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## **Explanatory Foreword**

Welcome to Great Aycliffe Town Council's statutory Statement of Accounts for the financial year ended 31<sup>st</sup> March 2011.

This foreword provides a brief explanation of the financial statements and other supporting information that follows, and is intended to assist the reader in understanding the Statement of Accounts.

### **Annual Report**

The Annual Report set out in pages 3 to 13 is a report from the Council's Finance Manager setting out a summary of the Council's activities during the financial year and providing background to the overall financial position of the Council, its financial performance in 2010/11, highlighting the key issues from the Accounts and providing graphical analysis of the Council's revenue and capital spending during the year.

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

The Statement of Responsibilities for the Statement of Accounts on page 14 explains the responsibilities of both the Council and the Finance Manager in relation to the making of arrangements for the proper administration of the financial affairs of the Council and meeting the statutory requirement to certify that the Statement of Accounts presents a true and fair view of the financial position of the Council.

### **Auditor's Report**

The Auditor's report on pages 15 to 17 provides the independent audit opinion from the Audit Commission that the Council's Statement of Accounts has been prepared in accordance with applicable laws and regulations, and presents a true and fair view of the financial position of the Council.

### **Statement of Accounting Policies**

The Statement of Accounting Policies set out in pages 18 to 34 explains the various accounting policies adopted in recognising, measuring and disclosing the transactions included within the Statement of Accounts to ensure compliance with the Financial Reporting Standard for Smaller Entities 2008 (FRSSE).

### **Annual Governance Statement**

The Annual Governance Statement set out in pages 35 to 40 explains the responsibilities of the Council relating to good corporate governance and meeting the requirement to review annually and report on the effectiveness of the Council's governance arrangements and systems of internal control.

### **Income and Expenditure Account**

The Income and Expenditure Account on page 41 is a primary financial statement which sets out all income receivable and expenditure incurred relating to the provision of the Council's services during 2010/11.

### **Statement of Movement on Reserves**

The Statement of Movement on Reserves set out on page 42 provides a summary of the overall change in the level of the Council's Balances and Earmarked Reserves during the year, including the transfer of the year end surplus or deficit from the Income and Expenditure Account, use of reserves to fund capital expenditure and any transfers made between reserves.

### **Balance Sheet**

The Balance Sheet on page 43 is a primary financial statement which sets out the overall financial standing of the Council in terms of the net worth of the Council's assets and liabilities as at the 31<sup>st</sup> March 2011.

### **Notes to the Financial Statements**

The Notes to the Financial Statements detailed in pages 44 to 64 provide further information and explanations of the more important items shown in the Income and Expenditure Account and Balance Sheet.

### **Glossary of Terms**

The Glossary of Terms set out in pages 65 to 76 provides explanation of the financial terms used within the Statement of Accounts and provides a definition of each in order to assist the reader in understanding the financial statements.

## **2010/11 Annual Report**

### **Introduction**

The purpose of the Annual Report is to present a summary of the Council's financial performance during the year and provide supporting information to help the reader understand the financial information within the Statement of Accounts that follows.

The Annual Report outlines the principal activities of the Council, its financial needs, resources and influences, provides detailed analysis of its spending and financial performance during the year, the impact of the current economic climate and public sector spending cuts on the Council, as well as providing a summary of its future plans.

The report provides further analysis of the income and expenditure incurred in undertaking the services provided by the Council, as detailed in the Income and Expenditure Account, and provides a comparison of the actual outturn position against the Council's approved Revenue Budget for the year.

The report also provides further details on the overall financial standing of the Council as at 31<sup>st</sup> March 2011, as set out in the Balance Sheet.

