Services
- Urpeth Residents Association
- Pelton Fell Community Group

Four Members have disclosed that they are on the Board of Cestria Community Housing Association Limited following the transfer of the Council's housing stock on the 4 February 2008.

16 Members have disclosed that they serve on Parish Councils within Durham.

All payments were made with proper consideration of declarations of interest, details of which are recorded in the Register of Members' Interest which is open to public inspection. The relevant Members did not take part in any related discussions or decisions.

There was no declarable transaction undertaken with the Council by any Chief Officer, Service Team Manager, their family or household members. One Officer disclosed that as part of their duties they were required to be on the Board of Pelton Fell Neighbourhood Regeneration Partnership.

Durham County Council

The Council provides functions through agency service agreements on behalf of Durham County Council covering gully emptying in the area, details of which are disclosed in note 9.3 page 31.

Durham County Council is the administering authority to the Durham County Council Pension Fund in respect of the Local Government Pension Scheme on behalf of the Council, details of which are disclosed in Note 9.6 page 33.

County Durham E – Government Partnership

The Council has joint control of the County Durham E-Government Partnership through serving on the joint committee with Durham County Council and the seven district councils within Durham. Wear Valley District Council is the lead authority for the partnership which carries out various projects e.g. Customer

Relationship Management System. The financial transactions of the Partnership are disclosed in note 9.31 page 59.

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 financial transactions of the Partnership are disclosed in note 9.31 page 59.

Precepting Authorities

The precepting of Council Tax by Durham County Council, Durham Police Authority and Durham & Darlington Fire Authority are disclosed in the Collection Fund on page 76.

9.17 External Audit Costs

The Council has paid the following amounts to the Audit Commission in respect of external audit services:-

	2007/2008 £'000	2008/2009 £'000
Audit Fee	142	159
Inspection Fee	5	9
Grant Claims Audit	19	22
Other	1	1
	167	191

9.18 Earmarked Reserves

GENERAL FUND	2007/2008 £'000	2008/2009 £'000
Earmarked Reserves and Balances:-		
Insurance Reserve	125	24
Miscellaneous Earmarked	1,073	579
Special Reserve	7	4
Unallocated Revenue Reserve	4	3
	1,209	610

9.19 Exceptional Items and Prior Year Adjustments

There were no material exceptional items, however, note 3.21 details prior year adjustments in respect of Pensions and Retirement Benefits.

9.20 FIXED ASSETS

Movements on Tangible Fixed Assets 2008/09

	Council dwellings	Other land and buildings	Vehicles, plant, etc	Infra-structure	Community assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost of valuation						
At 1 April 2008	113	18,550	2,339	1,166	1,541	23,709
Additions	0	284	277	276	0	837
Disposals	0	(321)	0	0	0	(321)
Reclassifications	(113)	283	0	0	(170)	0
Revaluations	0	(3,738)	(67)	(276)	0	(4,081)
At 31 March 2009	0	15,058	2,549	1,166	1,371	20,144
Depreciation and impairments						
At 1 April 2008	(14)	(1,381)	(1,234)	(22)	(12)	(2,663)
Charge for 2008/09	(5)	(623)	(368)	(65)	0	(1,061)
Disposal	0	66	0	0	0	66
Reclassifications	19	(31)	0	0	12	0
Revaluations	0	1,965	9	0	0	1,974
At 31 March 2009	0	4	(1,593)	(87)	0	(1,684)
Balance Sheet amount at 31 March 2009	0	15,054	956	1,079	1,371	18,460
Balance Sheet amount at 1 April 2008	99	17,170	1,106	1,144	1,529	21,048
Nature of asset holding						
Owned	0	15,054	956	1,079	1,371	18,460
Finance Lease	0	0	0	0	0	0
PFI	0	0	0	0	0	0

Non-operational Assets

	Investment Properties	Assets Under Construction	Surplus Assets Held for Disposal	Total
	£'000	£'000	£'000	£'000
Cost of Valuation				
At 1 April 2008	3,201	0	0	3,201
Additions	129	0	0	129
Disposals	(110)	0	0	(110)
Reclassifications	0	0	0	0
Revaluations	(99)	0	0	(99)
At 31 March 2009	3,121	0	0	3,121
Depreciation and Impairments				
At 1 April 2008	(40)	0	0	(40)
Charge for 2008/09	(13)	0	0	(13)
Disposal	0	0	0	0
Reclassifications	0	0	0	0
Revaluations	53	0	0	53
At 31 March 2009	0	0	0	0
Balance Sheet amount at 31 March 2009	3,121	0	0	3,121
Balance Sheet amount at 1 April 2008	3,161	0	0	3,161
Nature of Asset Holding				
Owned	3,121	0	0	3,121
Finance Lease	0	0	0	0

PFI	0	0	0	0
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Disposal of Assets

Disposals relate to assets sold and transferred in the year and equal the value at which those assets were held in the Balance Sheet. Details are as follows:-

	2008/2009 £'000
Sale of Land (Fleece Terrace)	110
Housing Stock Transfer to Cestria Community Housing Association Limited	255
	365

When an asset is disposed of, the value in the Balance Sheet is netted off against the receipt from the sale in the Income & Expenditure Account as part of the Gain or Loss on Disposal of Fixed Assets.

Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Net Assets Employed

The net assets employed represents the aggregate of reserves attributable (both revenue and capital) to the Council, and as such represent the sum of the local taxpayers' equity. An analysis of net assets employed is as follows:-

	Restated 31 March 2008 £'000	31 March 2009 £'000
General Fund	8,719	(3,105)
Housing Revenue Account	1,564	0
Collection Fund	9	(19)
	10,292	(3,124)

Valuation and Impairment

The revaluation review, of those sites identified as being suitable for development, undertaken by the Principal Valuer of Sedgefield Borough Council (Gary Bainbridge – Member of the Royal Institute of Chartered Surveyors) identified an increase of £0.76m in the value of the assets at 31 March 2009.

The overall findings of the impairment review, undertaken by the District Valuer (John R Murray - Member of the Royal Institute of Chartered Surveyors) identified the need to impair the value of assets, at 31 March 2009, by £2.28m as a result of both the consumption of economic benefits and the general market decline in value.

Capital Expenditure and Financing 2008/09

Expenditure on the acquisition of fixed assets and deferred charges was financed from the following sources:-

Capital Financing	£'000	Capital Expenditure	£'000
Major Repairs Allowance	0	Fixed Assets	990
Capital Receipts	1,239	Deferred Charges	1,959
Direct Revenue Financing	114	Post Ballot Disposals	91
Government Grants - DFG	153		
Other Grants and Contributions	1,534		
	3,040		3,040

Capital Commitments

The Council has commitments of £1.143 million into 2009/10, of which £1.140 million has been contractually committed and £0.003 million approved but not yet contractually committed.

A summary of these commitments is shown below:-

	Expenditure Approved and Contracted at 31 March 09 £'000	Expenditure Approved but not Contracted at 31 March 09 £'000
Town Centre Regeneration Scheme	16	0
Play Areas	9	0
Community Cohesion	0	3
Disabled Facilities Grant	190	0
Sacriston Community Centre	50	0
Civic Centre Works	7	0
Pelton Fell Relocation Grants	50	0
Pelton Fell - Environmental Works	10	0
Pelton Fell – Other Works	808	0
Total	1,140	3

Statement of Physical Assets

Tangible fixed assets owned by the Council include the following:-

	31 March 2008	31 March 2009
Council Dwellings	1	0
Operational Buildings		
Civic Centre	1	1
Depots	2	2
Maintenance Stores/Depots	5	4
Recreational and Communal Rooms	13	8
Car Parks	15	15
Golf Club	1	1
Cricket Academy	1	1
Former Careline Control Room	1	1
Market	1	1
Greenhouses	1	1
Public Halls	1	1
Public Conveniences	3	3
Leisure Centres (inc. pools)	1	1
Riverside Sports Pavilion	1	1
Childcare Nursery	1	1
Garages	57	57
Operational Equipment		
Vehicles	23	22
Heavy Plant	21	21
Infrastructure Asset		
Roads and Sewers	5km	5km
Community Assets		
Parks and Open Spaces (acres)	56.6	56.6
Allotments	104	104
Cemetery Land (acres)	18.7	18.7
Investment Properties		
Industrial Units	57	57
Community Centres	3	3
Mile House	1	1
Cricket Ground (Kimbleworth)	1	1
Donald Owen Clark Centre	1	1
Riverside Park Centre	1	1

9.21 Intangible Asset Charges

	31 March 2008 £'000	31 March 2009 £'000
Balance Brought Forward	271	221
Expenditure in Year		
Telephone System	0	10
Housing	117	0
E. Government/ICT	23	15
Planning	11	0
Revenues and Benefits	39	0
Amounts w/o to Income and Expenditure Accounts	(240)	(75)
Balance Carried Forward	221	171

9.22 Long Term Debtors

	31 March 2008 £'000	31 March 2009 £'000
Car Loans	7	4
Cestria Finance Lease	68	13
Cestria VAT Shelter	1,650	1,500
	1,725	1,517

9.23 Stocks

	31 March 2008 £'000	31 March 2009 £'000
Sacriston Depot	13	12
Leisure Centre	4	10
	17	22

9.24 Debtors

The value of Debtors at 31 March 2009 was £3,356,037.99 (31 March 2008 £5,868,073.15) included in the Balance Sheet net of provisions for bad debts is analysed as follows:

	31 March 2008 £'000	31 March 2009 £'000
Government Departments	442	1,173
Other Local Authorities	52	282
Sundry Debtors	427	342
Non-Domestic Ratepayers	259	364
Council Tax Payers	1,104	1,098
Third Party Debtors	4,026	477
Payments in Advance	121	47
Sub Total	6,431	3,783
Less: Provision for Doubtful Debts	(563)	(427)
Total	5,868	3,356

9.25 Creditors

The value of Creditors at 31 March 2009 was £2,446,164.29 (31 March 2008 £21,632,461.75) included in the Balance Sheet is analysed as follows:

	31 March 2008 £'000	31 March 2009 £'000
Government Departments	935	199
Other Local Authorities	329	1,050
Sundry Creditors	1,262	452
Third Party Creditors	18,539	244
Receipts in Advance	566	501
Total	21,631	2,446

9.26 Financial Instruments – Assets and Liabilities

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	Year Ended 31 March 2008 £000	Year Ended 31 March 2009 £000	Year Ended 31 March 2008 £000	Year Ended 31 March 2009 £000
Financial liabilities (principal amounts)	0	0	3,275	527
Financial liabilities at amortised costs	0	0	3,275	527
Financial liabilities at fair value through the I & E	0	0	0	0
Total Borrowings	0	0	3,275	527
Loans and receivables (principal amount)	0	0	24,750	2,002
Loans and receivables at amortised cost	0	0	24,750	2,002
Available for sale financial assets	0	0	0	0
Financial assets at fair value through the I & E	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Total Investments	0	0	24,750	2,002

Financial Instruments Gains and Losses

There were no gains or losses recognised in the Income and Expenditure Account and the Statement of Recognised Gains and Losses (STRGL) in relation to financial instruments during 2007/08 or 2008/09.

Fair value of Assets and Liabilities carried at Amortised Cost

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

For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;

For loans receivable prevailing benchmark market rates have been used to provide the fair value;

No early repayment or impairment is recognised;

Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:-

	Year Ended 31 March 2008		Year Ended 31 March 2009	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Debt	0	0	0	0
Non PWLB Debt	3,275	3,275	527	527
Total Debt	0	0	527	527
Creditors < 1 year	21,631	21,631	2,446	2,446
Creditors >1 year	55	55	0	0
Total Financial Liabilities	24,961	24,961	2,973	2,973

	Year Ended 31 March 2008		Year Ended 31 March 2009	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Money Market Loans < 1 year	24,750	24,750	2,002	2,002
Money Market Loans > 1 year	0	0	0	0
Trade Debtors < 1 year	4,453	4,453	819	819
Trade Debtors > 1 year	1,718	1,718	1,513	1,513
Total Loans and Receivables	30,921	30,921	4,334	4,334

Details of non PWLB debt held at the end of the year are as follows:-

Year Ended 31 March 2008 £'000		Year Ended 31 March 2009 £'000
3,275	Co-operative Bank	527
3,275	Total	527

Details of short term investments held at the end of the year are as follows:-

	31 March 2008 £'000	31 March 2009 £'000
Allied Irish Bank	750	0
Kaupthing Singer & Friedlander	2,000	0
Derbyshire Building Society	2,000	0
Stroud & Swindon Building Society	2,000	0
Skipton Building Society	2,000	0
West Bromwich Building Society	2,000	0
Coventry Building Society	2,000	0
Scarborough Building Society	2,000	0
Nationwide Building Society	2,000	0
Britannia Building Society	2,000	2,002
EBS Building Society	2,000	0
Clydesdale Bank	2,000	0
Co-operative Bank	2,000	0
Total	24,750	2,002

Disclosure of nature and Extent of Risk Arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

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

Overall these procedures require the Council to manage risk in the following ways: -

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:

The Council's overall borrowing;

- Its maximum and minimum exposures to fixed and variable rates;
- Its maximum and minimum exposures the maturity structure of its debt;
- Its maximum annual exposures to investments maturing beyond a year.

By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance. These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual outturn performance is also reported to Members.

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

Credit risk

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

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

There have not been any material defaults which have affected the information contained in the following table, either by omission or having the balance adjusted.

	Amount at March 2009	Historical experience of default	Adjustment for market conditions at 31 March 2008	Estimated maximum exposure to default
	£'000	%	%	£'000
Deposits with banks and financial institutions:				
A rated counterparties	2,002	0.65%	0.65%	14
Trade debtors	819	5.000%	5.000%	41
	2,821			55

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

Collateral – During the reporting period the Council held no collateral as security.

Liquidity risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Therefore, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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 management and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

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

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury management and investment strategies address the main risks.

These include: -

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

The maturity analysis of financial liabilities is as follows:-

	31 March 2008	31 March 2009
	£'000	£'000
Less than 1 year	3,275	527
Between 1 and 2 years	0	0
Between 2 and 5 years	0	0
Between 5 and 10 years	0	0
Over 10 years	0	0
	3,275	527

The maturity analysis of financial assets is as follows:-

	31 March 2008	31 March 2009
	£'000	£'000
Less than 1 year	24,750	2,002
Between 1 and 2 years	0	0
Between 2 and 3 years	0	0
More than 3 years	0	0
	24,750	2,002

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

Market risk

Interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;

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

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

Price risk

The Council does not invest in equity shares. It therefore has no exposure to loss arising from movements in share prices

Foreign exchange risk

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

9.27 Local Area Agreements (LAA)

The council is a participant in the 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 a three year agreement.

The purpose of the LAA is:

- 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.
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public service in County Durham by pooling and aligning funding streams.

The LAA partners are:

- 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.

- Community Protection Authorities – Durham Constabulary and Durham and Darlington Fire and Rescue.
- Health Bodies – County Durham Primary Care Trust.
- Learning Bodies – Learning & Skills Council, North East Chamber of Commerce and Connexions.
- Voluntary Organisations – Community & Voluntary Service, One Voice Network.
- 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 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 payment, this is determined by the partnership.

As a body in receipt of grant from the partnership and not the accountable body, Chester-le-Street District Council acts as agent to the partnership and has therefore not recognised the full amount of LAA Grant in its financial statements, but only the part spent by the Council in providing services.

The total amount of LAA grant received by Durham County Council in 2008/09 was £849,184 (2007/08 £24,120,289). Chester-le-Street District Council received £76,312 in 2008/09 (2007/08 £153,743) of this total grant to fund its own services.

9.28 Revenue Expenditure Funded From Capital Under Statute

This is a new category of expenditure, replacing Deferred Charges, see note 3.8 on page 18.

9.29 Provisions

Provisions are charged to services in the year in which they are recognised and relate to expenditure which is committed, but the specific amounts or date of transaction may be uncertain. Provisions for bad debts are shown as a reduction of the debtors to which they relate, rather than as financial provisions. The Council has no other provisions as at 31 March 2009.

9.30 Contingent Liabilities

On 30 September 1992, the Council's insurers, Municipal Mutual Ltd (MMI) ceased accepting new business. The Council's accounts show no amounts due from MMI at 31 March 2009. However, there are a number of outstanding claims in respect of third parties, and it is possible that these will not be met fully. Claims amounting to £429,434.41 have been paid by MMI up to 31 March 2009 and estimated outstanding claims as at that date amount to nil. There is a possibility that not all outstanding claims will be fully met but this is considered to be extremely remote.

The Council is currently subject to a claim for costs against the Authority in respect of a planning case. Lawyers are engaged in the process and the potential liability is, at this stage, unknown.

The Council has entered into a number of financial guarantees with Cestria Community Housing Association Limited; however these guarantees are not related to the performance of Cestria Community Housing Association Limited in relation to a debt instrument. As such these guarantees fall to be considered under FRS 12 as a contingent liability rather than a financial guarantee contract under the requirements specified in accounting for financial instruments in the 2008 SORP. These financial guarantees include:

- A pension guarantee whereby the Council has agreed to protect the Pensions Administering Authority against the insolvency, winding-up or liquidation of Cestria Community Housing Association Limited;
- An environmental warranty has been provided through an external insurance company. This indemnifies the Council against any claims arising from pollution legal liability.
- There are a number of other less significant warranties specified in the Transfer Agreement between the Council and Cestria Community Housing Association Limited and include staff warranties and an asbestos indemnity.

9.31 Joint Ventures / Partnership Arrangements

County Durham E-Government Partnership

An e-government partnership was formally established as a joint committee in November 2003 to carry out various projects e.g. Customer Relationship Management (CRM) System, for Durham County Council and the seven District Councils. This is a separate legal entity with its own audit arrangements.

Although the Council does not have control of the joint committee it does have joint control and therefore it is appropriately accounted for as a Joint Venture.

In order to disclose the full extent of the financial activities of the joint committee Wear Valley District Council, the Accountable Body, has provided the following financial summary:

Income and expenditure account for the year ended 31 March 2009

	2007/2008 £'000	2008/2009 £'000
Balance as at 1 April 2008	834	663
Income		
Council Contributions	675	424
Interest Earned	32	20
	1,541	1,107
Expenditure	878	800
Balance as at 31 March 2009	663	307

During 2008/09, the Council contributed £41,198 towards the income of the partnership.

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:

- 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
- 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 £9,792 to the partnership (2007/08 £0).

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

	2008/09 £
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

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.

9.32 Investments in Related Companies

The Council has no investments in, or financial association with, any related businesses or companies.

9.33 Accounts Authorised for Issue

The date that the Statement of Accounts was authorised for issue was 21 July 2009 and the name of the person who gave authorisation was Stuart Crowe (Corporate Director – Resources).