### **Principal Activities of the Council**

Great Aycliffe Town Council provides a wide range of services and facilities within the Parish. The main services and activities provided by the Council are detailed below:-

- Two pre-school learning centres;
- Oak Leaf Sports Complex providing indoor bowls, sports hall, squash courts and bar and catering facilities;
- Oak Leaf Golf Complex comprising an eighteen hole golf course, golf shop, changing rooms and driving range;
- Eight football pitches including mini football and six a side pitches;
- Eight parks all with play equipment, two multi use games areas and four play areas;
- Stephenson Way and West Cemeteries and the provision of burial services;
- Five allotments sites some with pigeon and poultry facilities;
- Community events including Aycliffe Show, Senior Citizens Trips, Fun in the Parks, Santa Tours and the Fireworks Display;
- Grounds maintenance of Council owned land and facilities;
- Environment Officer and Environment Centre at Moore Lane Park;
- Environmental management of a number of nature and conservation areas, the Great Aycliffe Way and other open space across the Parish;
- CCTV cameras;
- Civic events and functions and the Town Mayor;
- Administration of the town market;
- Provision and maintenance of public seating, litter and dog bins and bus shelters;
- Park Patrol Service and Town Pride Team

Services are provided by a workforce of 75 staff of which 50 are full time posts and 25 part time posts, supported by a number of casual and seasonal staff while the Council is managed under the policy direction of 30 Elected Members / Councillors each representing a Ward within the Parish.

## **Financial Needs and Resources**

### **Revenue Spending and Income**

The provision of the various services, facilities and activities of the Council incurs day to day running costs such as the salaries and wages of staff, building and vehicle running costs and the purchase of supplies and services. This is known as revenue expenditure.

In many service areas, income is receivable towards these running costs. For example the pre-school learning centres are eligible for funding from Durham County Council, and in other service areas fees and charges are levied for the services provided, for example at the sports and golf complex and for the cemeteries and allotments services.

The net revenue cost of all of the Council's various services, activities and facilities, after deducting all income due from external funding or fees and charges, is funded by the tax payers of the Parish via the Town Council Tax.

This is the main funding source available towards the day to day running costs of Council services, as the Council does not receive any grant support from the Government.

Revenue expenditure and income are accounted for in the Statement of Accounts via the Income and Expenditure Account.

### **Capital Investment**

In addition to its day to day revenue spending, the Council also needs to make one off capital investment in the various fixed assets supporting front line service provision such as buildings, vehicles and machinery and in community assets such as parks and play areas and street equipment such as public seating and litter and dog bins.

Capital expenditure either creates a material new fixed asset or significantly enhances the use or life of an existing fixed asset. Examples of capital investment would include the replacement of a roof or heating system to a building, the purchase of a new or replacement vehicle, and the installation or upgrade of a play area.

Capital expenditure is mainly funded from the Council's balances and reserves along with any capital grants or contributions that may be available towards specific projects.

Additional capital resources can also be raised from time to time by selling existing fixed assets such as land and buildings to generate capital receipts, or by taking out loans.

Capital expenditure and its funding is accounted for in the Balance Sheet.

## Influences on Council Income and Expenditure

The amount of income that the Council can raise from Council Tax is largely influenced by the number of households in the Parish, which is known as the Tax Base, and also by the maximum amount by which the Council wishes to increase the Council Tax by each year.

Income from fees and charges is largely driven by demand for the services in question, and while this can be managed to some extent, for example by marketing, it is significantly controlled by economic, demographic and social factors.

There are also many influences on the Council's expenditure, most of which are again driven by economic, demographic and social factors.

Examples include inflation and annual pay awards, demand for services, availability of supplies and services, new technology and identification of more economic and efficient ways of working or of procuring goods and services.

## Revenue Spending in 2010/11

The Council set a **Precept of £1,623,000 for 2010/11** which was based on the Net Revenue Budget Requirement or the estimated net cost of running all Council services.

This represented a **reduction** on the 2009/10 Precept of 0.15% and **in the level of the Town Council Tax of 1%**.

**Actual revenue spending** in 2010/11 totalled **£1,359,964** which meant that the Council achieved an overall **saving of £263,036 or 16%** against its 2010/11 Revenue Budget.

The main reasons for the saving on the Revenue Budget were as follows:-

- Budgeted contribution to Capital Reserves	£50,000
- Unused contingency sum	£15,000
- 2010/11 pay freeze	£35,000
- Staff turnover and staff leaving the pension scheme	£17,500
- Reduced bar and catering staffing hours	£10,000
- Higher than expected pre-school funding and fees	£20,000
- Renegotiated gas and electricity contracts	£8,000
- Reduced civic spending	£10,000
- Savings on IT costs	£4,000
- Additional newsletters not produced	£4,000
- Savings on consultancy costs	£5,000
- Savings on the Works Section Budget	£10,000
- Savings on the Sports Complex Budget	£25,000
- Savings on the Special Events Budget	£17,500
- Savings on the Environment Officer Budget	£5,000
- Environmental waste disposal charges not implemented	£10,000
- Savings from adoption of parish lighting	£3,000
- Other efficiency savings on supplies, services and maintenance costs	£14,000

**The above savings on the Revenue Budget were transferred to the Council's Balances at the end of the year.** Further detail on the Council's Balances and Earmarked Reserves and the purpose and planned future use of these is provided later in the report.

The final outturn position is summarised below:-

<b>Committee / Budget</b>	<b>2009/10 Actual Spend £</b>	<b>2010/11 Budget Spend £</b>	<b>2010/11 Actual Spend £</b>	<b>2010/11 (Saving) / Overspend £</b>
<b>Policy and Resources</b>				
Members and Civic Expenses	67,744	78,300	66,415	(11,885)
Finance Service	60,267	67,650	67,819	169
Administration Service	117,211	121,800	120,010	(1,790)
Corporate Service	250,376	275,200	254,112	(21,088)
Pre School Learning Centres	9,317	43,650	15,599	(28,051)
Works Section	113,263	125,000	100,485	(24,515)
Depot	25,083	28,650	39,418	10,768
Capital Financing Charges	41,779	41,000	42,021	1,021
<b>Total</b>	<b>685,040</b>	<b>781,250</b>	<b>705,879</b>	<b>(75,371)</b>
<b>Recreation</b>				
Special Events	128,868	148,450	130,914	(17,536)
Sports Complex	291,685	326,000	281,073	(44,927)
Sports Pitches	19,538	22,600	21,048	(1,552)
Golf Course	61,802	63,750	67,475	3,725
Driving Range	29,107	20,350	24,134	3,784
Parks	260,937	250,950	245,251	(5,699)
Play Areas	56,807	86,350	81,048	(5,302)
<b>Total</b>	<b>848,744</b>	<b>918,450</b>	<b>850,943</b>	<b>(67,507)</b>
<b>Environment</b>				
Environment and Open Spaces	107,833	127,250	109,963	(17,287)
Public Conveniences	2,395	1,450	1,440	(10)
Street Equipment	17,578	27,250	24,751	(2,499)
Allotments	1,136	3,600	4,617	1,017
Cemeteries	7,278	16,750	9,596	(7,154)
Church Works	6,376	6,500	7,681	1,181
<b>Total</b>	<b>142,596</b>	<b>182,800</b>	<b>158,048</b>	<b>(24,752)</b>
<b>Exclude Depreciation Charges</b>	<b>(324,467)</b>	<b>(324,500)</b>	<b>(354,906)</b>	<b>(30,406)</b>
<b>Contingency Sum</b>	<b>10,000</b>	<b>15,000</b>	<b>-</b>	<b>(15,000)</b>
<b>Contribution to Reserves</b>	<b>50,000</b>	<b>50,000</b>	<b>-</b>	<b>(50,000)</b>
<b>Net Spending / Council Precept</b>	<b>1,411,913</b>	<b>1,623,000</b>	<b>1,359,964</b>	<b>(263,036)</b>

## Capital Investment in 2010/11

The Council set an initial **Capital Programme Budget for 2010/11** of £311,500, and this was subsequently increased during the year to **£425,850**.

This accounted firstly for the approved carry forward of £67,500 from the 2009/10 financial year regarding on-going and committed projects at the end of that year, and secondly for a number of additional projects approved during the year totalling £46,850.

The 2010/11 Capital Programme Budget provided for a number of important capital projects including:-

- The upgrade of the play area at School Aycliffe;
- The reopening of the public toilets at St Oswald's Park;
- The conversion of the bowls pavilion at St Oswald's Park to a Pre School office;
- The replacement of the heating system at the Sports Complex;
- The replacement of the bar roof at the Sports Complex;
- Public toilets refurbishment at the Sports Complex;
- A replacement golf fairways mower;
- Building works to Stephenson Way Cemetery, Oak Leaf Golf Complex, Simpasture Park Pavilion and Moore Lane Environment Centre ;
- Additional plots and an access road at St Oswald's Allotments;
- A new Council website and computer hardware upgrades;
- Great Aycliffe Way improvements;
- Purchase of dance mats.