9.34 Movement in Reserves

Reserve	Balance at 31 March 2008 £'000	Net Movement in Year £'000	Balance at 31 March 2009 £'000	Purpose
Revaluation Reserve Note (a) below	503	390	893	Cumulative unrealised gains and losses (since 1 April 2007) arising from holding fixed assets
Capital Adjustment Account Note (b) below	21,252	(3,135)	18,117	This reserve provides the balancing mechanism between the different rates at which assets are depreciated and financed.
Usable Capital Receipts Reserve Note (c) below	503	(455)	48	Proceeds of fixed asset sales to meet future capital investment
Deferred Capital Receipts Note (d) below	2,274	(555)	1,719	Proceeds from the sale of fixed assets which will be received in instalments over an agreed period of time
Financial Instruments Adjustment Account Note (e) below	(94)	2	(92)	This account contains General Fund Premiums deferred in accordance with SORP
Pensions Reserve	(17,320)	(7,620)	(24,940)	Balancing amount to allow inclusion of pension liability in Balance Sheet
General Reserve	394	146	540	Resources available to meet future running costs for non HRA services
HRA Reserve	1,563	(1,563)	0	Balance was transferred to the General Fund on the closure of the HRA following consent from Secretary of State
Other Earmarked Reserve Note (f) below	1,209	(599)	610	Reserves set aside for specific purposes/ commitments
Collection Fund Balance	8	(27)	(19)	Resources available to supplement General Fund spend in following year
Total	10,292	(13,416)	(3,124)	

Note (a)
Movement in the Revaluation Reserve

	£'000	£'000
Balance at 1 April 2008		503
Assets Revalued in Year:- Valuation	767	767
Removal of Revalued Sum:- Due to Impairment	(267)	
Due to Asset Sales	(110)	(377)
Balance at 31 March 2009		893

Note (b)
Movement in Capital Adjustment Account

	£'000	£'000
Balance at 1 April 2008		21,252
Adjustments for Capital Items Charged to Income and Expenditure Account:-		
Amortisation and Depreciation (net of MRP)	(905)	
Amounts written off due to Disposal	(365)	
Revaluation Reserve on Asset Disposal	110	
Impairment	(2,867)	
Revenue Expenditure Funded by Capital Under Statute	(558)	
Post Ballot Disposal Costs	(91)	(4,676)
Resources Set Aside to Fund Capital Expenditure:-		
Useable Capital Receipts Applied	1,239	
Government Grants and Contributions Released	188	
Capital Expenditure Charge in year to Revenue	114	1,541
Balance at 31 March 2009		18,117

Note (c)
Movement in Useable Capital Receipts

	£'000	£'000
Balance at 1 April 2008		503
Amounts Receivable in Year:-		
Repaid Discounts	43	
Proceeds from Sale of Fixed Assets	212	
Transfer from Deferred Capital Receipts:-		
VAT Shelter	500	
Lease Equipment	55	810
Use of Receipts in Year:-		
Due to National Pool	(26)	
Funding of Capital Expenditure	(1,239)	(1,265)
Balance at 31 March 2009		48

Note (d)
Movement in Deferred Capital Receipts

	£'000	£'000
Balance at 1 April 2008		2,274
Transfer to Usable Capital Receipts:-		
VAT Shelter	(500)	
Lease of Equipment	(55)	(555)
Balance at 31 March 2009		1,719

Note (e)
Movement in Financial Instruments Adjustment Account

	£'000	£'000
Balance at 1 April 2008		(94)
Amortised General Fund Premiums	2	2
Balance at 31 March 2009		(92)

Note (f)
Movement in the Other Earmarked Reserves

Reserve	Balance at 31 March 2008 £'000	Received in Year £'000	Used in Year £'000	Transfer Between In Year £'000	Balance at 31 March 2009 £'000
Insurance Reserve	124	36	(14)	(122)	24
Homelessness	57	6	(63)	0	0
Leisure Reserves	218	210	(171)	0	257
Communities for Health	84	120	(44)	0	160
Health Lifecheck	70	0	(6)	0	64
Community Safety and Development	18	6	(2)	0	22
Pelton Fell NRP	70	0	(19)	0	51
Planning Delivery Grant	75	128	(325)	122	0
Revenues and Benefits	16	48	(64)	0	0
Corporate Finance	78	0	(69)	0	9
Information Technology	62	0	(62)	0	0
Venture Fund	107	0	(107)	0	0
CLS Learning District Partnership	60	0	(60)	0	0
Equalities and Diversity Partnership	17	0	(17)	0	0
Concessionary Fares	37	0	(37)	0	0
Election Expenses	36	0	(36)	0	0
Corporate Training	49	0	(49)	0	0
Miscellaneous Reserves	19	0	(19)	0	0
Youth Forum	0	16	0	0	16
Special Reserve	7	0	(3)	0	4
Unallocated Revenue Reserve	5	3	(5)	0	3
	1,209	573	(1,172)	0	610

9.35 Post Balance Sheet Events

There are no post balance sheets events.

9.36 Notes to the Cash Flow Statement

The following notes provide:

- (a) Reconciliation of Deficit in the Income and Expenditure Account to Net Cash Flow from Revenue Activities
- (b) Reconciliation of Movement in Cash to Movement in Net Debt
- (c) Reconciliation of Items under Financing and Management of Liquid Resources to Opening and Closing Balance Sheets
- (d) Analysis of Other Government Grants
- (e) Increase/(decrease) in Cash

(a) **Reconciliation of Deficit in the Income and Expenditure Account to Net Cash Flow from Revenue Activities**

	Year Ended 31 March 2008		Year Ended 31 March 2009	
	£'000	£'000	£'000	£'000
DEFICIT FOR THE YEAR				
Income and Expenditure Account	143,084		7,009	
Collection Fund	42	143,126	27	7,036
Non-Cash Transactions				
Depreciation and Impairment	(165,943)		(3,804)	
Amortisation of Government Grants Deferred	2,134		188	
Net Surplus on Sale of Fixed Assets	2,032		(202)	
Adjustment made to Retirement Benefits in accordance with FRS 17	1,010		(2,790)	
Employers Contributions Payable to Pension Fund and Retirement Benefits Payable	2,020		2,050	
Deferred Liabilities	-	(158,747)	34	(4,524)
Items on an Accruals Basis				
Increase/(Decrease) in Stocks	(127)		5	
Increase/(Decrease) in Debtors	1,973		(2,285)	
(Increase)/Decrease in Creditors	(17,832)	(15,986)	19,324	17,044
		(31,607)		19,556
Items Classified Elsewhere in Cash Flow				
Transfer from Usable Capital Receipts/Grants	14,984		1,602	
Interest Received	455		858	
Interest Paid	(1,142)	14,297	(49)	2,411
Net Cash Flow from Revenue Activities		(17,310)		21,967

(b) Reconciliation of Movement in Cash to Movement in Net Debt

	Year Ended 31 March 2009	
	£'000	£'000
Decrease in Cash		597
Decrease in Liquid Resources		
Cash Inflows–Short Term Deposits	22,750	
Accrued Interest–Short Term Deposits	(2)	
		22,748
Decrease in Financing		
Cash Outflows–Repayment of Amount Borrowed	(176,878)	
Cash Inflows–New Short Term Loans Raised	173,603	
		(3,275)
Movement in Net Debt for the Year		20,070
Net Debt at 1 April 2008		(21,548)
Net Debt at 31 March 2009		(1,478)

(c) Reconciliation of Items under Financing and Management of Liquid Resources to Opening and Closing Balance Sheets

	Year Ended 31 March 2009	
	£'000	£'000
Financing		
Cash Outflows–Repayment of Amounts Borrowed	(176,878)	
Cash Inflows–New Short Term Loans Raised	173,603	(3,275)
Balance Sheet–Short Term Borrowing at 31 March 2008	(3,275)	
Balance Sheet–Short Term Borrowing at 31 March 2009	0	(3,275)
Management of Liquid Resources		
Cash Inflows–Short Term Deposits	22,750	
Accrued Interest–Short Term Deposits	(2)	22,748
Balance Sheet-Short Term Investments at 31 March 2008	24,750	
Balance Sheet-Short Term Investments at 31 March 2009	(2,002)	22,748

(d) Analysis of Other Government Grants

	Restated Year Ended 31 March 08	Year Ended 31 March 09
	£'000	£'000
Benefit Administration	471	478
Early Years Funding	19	19
Performance Standards Funding	96	0
Discretionary Housing Payment	8	5
Homelessness	55	64
Contaminated Land	1	0
Environmental Damage Regulation Grant	0	1
Defective Homes	13	4
Local Area Agreement	147	5
Planning Delivery Grant	224	83
Children's Fund Grant	0	18
Local Authority Business Growth Incentive	11	162
Communities for Health	120	120
Section 31 Grant – Absent Voters	10	3
Capacity Building Fund	0	4
Ministry of Justice Grant	0	3
Department for Work and Pensions	17	0
Concessionary Fares	52	164
Total	1,244	1,133

(e) Increase/(decrease) in Cash

	31 March 2008 £'000	31 March 2009 £'000	Movement £'000
Cash at Bank	70	0	(70)
Cash Overdrawn	0	(527)	(527)
Cash In Hand	3	3	0
Total Cash	73	(524)	(597)

10. HOUSING REVENUE ACCOUNT**INCOME AND EXPENDITURE ACCOUNT**

Year Ended 31 March 2008		Notes	Year Ended 31 March 2009	
£'000			£'000	£,000
	Income			
9,244	Dwelling Rents		-	
211	Non-Dwelling Rents		-	
254	Charges for Services and Facilities		-	
164	Contributions Towards Expenditure		-	
3,460	Pension Settlement Gain		-	
13,333	Total Income			-
	Expenditure			
2,500	Repairs and Maintenance		8	
2,397	Supervision and Management		71	
13	Rents, Rates, Taxes and Other Charges		-	
1,609	Negative Housing Revenue Account Subsidy Payable		10	
165,241	Depreciation and Impairment of Fixed Assets		-	
8	Amortisation of Intangible Assets		-	
44	Debt Management Costs		-	
114	Increase in Bad Debt Provision		-	
171,926	Total Expenditure			89
158,593	Net Cost of HRA Services per Authority Income and Expenditure Account			89
281	HRA Services Share of Corporate Democratic Core		-	
281				-
158,874	Net Cost of Services			
(22,025)	Overhanging Debt Grant			-
(2,025)	(Gain) or Loss on Sale of HRA Fixed Assets			-
665	Interest Payable and Similar Charges			-
2,176	Amortisation of Premiums and Discounts			-
(50)	Interest and Investment Income			-
75	Pensions Interest Cost and Expected Return on Pensions Assets			-
137,690	(Surplus) or Deficit for the Year on HRA Services			89

**STATEMENT OF THE MOVEMENT ON THE
HOUSING REVENUE ACCOUNT BALANCE**

Year Ended 31 March 2008		Year Ended 31 March 2009
£'000		£'000
137,690	(Surplus) or Deficit for the Year on the HRA Income and Expenditure Account	89
(137,953)	Net Additional Amount Required by Statute to be Debited or (Credited) to HRA Balance for the Year	1,474
(263)	(Increase) or Decrease in the Housing Revenue Account Balance	1,563
(1,300)	Housing Revenue Account Surplus Brought Forward	(1,563)
(1,563)	Housing Revenue Account Surplus Carried Forward	0

**NOTE TO THE STATEMENT OF MOVEMENT ON THE
HOUSING REVENUE ACCOUNT BALANCE**

Restated Year Ended 31 March 2008		Year Ended 31 March 2009	
£'000		£'000	£'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year		
(1,507)	Difference between amounts charged to Income and Expenditure for Amortisation of Premiums and Discounts and the charge for the year determined in accordance with statute		
(161,027)	Impairment of Fixed Assets	-	
1,507	Difference between any other item of Income and Expenditure determined in accordance with the SORP and determined in accordance with the statutory HRA	-	
19,849	Overhanging Debt Grant	-	
2,025	Gain or Loss on sale of HRA Fixed Assets	-	
3,095	Net charge made for Retirement Benefits in accordance with FRS17	-	
-	Sums directed by the Secretary of State to be debited or credited to the HRA that are not income or expenditure in accordance with UK GAAP	1,474	
(136,058)			1,474
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
(2,240)	Transfers to or (from) Major Repairs Reserve	-	
345	Employer's Contributions payable to the Local Government Pension Fund and Retirement Benefits payable direct to Pensioners	-	
0	Capital Expenditure funded by the HRA	-	
(1,895)			-
(137,953)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		1,474

Notes to the Housing Revenue Account

10.1 Housing Stock

The Council transferred the only dwelling it retained to the General Fund on 1 April 2008, this dwelling has subsequently been demolished. The stock analysis was as follows:-

	Houses	Flats	Bungalows	Total
Stock as at 1 April 2008	1	0	0	1
Sales	0	0	0	0
Reclassification	1	0	0	1
Demolitions	0	0	0	0
Disposals	0	0	0	0
Buy Back	0	0	0	0
Stock as at 31 March 2009	0	0	0	0

10.2 HRA Housing Subsidy

	2007/2008 £'000	2008/2009 £'000
Management and Maintenance Allowance	4,713	0
Major Repairs Allowance	1,982	0
Charges for Capital	856	0
	7,551	0
Less:		
Notional Income on Rents	(9,387)	0
Adjustment re previous years	(9)	10
Add:		
Rent Constraint Allowance	236	0
Negative Subsidy Payable to Secretary of State	1,609	10

The only Subsidy figure included in the Housing Revenue Account for 2008/09 relates to a post-audit adjustment from the previous financial year.

10.3 Depreciation and Impairment Charge

The remaining assets held in the Housing Revenue Account at the end of the previous financial year were transferred to the General Fund on 1 April 2008, therefore there are no depreciation or impairment charge into the account during 2008/09.

10.4 Capital Expenditure and Financing

As no assets were held in the Housing Revenue Account there has been no capital expenditure incurred in 2008/09.

	2007/2008 £'000	2008/2009 £'000
Improvements to Council Dwellings	2,506	-
Other	0	-
Total Capital Expenditure	2,506	-

The above Capital Expenditure was financed as follows:-

	2007/2008 £'000	2008/2009 £'000
Major Repairs Allowance	1,982	-
Supported Capital Expenditure	190	-
Capital Receipts	298	-
Other Contributions	36	-
Borrowing	0	-
Revenue	0	-
	2,506	-

10.5 Movement on the Major Repairs Reserve

The movement on the Major Repairs Reserve during 2008/09 was as follows:-

	2007/2008 £'000	2008/2009 £'000
Opening Balance	0	-
Amount transferred to Major Repairs Reserve (Depreciation)	(4,222)	-
Amount transferred from Major Repairs Reserve to HRA	2,240	-
Funding of Capital Expenditure on HRA Assets	1,982	-
Closing Balance	0	-

10.6 Housing Assets Valuation

The Balance Sheet valuations of the Housing Revenue Account Assets are shown below:-

	Valuation at 31 March 2008 £'000	Valuation at 31 March 2009 £'000
Operational Assets	579	-
Council Dwellings	99	-
Infrastructure	0	-
Investment Property	0	-
Vehicles, Plant & Equipment	0	-
Assets In the Course of Development	0	-
Intangible Assets	0	-
Total Balance Sheet Valuation	678	-

There was only one dwelling (awaiting demolition) held at vacant possession value of £5k in the Housing Revenue Account as at 31 March 2008, together with 10 Recreational and Communal Rooms (without accommodation) and 57 Garages following the transfer of housing assets to Cestria Community Housing Association Limited. These assets have been subsequently transferred to the General Fund following direction by the Secretary of State dated 7 May 2008.

10.7 Revenue Expenditure funded from Capital under Statute (previously known as Deferred Charges)

There were no such charges attributable to the HRA in 2008/09.

10.8 Sums Directed by the Secretary of State to be Debited or Credited to the HRA

On 2 April 2008, the Council received consent from the Secretary of State to close the HRA with effect from 31 March 2009. The debit item of £1,473,999 therefore represents the HRA balance being transferred to the General Fund as at that date.

10.9 Stock Transfer

The Council transferred its housing stock to Cestria Community Housing Association Limited (Cestria) on 4 February 2008. The key ongoing financial elements are detailed below:

Right to Buy Sharing Agreement

As is common with all stock transfers, the Council has negotiated an agreement with the housing association relating to future sales under the Prescribed Right to

Buy (PRTB) regulations. These relate to any future sales of the transferred stock to existing tenants for a period of 5 years (to 31 March 2013). New tenants of the housing association post transfer do not have the Right to Buy their properties. Different regulations apply to these tenants.

The Council will receive £9,999 for each dwelling sold under the PRTB regulations. In 2008/09 the council received £119,998 from the sale of 12 properties.

Disposals Clawback Arrangements

The Council has negotiated a clawback from the future sale of any land transferred together with the need for agreement with the Council linked to the social/economic or regeneration benefits of such a disposal. This not only provides flexibility to Cestria to make them a sustainable housing provider in Chester-le-Street but also guarantees future income for the Council where appropriate and suitable use of the land for the benefit of the district.

VAT Shelter Arrangements

The Council is to receive £2.150m of the reclaimed VAT from Cestria over the period 2008/09 to 2011/12 in line with the following phased release. This has been recognised as a deferred capital receipt in the balance sheet. In 2008/09 the Council accounted for the income due and the deferred capital receipts were adjusted accordingly.

Schedule	£
2008/09	500,000
2009/10	150,000
2010/11	500,000
2011/12	1,000,000
Total	2,150,000

Contingent Liabilities

As is common in all stock transfers, the Council has given Cestria various warranties as part of the Transfer Agreement. Full details of these are shown in note 9.30 to the core financial statements on page 58.

11. COLLECTION FUND

	2007/2008 £'000	2007/2008 £'000	2008/2009 £'000	2008/2009 £'000
INCOME				
Income due from				
Business Ratepayers		6,331		6,911
Council Tax	24,056		24,869	
Less				
Benefit	3,672		3,825	
Transitional Relief	0	20,384	0	21,044
Benefit				
Council Tax		3,672		3,825
		30,387		31,780
EXPENDITURE				
Precepts				
Durham County Council	17,284		17,686	
Durham Police Authority	2,349		2,453	
Durham and Darlington Fire Authority	1,394		1,426	
Chester-le-Street District Council	3,248	24,275	3,341	24,906
Business Rates				
Payment to National Pool		6,281		6,862
Costs of Collection		49		49
Provision for Uncollectable Amounts		93		168
		30,698		31,985
MOVEMENT ON FUND BALANCE				
Surplus/(Deficit) on Fund brought forward		(311)		(205)
		374		63
FUND BALANCE CARRIED FORWARD		63		(142)

Notes to the Collection Fund Accounts

11.1 General

The Council Tax was introduced by the Government to replace the Community Charge with effect from 1 April 1993. It is a tax based on property values, which are grouped into eight bands. There is, however, a personal element to the tax in that adults living alone are entitled to a 25% discount.

11.2 Income from Business Rates

All business premises in the District have a rateable value. In order to calculate the Business Rates payable for a particular business premises, its rateable value is multiplied by the National Non-Domestic Rate multiplier for the year. At 31 March 2009 the rateable value of all business premises in Chester-le-Street was £16,942,117 (£16,525,182 in 2007/08).

The National Non-Domestic Rate multiplier for the year was 46.2p and the new Small Business Non-Domestic Rate multiplier was 45.8p. The total rates charges were £6,911,255 (£6,330,704 in 2007/08).

All of the Business Rates collected from Chester-le-Street businesses are paid into a National Pool. The pool is then redistributed (based on a standard amount per head of population) and Chester-le-Street's share is paid directly into the Council's General Fund. The Council received £4,495,638 in 2008/09 (£4,317,115 in 2007/08) and this is shown in the Income and Expenditure Account.

11.3 Calculation of Tax Base

The Council Tax Base is calculated by taking the total number of domestic properties in the area and then adjusting this figure to take account of properties where no Council Tax or a reduced level of Council Tax is payable. This produces an equivalent number of properties in Band D, which can then be used to work out how much money can be collected from local tax payers. From the table set out below, it can be seen that every time the Council Tax is increased by £1 an extra £17,259 would be collected assuming a 100% collection rate and £17,000 would be collected assuming a 98.5% collection rate.