**Actual spending** on the Capital Programme during the year **totalled £289,500**, and this was funded as follows:-

- **£36,905 from Area Grants** secured from the Great Aycliffe and Middridge Area Action Partnership towards the purchase of the dance mats and the Great Aycliffe Way improvements;
- **£207,345 from the Council's Earmarked Capital Reserves;**
- **£45,250 was recharged to the Income and Expenditure Account** relating to capital expenditure that was not enhancing to the value of the fixed assets or under the Council's de-minimus materiality threshold.

A number of capital projects were either on-going or had not commenced at the end of the year and were required to be carried forward to 2011/12. These projects included the Council website, Sports Complex bar roof repairs and St Oswald's Allotments extension.

**A total of £143,500 was carried forward to 2011/12 to meet these requirements.**

## Fixed Asset Disposals

The Council disposed of a number of fixed assets during the year.

The old Sports Complex heating system and the old play equipment at School Aycliffe Play Area were replaced, both of which were at the end of their useful life.

In addition, the Town Park tyre swing was replaced before the end of its useful life due to health and safety issues, which resulted in a small loss on disposal of £4,847.



## **Income and Expenditure Account 2010/11**

There are a number of differences between the figures shown in the Income and Expenditure Account and the Revenue Budget spending comparison as set out in this Report that the reader should be aware of.

These differences arise because of the statutory format and accounting requirements of the Income and Expenditure Account. This requires the inclusion of a number of notional capital accounting entries relating to the Balance Sheet in the Income and Expenditure Account. These entries are not included in the above Revenue Budget spending figures as they are not 'real' costs or income.

These entries include the release of deferred capital grants and contributions to revenue accounts and gains and losses relating to the disposal or sale of fixed assets and are subsequently 'reversed' out on the bottom of the Income and Expenditure Account as 'Appropriations to the Balance Sheet'.

In addition, in accordance with recommended accounting practice, capital expenditure that was not enhancing to the value of the fixed assets or below the Council's de minimus capital expenditure limit and therefore not material, must also be charged to the Income and Expenditure Account.

Such expenditure is not included in the Revenue Budget spending figures on the basis that it cannot be budgeted for with any certainty. Such expenditure is therefore funded from Council Balances and Reserves at the end of the year rather than the Revenue Budget.

This results in a difference between the Revenue Budget saving figure and the surplus shown on the Income and Expenditure Account. This equates to the total of the non-enhancing and de-minimus capital expenditure for 2010/11 of £45,250.

## **Current Economic Climate and Public Sector Spending Cuts**

The current economic climate and the Government Spending Review into public sector expenditure have had an influence on the Council's finances during 2010/11, although the Council has fared better than many of the larger principal councils.

The Council is fortunate in that it does not receive any grant funding from Central Government, and has not therefore faced any direct cuts to its spending.

However, the Council is aware that Durham County Council has faced significant cuts to its grant funding from the Government and that this could, in time, have a financial impact upon the Town Council, if cuts were made to funding currently provided by the County Council such as Pre School funding, Double Taxation Grant and CCTV subsidies.

There is also the possibility of the County Council approaching the Council with a view to considering the devolvement of services, or there may be situations where the Council may wish to consider stepping in to protect local services affected by the spending cuts. Both of these issues would clearly have further financial implications for the Council.

In terms of the current economic situation, there have been a number of issues affecting the Council and its financial planning, some of which have been beneficial and some of which have had a negative impact.

These issues have included:-

- inflation which has had a negative impact in terms of increasing some costs, particularly in respect of fuel, service agreements and utilities costs;
- the public sector pay freeze in 2010/11 which freed up around £35,000 in the Council's Revenue Budget last year;
- continued falls in demand for leisure services has continued to hit income levels in relation to the Oak Leaf Sports Complex and Golf Complex;
- Low interest rates have meant that the interest receivable on the Council's invested balances is now minimal.