Band	Net Properties	Ratio to Band D	Band D Equivalent
A – Relief	18.75	5/9	10.40
A	11,237.75	6/9	7,491.80
B	2,576.50	7/9	2,003.90
C	4,121.50	8/9	3,663.60
D	1,977.50	9/9	1,977.50
E	1,057.00	11/9	1,291.90
F	295.25	13/9	426.50
G	225.00	15/9	375.00
H	9.00	18/9	18.00
	21,518.25		17,258.60
Adjustment for Collection Rate (98.5%)			16,999.72

11.4 Precepts or Demands on the Fund

The following parish precepts were levied against the Council's General Fund:-

Preceptor	2007/2008 £	2008/2009 £
Bournmoor	12,000	13,000
Great Lumley	18,500	19,000
Little Lumley	6,000	7,500
Ouston	9,500	10,000
Edmondsley	1,500	3,000
Kimblesworth/Plawsworth	11,000	12,500
North Lodge	18,000	18,000
Pelton	39,000	44,000
Sacrison	31,500	40,000
Waldridge	22,000	25,000
Urpeth	20,000	23,000
Total – Parish Precepts	189,000	215,000

11.5 Collection Fund Balance and Previous Year's Surplus

The Council Tax element of the Collection Fund Balance at 31 March 2008 (a surplus of £62,968) will be redistributed in subsequent years to the District Council, Durham County Council, the Police Authority and the Fire and Rescue Authority in proportion to the precepts and demands made upon the Collection Fund.

Chester-le-Street District Council, as the billing authority, is required by statute to forecast the estimated surplus or (deficit) on the Collection Fund each year in December and to use that surplus or (deficit) in determining the following year's Council Tax demand. The forecast for 2008/09 estimated a surplus of £245,804 as at 31 March 2009. The table below shows the actual fund balance at the two year ends, together with details of the surplus that has been used in support of the 2008/09 Council Tax.

	Year Ended 31 March 2008 2007/2008 £	Year Ended 31 March 2009 2008/2009 £	Surplus/ (Deficit) Applied in 2008/2009 £
Chester-le-Street District Council	8,486	(19,172)	30,000
Durham County Council	46,045	(104,034)	182,383
Durham Police Authority	4,781	(10,802)	18,938
Durham Fire and Rescue Authority	3,656	(8,261)	14,483
Total	62,968	(142,269)	245,804

12. ANNUAL GOVERNANCE STATEMENT

12.1 Scope of responsibility

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

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

Chester-le-Street District Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

This can be obtained from Resources Department, Civic Centre, Newcastle Road, Chester-le-Street, County Durham DH3 3UT

This statement explains how Chester-le-Street District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

12.2 The purpose of the governance framework

Definition:

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims, and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Chester-le-Street District Council 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 Chester-le-Street District Council for the year ended 31 March 2009 and supports the Annual Statement of Accounts.

12.3 The governance framework

The Council approved a new local code of governance at its meeting held on 28 February 2008. Overall responsibility for the code rests with the Council (as the body responsible for corporate governance) and in particular the Leader of the Council and Chief Executive.

The Corporate Governance Steering Group is responsible for monitoring and providing assurance on the governance process to Corporate Management Team, the Executive and the Council. Current guidance on the functions of audit committees and standards committees requires that they also receive relevant assurances on the effectiveness of the Council's corporate governance arrangements.

The Council operates through a governance framework which brings together an underlying set of legislative requirements, core governance principles and related management processes.

The Council will apply six core principles in performing its key roles and other duties as a Local Authority. These core principles are:-

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

Supporting each of the six principles is a series of supporting principles, each of which in turn translates into a range of specific requirements of the Code. These are outlined within the local code and form the basis of a detailed checklist for managers in completion of their annual assurance statements.

12.4 Sources of assurance

Management from across the organisation will provide the primary source of assurance and members need to ensure that there are appropriate assurance gathering arrangements in place to enable those assurances to be mapped against the principles in the framework.

An effective internal audit will also be a significant source of assurance.

Further assurance is provided from a range of external sources including:

- Corporate assessments and direction of travel statements
- Planned and ad-hoc inspections
- External audit (Annual Accounts and Use of Resources)
- Community engagement, compliments and complaints
- Ombudsman reports and findings

12.5 Review and reporting arrangements

The Council will undertake regular, at least annual, reviews of their governance arrangements to ensure continuing compliance and such reviews will be reported within the Council to the Audit Committee.

An Annual Governance Statement on the extent to which the Council complies with this Code and how it has monitored the effectiveness of its governance arrangements will be prepared and reported externally and included with the statement of accounts. Action planning and progress is monitored through quarterly corporate performance management reports

To ensure that the process of preparing the governance statement will, in itself, add value to the corporate governance and internal control framework of the Council, the statement will be prepared in accordance to “Delivering Good Governance in Local Government Framework”, published by CIPFA/SOLACE.

12.6 Governance Arrangements

The following provides a brief description of the key elements of systems and processes that comprise the authority’s governance arrangements and which address the issues set out in the six core principles:

Principle A: 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 its Corporate Plan 2007/2010 as amended by the Transition Plan adopted by the council in March 2008. This is supported by the councils Medium-Term Financial Strategy. These documents outline the principal priorities for the Council and represent the key strategic planning documents for the Council, from which a number of additional plans are developed in support of it. These include the Performance Plan, the Capital Strategy, the Asset Management Plan, Regeneration Strategy and the Housing Strategy.

The objectives outlined within these Strategies are translated into more specific aims and objectives in the service delivery plans which each Council service is required to prepare annually. Performance against these objectives is monitored by individual services and formally reviewed by the Overview and Scrutiny Management Board to ensure the council's objectives are being met.

Regular and annual satisfaction surveys and a formal complaints procedure allow the Council to gauge customer satisfaction with regard to the effectiveness of service delivery. During late 2008 the council worked in partnership with other councils within County Durham to undertake a national 'Place Survey'.

The council has led four Community Partnerships that feed into a Local Strategic Partnership (LSP) within the Chester-le-Street District area. The LSP is known as the District Partnership. The LSP adopted a Sustainable Community Strategy in November 2006, which was the result of a wide consultation with our communities. The District Partnership, which comprises membership of a wide range of organisations across the district, has worked to improve the quality of life for the people who live, work or study in the relevant Community Area.

The Council has a formal performance management framework in place providing links from the corporate objectives of the Authority, the budget and work planning process and the Annual Service Plans. This is clearly set out in the Corporate Plan, and a Transition Plan with a single priority of 'People and Place' was adopted for the council's final year. The Audit Commission feel that this framework is robust.

As part of the budget cycle, each Service Manager produces a Service Delivery Plan in conjunction with the Council priorities and financial resources. Performance Indicators are set at a national and local level and targets agreed for the coming three years. Once the budgets have been finalised and approved by Committee, employee Personal Development Planning, agreeing individual targets, take place.

Performance against targets is monitored on a quarterly basis by managers and the Management Team, Executive and Overview and Scrutiny Committee, in order that service standards are maintained and corrective action can be taken. Quarterly Performance Clinics drive corporate improvement and improve data quality.

In addition, within the Corporate Plan there is a formal link made between the objectives of the Council and how this will be achieved and measured.

Principle B; Members and officers working together to achieve a common purpose with clearly defined functions and roles

Chester-le-Street District Council has adopted a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people.

The main decision making Committees are the Executive Committee and the Planning and Licensing Committees. These are responsible for all relevant

matters defined by law and operate within the budget and policy framework approved annually by full Council. The role of the Executive Committees is to develop policies and services within the framework of the Corporate Strategy and Policies, and make key decisions as delegated by the council. Meetings are open to the public except where personal or confidential matters are being discussed. The public have speaking rights at all meetings.

Policy and decision making are facilitated by a clear framework of delegation set out in the Council's Constitution, with clear details of delegated authorities to officers.

All reports are reviewed for legal, financial, data quality, corporate priority, LGR implication and risk considerations as part of the presentation to Members of the Council for formal decision-making. A Report Writing Protocol supports a standard reporting methodology with a consultation process with Directors, the Head of Legal and Democratic Services and the Section 151 officer.

The Executive has agreed a Forward Plan of Work to be completed. Full Council which previously met on a monthly cycle moved to an 8 weekly cycle during 2008/2009. This, together with an appropriate level of delegation to senior managers enables speedy decision making.

The Corporate Management Team of the Council meets on a fortnightly basis and provides the strategic direction of the Council in delivering the requirements of the Members. It also considers other internal control issues, including risk management, performance management, compliances, efficiency, value for money and financial management. An Extended Corporate Management Team meets on a monthly basis to engage all key managers in strategic planning and service delivery.

There is also a robust budget and policy framework and detailed financial regulations, which are monitored by the Section 151 Officer and the Monitoring Officer. The Constitution is updated continually to reflect any changes in structure. The council is strongly committed to high standards of governance. Governance issues is the focus of an officer led working group known as the Corporate Governance Steering Group.

Principle C: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

The behaviour of Officers and Members is regulated through separate Codes of Conduct which have been formally approved and adopted. These Codes are supported by various protocols that apply the principles of the codes to specific areas of Council activity.

In addition the Council has a Standards Committee whose role and functions include:

- Promoting and maintaining high standards of conduct;
- Advising and training Members on the Code of Conduct;

- Monitoring the Code of Conduct
- Reporting to the Council when it considers standards of conduct or behaviour need reviewing;
- Receiving the details of complaints referred to the Authority from the Standards Board for England;
- Reporting to the appropriate Council on the result of any investigation into the standard of conduct of behaviour of a Member;
- Dealing with any issues raised by the Monitoring Officer.