However, despite these issues, the Council is still in a relatively strong financial position going forward. This is largely due to the surplus currently being achieved on the Revenue Budget and the prudent level of Council balances and reserves currently held. This will enable the Council to continue to meet future year's capital investment commitments whilst protecting against any unforeseen spending pressures and therefore helping to avoid the need to make cuts to services or jobs and to keep future council tax increases low.

This prudent management of the Council's finances has helped to ensure that the Council is well placed to meet the challenges that the on-going economic uncertainty and public sector spending cuts will bring and help it to maintain the relatively healthy state of its finances over the medium term.

## Balances and Reserves

The favourable outturn position on the Council's Revenue Budget allowed the Council to **contribute £263,036 to its Balances and Reserves** during the year.

A total of £26,946 has been transferred to the Revenue Budget Support Reserve in respect of on-going Revenue Budget commitments and will be used to support the 2011/12 Revenue Budget. The remaining £236,090 has been transferred to the Council's Earmarked Capital Reserves to support future capital investment by the Council as set out in the 2011/12 Budget and 2011 to 2015 Medium Term Financial Plan.

The Council carried forward **balances and reserves** totalling **£772,417 at the end of the financial year** which can be summarised as follows:-

<b>General Fund Balance</b>	<b>£65,471</b>
<b>Budget Support Reserve</b>	<b>£31,946</b>
<b>Earmarked Capital Reserves</b>	
Building Works Reserve	£250,000
Vehicle and Machinery Reserve	£200,000
Parks and Play Areas Reserve	£100,000
Street Equipment Reserve	£25,000
ICT Reserve	£50,000
Sports Complex Reserve	£25,000
Golf Complex Reserve	£25,000
<b>Total Balances and Reserves</b>	<b>£772,417</b>

The Council also had a total of £20,893 in unused capital contributions and a further £16,726 in unused capital receipts available to support future years' capital investment.

## Balance Sheet

The Balance Sheet reflects the **Council's overall net worth**, as represented by the value of the Council's fixed assets such as its land, building, vehicles and machinery, its current assets such as debtors, stocks, bank balances and investments, less the value of its outstanding liabilities such as loans and creditors.

The net worth of the Council **decreased slightly** over the course of the year from **£6,224,724 to £6,144,482**, mainly as a result of the depreciation or loss in value of the Council's fixed assets, although the capital investment undertaken during the year, as described earlier did, in part, offset this fall in value.

## Borrowing

The Council had **outstanding loans totalling £246,469 as at 31<sup>st</sup> March 2011**.

Principal repayments totalling £26,226 were made during the year, with interest payments in respect of the outstanding loans totalling £15,713.

There are currently no plans to restructure or repay early any the existing loans.

## Investments

The Council did not have any short or long term investments as at 31<sup>st</sup> March 2011.

The Council's balances and reserves were invested during the early part of the year in a bank treasury deposit investment. However at the end of the year all surplus balances were held in a higher interest bank account. Interest earned from investments and bank accounts during the year was minimal and totalled £3,561 during 2010/11.

## Fixed Assets

The Council held fixed assets by way of its land, operational buildings, plant, machinery, vehicles and equipment to a **value of £6.1 million as at 31<sup>st</sup> March 2011**.

## Future Plans

The Council's future plans including specific aims and targets for 2011/12 are set out in the Parish Performance Plan and the resourcing of these plans is set out in the 2011/12 Revenue and Capital Budgets.

The Council also has in place a Medium Term Financial Plan, which puts in place the financial strategy for the five year period 2011 to 2015, and an Asset Management Plan which sets out capital investment requirements and priorities for the next ten years.

The Council's **Revenue Budget for 2011/12** was **prepared on the principle of a freeze in the level of Council Tax** in line with Government and tax payer expectations.

The Revenue Budget needed to make prudent provision for inflation, other unavoidable budget increases and falls in income levels from fees and charges by identifying budget reductions and efficiency savings, whilst maintaining a prudent contingency sum and the annual contribution or "top up" to capital reserves.

The Council is pleased to report that it has achieved a small reduction in the level of its Precept for 2011/12, thereby allowing it to freeze the council tax, and that this was **achieved without the need to make cuts to front line services or staffing levels.**

This was possible largely because there were a number of one off savings available to the Council's Revenue Budget this year, arising mainly from the officer pay freeze, the repayment of two of the Council's outstanding loans, the removal from the budget of a number of items of one off budget provision and efficiency savings.