The Council recognises the importance of the principles of Corporate Governance and the need to apply them across all areas of the Authority's corporate activities and this is regularly reviewed against the guidelines issued by CIPFA/SOLACE and the findings are reported to Audit Committee and annually to Full Council.

As well as a Code of Conduct outlining behaviour for Officers, the Head of Paid Services, Chief Financial Officer (as Section 151 Officer) and Monitoring Officer have specified roles within the Constitution to ensure reports prepared for member decision comply with the budget and policy framework and are lawful.

Each Member receives copies of the meeting agendas in advance. As one of the agenda items for each meeting, the Members are required to declare any 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. The Internal Audit Section 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 both itself and its staff when making decisions. An Anti-Fraud & Corruption Strategy and Whistle Blowing Policy have been developed and communicated to staff and provide clear reporting channels.

The financial management of the Council is conducted in accordance with the financial rules set out within the Constitution and Financial Regulations. The Council has designated the Head of Corporate Finance as Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972.

The Council's overall financial arrangements are governed by its 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.

The Council has in place a detailed service planning process that feeds into the budget setting system. Service Managers are required to prepare Service Delivery Plans on an annual basis.

This is supported by robust budget setting and monitoring arrangements and detailed financial regulations, which form part of the Constitution. All spending departments are required to monitor their budgets on a monthly basis, in

consultation with the Accountancy Team. Spending departments are responsible for their expenditure and income and are directly accountable to Members for budget management.

The Council manages its investments within the guidelines of its Treasury Management Policy Statement and Annual Investment Strategy, which is approved by Members on an annual basis.

The council also demonstrates commitment to high standards of governance through the use of officer and member champions for key areas of governance including Data Quality, Equality and Diversity and Risk Management.

Principle D: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Overview and Scrutiny monitor and scrutinise the decisions of the Executive. They can 'call in' a decision which has been made by the Executive but not yet implemented. This enables them to consider whether the decision is appropriate. They may recommend that the Executive reconsiders the decision and can insist the matter is referred to Council.

Overview and Scrutiny Committee have responsibility for commissioning and carrying out fundamental service reviews as part of the approach to Best Value. They allow members of the public to have a greater say in Council matters by holding investigations into issues of local concern. These lead to reports and recommendations which advise the Executive and the Council on its policies, budget and service delivery.

As part of the preparations under LGR, a review of the Scrutiny was undertaken with members leading to a single Overview and Scrutiny Committee for 2008/09 to support delivery of the 'People and Place' priority. The Audit Commission have taken the view that scrutiny arrangements at Chester-le-Street are 'effective' both in their CPA judgement in June 2007 and in their final Annual Audit and Inspection Letter. The Overview and Scrutiny Committees final Annual report was approved at their final meeting in February 2009.

The Council has a dedicated Audit Committee, the role of which includes a specific responsibility for overseeing the authority's Audit arrangements including delivery of the Internal Audit Plan and scrutiny of the Statement of Accounts and the Annual Governance Statement. This Committee operates within clear terms of reference; it can call managers to explain audit findings and receives regular progress reports on audit related recommendations.

Risk Management is embedded throughout the Council, with an active Risk Management function driven and monitored through the Corporate Governance Steering Group.

The Council has developed a Strategic Risk Implementation Plan which has been designed to identify, prioritise and manage the risks that exist in order to ensure the Council achieves its aims and objectives.

The strategic and operational risks that have been identified have been prioritised through a corporate Risk Register at a strategic level and devolved risk registers within individual service plans. The key risks identified have been assigned to senior managers, who are responsible for ensuring appropriate action plans are developed to address each risk

The Executive receives quarterly corporate performance reports, which include a section detailing progress against the risk management strategy and action plan.

Principle E: Developing the capacity and capability of members and officers to be effective.

As an Authority Chester-le-Street has devoted resources to ensuring the high standards of its staff and has maintained accreditation under the Investors in People Standard. This is a quality framework which ensures that the Council's employees have the right knowledge, skills and motivation to work effectively.

All Council services are delivered by trained and experienced officers. Job Descriptions and Person Specifications have been drawn up for all posts to ensure that the best candidates are appointed into each position.

All officers employed by the Council undertake an annual Personal Development Plan meeting which includes a six-monthly review at which performance can be measured against set objectives. Training needs are also identified as part of this process and addressed via the Human Resources service and/or individual service as appropriate.

Chester-le-Street District Council has made a significant commitment towards the training of its staff. This commitment is outlined within the Organisational Development Strategy and the Transition plan. The council develops an Annual Training and Development Plan as a result of workforce planning which is part of the adopted service planning process. A significant corporate budget is set aside annually to ensure that these training needs are met.

The Transition Plan included a commitment from the council to develop a system of Personal Development Profiles to assist staff in taking opportunities within the new unitary council.

The Chief Executive and Leader of the Council have a good working relationship and hold regular meetings to discuss any emerging issues. The Chief Executive also briefs all members with regard to their roles at the time they are sworn in.

There are regular formal meetings between Members and Senior Officers through Executive, Scrutiny and workshops including the quarterly Performance Clinics.

There is a significant amount of training available to Members throughout their term of office. As well as an initial induction programme, significant training is also provided. The council is strongly committed to Member's development and Members have their own personal Development plans with some participating in 360 degree appraisals. The council's investment has been recognised in the award of the Members Charter.

Fundamental to capacity building at Chester-le-Street has been the use of tried and tested tools and techniques, and in particular Action Learning Sets and Continual Process Improvement.

Principle F: Engaging with local people and other stakeholders to ensure robust public accountability.

Chester-le-Street District Council recognises that communication with all stakeholders plays a fundamental role in the successful delivery of high quality, cost effective services. The council has a significant track record in community engagement.

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.

Most recently Chester-le-Street has:

- Worked with the communities in Pelton, Pelton Fell, Grange Villa, Sacriston and Edmondsley on community led regeneration projects including village hearts;
- Worked with residents at Sacriston to develop a community house and build capacity within the community;
- Invested in new technology to ensure that 100% of the services are available electronically ;
- Improved telephony and a CRM system to improve first point of contact service;
- Introduced an revised a proactive complaints process;
- Significantly improved its website to allow electronic service access;
- Circulated a quarterly newspaper 'District news' to all residents in the District ;
- Worked with residents at Grange Villa, Sacriston and Pelton Fell to develop village websites; and
- Introduced a one stop shop reception facility that enables the majority of queries to be answered and problems solved promptly at the initial point of contact.

Chester-le-Street continues to listen to feedback from the local community and to learn from best practice across the country. With this in mind, the Council has developed its Communications Strategy, which has been endorsed wholeheartedly by both Members and Officers. It is based on the LGA reputation agenda. The strategy has been developed with the input of staff, Members and other key stakeholders. In addition, best practice has been explored to ensure that this strategy takes the Council forward to reach the highest standards of communication

The council's priorities have been based on engagement and knowledge of its customers and this was acknowledged in the June 2007 CPA assessment which moved the council from 'poor' to 'good'.

All Committee meetings are open to the public except where personal or confidential matters are discussed. All agendas and minutes are placed on-line, along with the Council's policies and strategies. These items are also available by directly contacting the Council, should a stakeholder be unable to access it electronically

The Council's Transition Plan and Corporate Plan represents the key document that outlines its vision, objective and priorities for the year ahead, sets performance targets and outlines the Council's accountability to its stakeholders. When identifying objectives for the Corporate Strategy the views of stakeholders are taken into account, in particular through the Local Strategic Partnership and Community Plan. The Corporate Strategy is made available to Chester-le-Street's stakeholders, ensuring that they are aware of the objectives, goals and performance of the Authority and its programme for securing continuous improvement in its services.

Actions for improvement are drawn from a variety of sources including Comprehensive Performance Assessment; the Council's internal reviews such as Service Inspections, service reviews and scrutiny reviews; external inspections such as those undertaken by the Audit Commission; issues arising from performance management; consultation exercises; and service improvements identified by the Council's compliments, complaints and comments procedure. These improvements are communicated to stakeholders annually through the Corporate Plan.

The Council has a formal complaints procedure which allows the public or 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, ensuring accountability to its Stakeholders.

There is a Local Strategic Partnership which has adopted a Sustainable Community Strategy for Chester-le-Street covering the period 2006 to 2016 following priorities:

- A strong sustainable and diverse economic base;
- Inclusive communities;
- Excellent communications networks; and
- An attractive and protected environment.

The Sustainable Community Strategy was created following a significant consultation process with the local communities, ensuring that the views of all areas of the district were taken into account. The four over-arching priorities (detailed above) were identified and more specific targets set. Outputs against these objectives are measured and formally reported to stakeholders through the Local Strategic Partnership.

There are terms of reference and constitutions set up for key partnerships which ensure that all members of the partnership act lawfully throughout the decision making process. The council has ensured that it has alerted the new unitary council to its partnership through its 'Handing Over the Baton Report.

Local Government Re-Organisation:

The council is subject to local government reorganisation and in April 2009 it will cease to exist and will be replaced by a countywide new unitary. The Durham Order came into effect on 28 February 2007 which effectively transfers the District Council functions to Durham County Council on 1 April 2009.

The Council and its officers have contributed a great deal during the past year to the setting up of the new authority, working with colleagues in neighbouring authorities on a variety of work-streams to bring together key services in order to ensure that the unitary council is a success. The Audit Commission have recognised the council's contribution in their final Annual Audit and Inspection Letter.

12.7 Review of Effectiveness 2008/09

Chester-le-Street District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers within the authority who have responsibility for development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments and recommendations made by the Councils external auditors and other review agencies and inspectorates. The review of the effectiveness for 2008/09 has been completed and the findings are set out below.