The **2011/12 Capital Programme Budget** was prepared based on the future capital investment requirements set out in the Council's Asset Management Plan. Indicative five year capital budgets are also prepared and included in the Council's Medium Term Financial Plan.

The Capital Programme Budget for 2011/12 was set at £184,000, although this has subsequently been increased by £143,500 to provide for the carry forward of projects from 2010/11 referred to earlier in the report as well as an additional approval totalling £23,800. The revised Capital Programme Budget for 2011/12 therefore currently **totals £351,300.**

This provides for a number of projects including:-

- various asset management works at the Sports Complex;
- computer hardware and software upgrades;
- a new play area at Byerley Park;
- a new toddlers play area at the Town Park;
- the creation of woodland in Woodham Burn for the Queen's Jubilee;
- roofing works to the Sports Complex and Stephenson Way Cemetery;
- resurfacing of the Sports Complex access road and car park;
- a new Council website;
- St Oswald's Allotments extension.

The 2011/12 Capital Programme Budget **will be funded from the Council's Earmarked Capital Reserves**, as it is not expected that any external funding will be available towards the Council's capital investment plans and the Council does not need to undertake further borrowing at the present time.

The 2011/12 Revenue and Capital Programme Budgets will result in **Council Balances and Reserves reducing to around £500,000 by March 2012.** However, Balances would be higher than this if savings were achieved on the 2011/12 Revenue Budget as they have been in previous years.

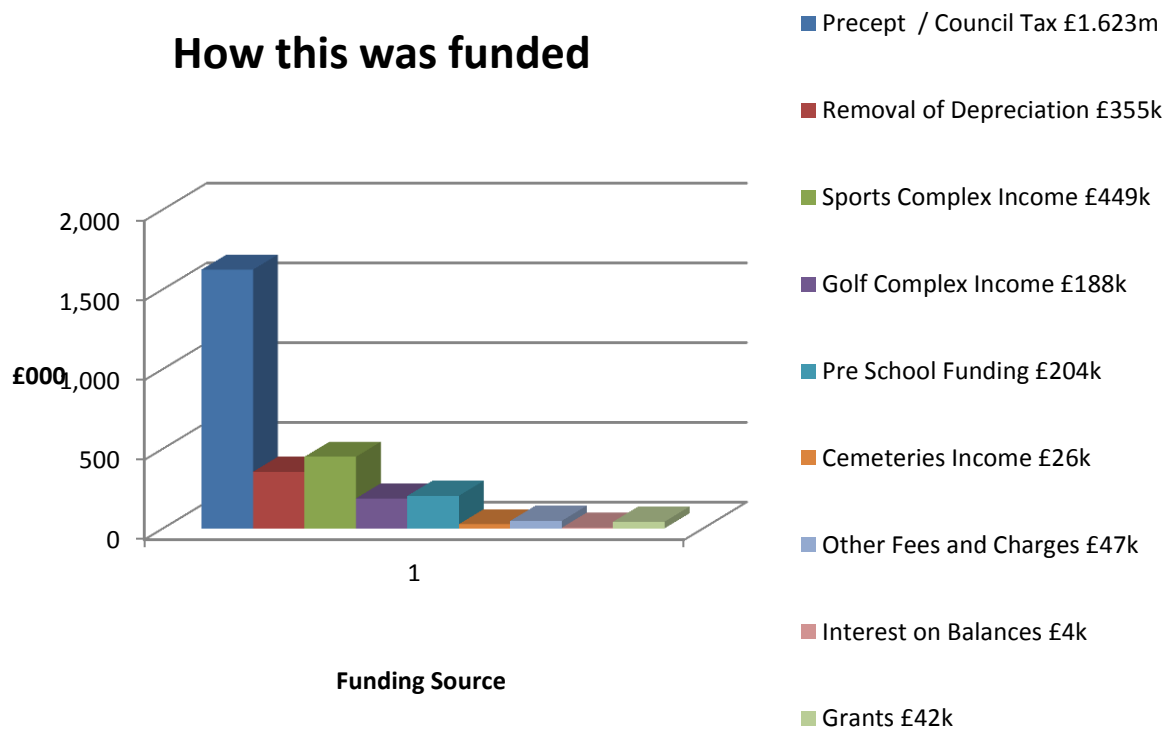
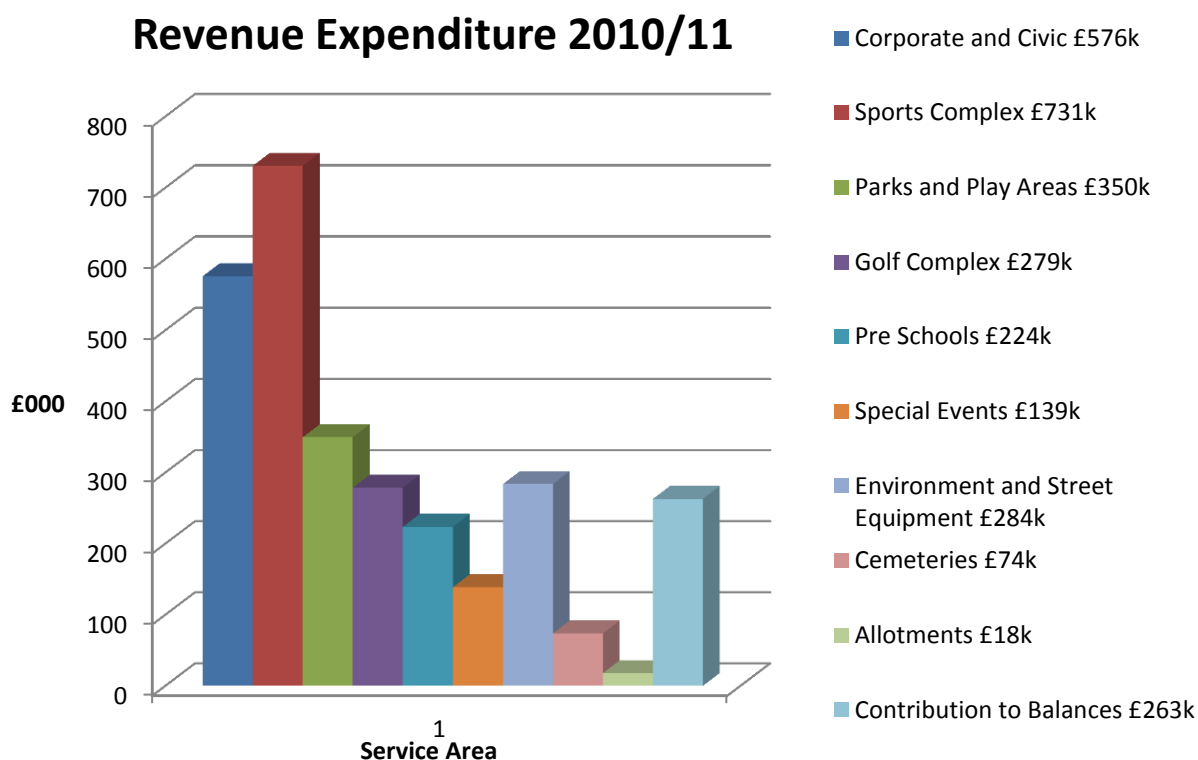
In light of the likely deterioration in the Council's Balances and Reserves over the next few years, future years' capital investment requirements are likely to be spread over a greater number of years.

Full details of the Council's future plans can be found within the 2011/12 Revenue and Capital Budget, Medium Term Financial Plan and Asset Management Plan, all of which are available to view at the Council Offices or on the Council website.