12.8 Corporate Governance Steering Group

The Corporate Governance Steering Group (CGSG) is charged with the primary responsibility for promoting, coordinating and managing the Councils corporate governance arrangements and producing the Annual Governance Statement. Due to management changes during LGR transition the group membership has been revised and at the time of the annual review comprised:

- Director of Corporate Services (Chair)
- Acting Head of Resources (Vice Chair)
- Head of Legal Services
- Head of Corporate Finance
- Acting Head of Internal Audit

During 2008/09 the group has reviewed the governance framework and developed robust arrangements for production of the AGS as follows:

AGS Timetable	Timeframe
Review of Governance Framework	Oct-Dec 2008
Report to Extended CMT	22 January 2009
Report to Audit Committee – Agree Process and Timetable	22 January 2009
Evidence and Assurance Gathering and Summarising	Jan – Feb 2009
Return of Managers Assurance Statements - deadline	23 February 2009
Annual Review of Internal Audit & Peer Review - deadline	27 February 2009
Preparation of final draft AGS	2 March 2009
Circulation of AGS to Corporate Governance Steering Group	3 March 2009
Report AGS to Audit Committee	12 March 2009
Approval of AGS at Full Council	19 March 2009

In reviewing the effectiveness of governance arrangements during 2008/09 the following key features of the Councils Internal control framework have been considered:

12.9 The Authority

The key formal document governing the control framework for the Authority is its Constitution. All delegated decision-making is made in accordance with the requirement of the Constitution and the Scheme of Delegation and it sets out the formal rules governing the way the Council its committees and Officers conduct there business.

The Monitoring Officer and Section151 officer are included in consultation processes for all reports. Both statutory officers have confirmed that during 2008/09 there were no matters that arose on which they were required to prepare a formal report to Council.

During the year the Council has continued preparations for the creation of a new Unitary Council for County Durham and has taken into account the new statutory arrangements during budget preparation and spending decisions.

The Council has also had to make a number of temporary and interim arrangements in relation to senior management posts during this transitional period and has consulted the External Auditor and the Durham County S151 Officer when appropriate.

The Council places reliance for the development of the Annual Governance Statement (AGS) on the Corporate Governance Steering Group and the work of the Audit Committee. A New Local Code of Corporate Governance and the process for developing the AGS were adopted by Full Council at its meeting held on 28 February 2008.

The Head of Legal Services (the Monitoring Officer) has a duty to monitor and review the constitution and submitted a report to the annual meeting of Full Council held on 29 May 2008 to ensure that it reflected those agreed transitional arrangements for the final year of business.

Council signatories and fidelity guarantee cover have been updated accordingly and actions are being taken to ensure that local arrangements are consolidated within the unitary framework with effect from April 2009.

12.10 The Scrutiny Function

Members not on the Executive are charged with keeping an overview of Council business and scrutinizing areas of particular interest or concern, holding the Executive to account in the business they undertake and to assist in the development and review of Council policies. Overview and Scrutiny Committees are open to members of the public to attend.

As a result of the Local Government Review process, the role of scrutiny was reshaped a refocused to help the Council deliver its single priority of 'People and

Place'. The annual report of Scrutiny for 2008/09 detailed the work undertaken which can briefly summarized as follows:

Scrutiny used a 'task and finish' approach to deliver on three distinct reviews:

- Review into the future of the market
- Review of the future of the un-parished areas of the Chester-le-Street District
- Review into the marketing of sporting activities for young people

In addition the Overview and Scrutiny Committee:

- Scrutinised Executive Decisions
- Reviewed the Annual Corporate Performance of the Council for 2007/08
- Received evidence from Cestria Homes on their performance
- Scrutinised the performance of the councils recycling contract
- Scrutinised the Council's use of s106 monies

The Audit Commission concluded in their Annual Audit Letter that 'Scrutiny arrangements remained effective'.

12.11 The Standards Committee

The Standards Committee met throughout the year and prepared an annual report setting out its work over 2008/09. Matters dealt with during the year included:

- Local Referral System
- Changes to Composition of Standards Committee
- Register of Members

There were no outstanding matters to report.

12.12 Internal Audit

The role of Internal Audit is to review the internal control framework that governs the operations of the Council and, in so doing provide an independent opinion to both management and members of the Authority on the robustness of the Council's internal control environment.

The Accounts and Audit regulations 2003 (amended 2006) and subsequent Cipfa Code of Internal Audit Practice 2006 (the Code) requires Internal Audit to report annually to '*those charged with governance*' on their findings and conclusions and provide an overall opinion on the effectiveness of the internal control environment.

Internal Audit provided its 2008/09 Annual Report, and a Report from a Peer Authority on the effectiveness of the internal audit function as follows:

Report to Corporate Governance Steering Group	12 March 2009
Report to Audit Committee	12 March 2009
Report to Council	19 March 2009

Key points from the Internal Audit Annual Report are that:

- In the review of effectiveness of the Internal Audit section, which is conducted annually and was externally verified by Head of Internal Audit Derwentside District Council, the section was found to be compliant with 9 of the 11 standards in the CIPFA code of practice.
- Based upon their last full review of the section, the Audit Commission were able to place reliance upon the work of section and were satisfied that appropriate constitutional and management arrangements were in place.
- Responses to customer satisfaction surveys and post-audit questionnaires were positive and continue to indicate a confidence in the quality and professionalism of the Internal Audit section.
- Due to staff vacancies during 2008/09, the team has operated below strength pending the consolidation of the Audit resources from across the County. However due to the careful prioritisation of resources, and an increase in productive days, the team completed 96% of the Audit Plan.
- The team achieved 100% success rate in the agreement by managers to audit recommendations.
- The team has contributed to the Audit, Risk and Governance work-stream under LGR to enable advance planning to take place for the new authority.
- Based upon the audit assignments carried out during 2008/09 the internal control environment is considered to have remained effective.
- The Council maintained its score of 3 out of a possible 4 for the Internal Control element under the Use of Resources KLOE.

Action Point	Action Required	Responsibility
Transfer of Assets to New Unitary Authority	Audit of Inventories and other key assets	Internal Audit

12.13 Risk Management

The Council has continued to build on its reputation for managing risks effectively. The Corporate Governance Steering Group oversees the risk management strategy and risk management is embedded in the performance management framework through the reporting protocol and the quarterly performance reports. The significant risks that were managed successfully during 2008/09 included:

- Continued positive direction of travel following CPA 'Good'
- Major progress on Regeneration
- Management of staff vacancies against demands of LGR
- Delivery against Transition Plan and People & Place Priority

The review of the Councils Strategic Risk Profile was timetabled to follow the stock transfer and preparation of the transition plan. Risk Management has continued to be an important element of the council's robust performance management framework during this transitional year. In terms of key strategic risks officer capacity was a key issue during the year with managers leaving to secure their futures and the LGR work programme increasing. Interim arrangements were put in place with regular monitoring at CMT to ensure key deadlines were met and staff support was forthcoming.

In addition to managing the risks of the outgoing authority during 2008/09, an element of support was given to the development of the proposed risk management arrangements for the New Unitary Authority with the production of a new Risk Management Strategy, a consolidated risk register, and a draft work-plan for 2009/10.

A key risk going forward is the potential loss of local knowledge and expertise through changes in senior officers from the Districts. The Council has taken a number of steps to mitigate this risk including the development of the 'Handing over the baton' report for the new authority and other stakeholders.

12.14 Business Continuity Plans

The Council has an approved Business Continuity Plan which is kept under review with the support of the Durham & Darlington Civil Contingencies Unit. The Council will ensure that appropriate records and procedures are carried over to the new authority to safeguard continuity of service during the period of transition until revised plans are developed through the new Heads of Service.

Action Point	Action Required	Responsibility
Review Business Continuity Plans	A review to be conducted in 2009-10	New Heads of Service

12.15 Data Quality

The council first adopted a Data Quality Policy in April 2007 following which significant progress has been reported. The strategy was subsequently reviewed leading to a new strategy approved in March 2008. The Audit Commission has reviewed the Data Quality arrangements and this has shown that the council has continued to improve in this area.

12.16 Financial Management

The Council has maintained strong financial management during its last year of existence and in particular:

- Regular budget forecasts have been received by the Executive, the last of which, reported on 2 March 2009, showed a positive revenue position
- Capital working group has met and managed capital resources effectively
- Approval was gained for closure of the HRA
- Officers have provided detailed financial information and support to the LGR Finance Work-stream to assist the County Council
- The Protocol has been adhered to for 'Business as Usual' requests
- Revised appropriate arrangements have been put in place for financial matters including all payments and receipts with effect from 1 April 2009.

Whilst the Use of Resources score for Financial Management did fall, the Audit Commission concluded on the accounts that 'despite this an unqualified opinion was issued along with an unqualified conclusion on arrangements for securing value for money'.

12.17 Partnership Working

The Council approved a Partnership Strategy in November 2006 and a corporate partnership register is maintained centrally. The importance of our partnerships had a significant impact on the development of a single priority for 2008/09 of 'People and Place'.

This was reflected through the Strengthening Partnerships Action Learning Set, which involved working with key partnerships within the area to ensure they are best placed to have sustainable futures. The Council had worked to support the community and voluntary sector to help them sustain their network and has undertaken a community cohesion project in the villages of Pelton Fell, Sacriston and Grange Villa building capacity and self sufficiency.

Partnership working will form a key element of the Councils 'Handing over the Baton' report

Action Point	Action Required	Responsibility
Build details of Partnership Working into the HOB Report	Construct report and carry out internal consultation including Executive	Director of Corporate Services
Agree Report	Present Final Report	Director of Corporate Services
Submit to new Unitary	Undertake presentation	Chief Executive

12.18 Equality & Diversity

The Council continued to demonstrate its commitment to equality and diversity through its policies and strategies, including in 2008/09:

- officer leadership to the relevant LGR work-stream
- chairing of the Durham Equalities & Diversity Partnership
- The Raising the Flag event held on 17 September 2008 for the Paralympics 2008
- And the 'It's a knockout' community event

12.19 External Audit Reports

During 2008/09 the Councils External Auditors undertook a number of reviews and assessments. These included the following:

- Access to Services – this inspection took place across all eight authorities in County Durham and was published in July 2008. There were some positive findings on strong customer service and local knowledge. Whilst there were no judgments for individual Councils, areas for further development were highlighted.

- Value for Money -the Council continued to develop its arrangements to secure value for money. The Audit commission concluded that VFM was adequate, that there was a strong commitment to VFM and that the Council had continued to deliver on efficiency targets.
- Use of Resources – it is disappointing that the Council's Use of Resources score has reduced in its final year from 3 (out of a possible 4) to an overall score of 2. However, as the Audit Commission point out, much larger Councils would have struggled to maintain the previous score in the light of the challenges faced, with stock transfer and Local Government re-organisation.
- Managing Absence -A review of sickness was conducted across Durham and Tees Valley with the final report issued in May 2008. A number of areas of good practice were highlighted and the findings were supported locally through the work of an Action Learning Set on this issue. The lessons will be shared with the new Unitary Authority.
- The Audit Commission submitted its Annual Audit and Inspection letter to the Council in early March 2009. This provides an overall summary of the Audit Commissions assessment of the Council. The letter provides some very positive messages about the Councils progress over recent years and will be reported to Full Council on 19 March 2009.

Action Point	Action Required	Responsibility
Audit Commission recommendations for transitional arrangements	To maintain robust service arrangements in line with the Transition Plan	All Service Managers

12.20 Other Assurance Indicators

There are a wide number of additional 'good health' indicators that support the view that the Council has developed sound governance arrangements these include:

- The Council has met its efficiency targets producing forward and backward look returns within the required timetable.
- The Councils procurement strategy was managed through the Procurement Strategy Network in partnership with neighbouring authorities.
- Over 40% of performance indicators remain in the best 25% nationally
- Following the transfer of the housing stock in the last quarter of 2007/08, outstanding matters were managed effectively throughout 2008/09.
- The town centre master plan was completed
- A range of environmental awards and successes were achieved
- The IT Service Team retained their charter-mark status
- Government energy efficiency targets exceeded
- During the year, 5 Ombudsmen complaints were received with 1 upheld and all were responded within target. The most recent Ombudsman Annual Report dated June 2008, was favourable
- The last RIPA report by the Office of Surveillance Commissioners was also made in 2008 and again this is extremely positive
- During 2008/09 sickness absence levels within the council showed some further improvement despite the additional demands of LGR

12.21 Managers Assurance Statements

As part of the system of review of effectiveness, heads of service are required to complete an annual assurance statement for their areas of activity. All relevant managers have provided a signed statement together with any action points they may have identified. These statements form part of the key evidence to the AGS and issues reported this year mainly centred around LGR transition and include the following:

- Maintaining performance post vesting day including internal control
- Interim decision making and staffing issues
- Information and knowledge transfer
- Clarity on budgets and spending under the new authority
- Vulnerability of various income streams due to economic downturn
- Final accounts closure for 2008/09

Managers are working with the new authority so that robust plans are in place to deal with those issues raised.

In their Annual Audit Letter for 2008/09 the Audit Commission conclude:

'Strong leadership and commitment from staff have resulted in a significant cultural change within the Council over recent years. Staff have been empowered through the 'one team' ethos and have contributed to improved access to services'

It is the intention of the Council to carry forward the principles of good governance through members and officers who will serve the new Unitary Authority.

We are satisfied that this final governance review has been conducted in accordance with our Local Code of Governance. We propose to bring matters highlighted within this statement to the attention of the Unitary Authority so that steps may be taken to address any areas for improvement.

Signed <i>Linda Ebbatson</i>	Signed <i>Roy Templeman</i>
Linda Ebbatson Leader of The Council	Roy Templeman Chief Executive
Dated <i>19/3/2009</i>	Dated <i>19/3/2009</i>

13. Statement of Responsibilities for the Statement of Accounts

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

Durham County Council's Responsibilities

The County Council is required to:-

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

The Corporate Director Resources' Responsibilities

The Corporate Director - Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/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 Chester-le-Street District Council.

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

Certificate of Corporate Director - Resources

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

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

Certificate of Chairman

In accordance with Regulation 10 (3) (b) of the Accounts and Audit Regulations 2003, I certify that these Accounts were approved by the County Council at the meeting held on 29th July 2009.

B. Myers MBE JP
Chairman of the County Council
Chair of the meeting approving the accounts
30th September 2009

14. GLOSSARY OF TERMS USED IN THE FINANCIAL STATEMENTS

Accounting Bases

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

Accounting Concepts

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

Accounting Policies

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

Account and Audit Regulations 2003

The current set of regulations that detail the accounts need, how they should be published, right of electors and the conduct of the annual statutory audit.

Appropriations

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

Asset Charges

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

Audit Commission

A statutory body which oversees the conduct of local authority statutory audits.

Bad (and doubtful) debts

Debts which may be uneconomic to collect or unenforceable.

Balance Sheet

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

Best Value

A duty on local authorities to secure best value on all aspects of service provision. This duty requires councils to ensure that they are providing the best possible services to the public.

Best Value Accounting Code of Practice (BVACOP)

A modernisation of local authority accounting and reporting to ensure that it meets the changing needs of modern local government; particularly the duty to secure and demonstrate best value in service provision.

Budget Requirement (or Revenue Budget)

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

Capital Charges

Charges to revenue accounts reflecting the cost of fixed assets used in the provision of services. They consist of depreciation.

Capital Expenditure

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

Capital Adjustment Account

This reserve provides a balancing mechanism between the different rates at which assets are depreciated and financed. The balance at 1 April represents the closing value on the former Fixed Asset Restatement Account and Capital Financing Account in last year's Balance Sheet.

Capital Receipts

Proceeds from the sale of a fixed asset or the repayment of an advance made by the Council. A certain proportion of such receipts must be set aside as a provision for credit liabilities (known as reserved capital receipts). The remainder (known as usable capital receipts) can be used to finance capital expenditure.

Cashflow Statement

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

CIPFA/LASAAC Code of Practice on Local Authority Accounting 2008

The Statement of Recommended Practice (SORP) applicable to preparing the 2008/09 accounts.

Collection Fund

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

Community Asset

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

Consistency

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

Income and Expenditure Account

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

Contingency

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

Council Tax

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

Council Tax Benefit

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

Credit Approvals (Supported Borrowing)

Credit approvals are issued by the Secretary of State and provide authority not to charge expenditure for capital purposes to the revenue account. Provision for the revenue implications of this borrowing is factored into the Government's Revenue Support Grant formula.

Creditors

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

Current Asset

An asset which is expected to be disposed of, utilised or realised within twelve months of the balance sheet date.

Current Liability

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

Debtors

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

Deferred Capital Receipts

Proceeds from the sale of fixed assets which will be received in instalments over an agreed period of time.

Deferred Liabilities

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

Department of Works and Pensions (DWP)

Government department that administers the welfare benefits system and reimburses the Council for benefit payments paid to individuals for Housing benefit; Rent allowances and Council Tax Benefit.

Depreciation

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

District Auditor

The Audit Commission's directly employed provider of external audit services.

Earmarked Reserves

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

Financial Reporting Standards (FRS)

These are common standards of accounting practice issued by the Accounting Standards Board.

Fixed Assets

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

General Fund

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

Going Concern

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

Government Grants

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

Housing Benefits

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

Housing Revenue Account

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

Housing Subsidy

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

Intangible Fixed Assets

Capital expenditure which may be capitalised, but which does not create a tangible fixed asset.

Leasing

Leases and hire purchase contracts are means by which companies obtain the right to use or purchase assets. A finance lease is a lease that transfers substantially all the

risks and rewards and ownership of an asset to the lessee. An operating lease is a lease other than a finance lease.

Long Term Investments

Amounts invested by the Council for a period of more than one year.

Matching

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

Materiality

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

Minimum Revenue Provision

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

National Non-Domestic Rates

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

Non-Operational Assets

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

Operational Assets

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

Precepts

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

Prior Year Adjustments

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

Provisions

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

Prudence

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

Public Works Loans Board

A central government agency which lends money to local authorities at lower rates than those generally available from the private sector.

Revaluation Reserve

The Revaluation Reserve includes cumulative unrealised revaluation gains and losses (since 1 April 2007) arising from holding fixed assets.

Revenue Expenditure

General revenue expenditure mainly on pay and other costs of running council services apart from housing.

Revenue reserves (or Balances)

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

Revenue Support Grant

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

Standard Spending Assessment

This is an amount derived by a formula and used to determine the amount of grant that a local authority will receive to support its General Fund expenditure.

Substance Over Form

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

Supported Borrowing (Credit Approvals)

Credit approvals are issued by the Secretary of State and provide authority not to charge expenditure for capital purposes to the revenue account. Provision for the revenue

implications of this borrowing is factored into the Governments Revenue Support Grant formula.

Trust Fund

Funds established from donations or bequests for spending for a specific purpose.

Work in Progress

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

Independent auditor's report to Members of Durham County Council as successor to Chester le Street District Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Chester le Street 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 Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, 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 Chester le Street 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 Council'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 Council'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 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 Chester le Street District Council 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.

Qualified Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing I identified the following:

- the Authority did not arrangements in place to monitor the quality of its published performance information; and
- the Authority did not have arrangements in place to ensure that appropriate asset information, including an up-to-date asset register, is made available to the new unitary authority.

Having regard to relevant criteria specified by the Audit Commission for principal local authorities, published by in December 2006, and the supporting guidance, I am satisfied that, in all significant respects, Chester le Street District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009 except that it did not put in place adequate arrangements:

- to monitor the quality of its published performance information, and to report the results to members; and
- for the management of its asset base.

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
Audit Commission
Nickalls House
GATESHEAD
NE11 9NH

30 September 2009