**Dan Austin**  
**Finance Manager**

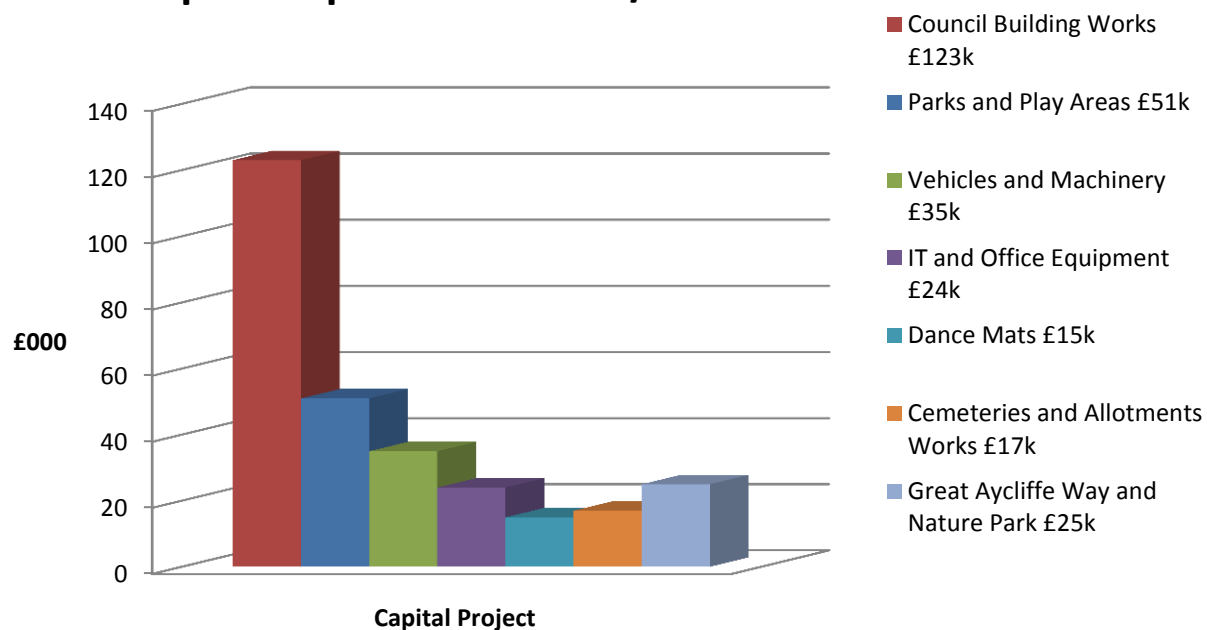
**Date**                      **17<sup>th</sup> June 2011**

## Summary of Revenue Spending in 2010/11 and How It Was Funded

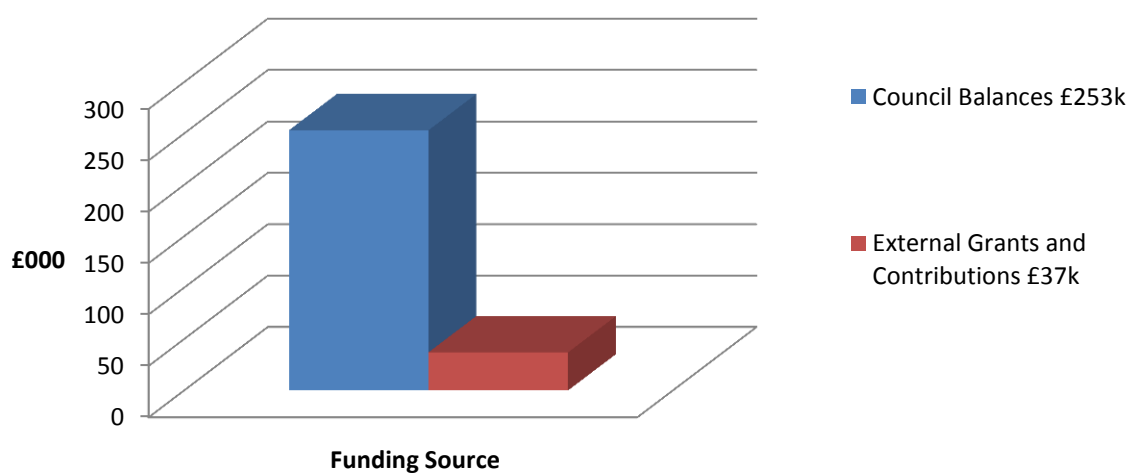


## Summary of Capital Investment in 2010/11 and How It Was Funded

### Capital Expenditure 2010/11



### Funding of Capital Expenditure



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

### **Responsibilities of the Council**

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Finance Manager.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Under the Accounts and Audit Regulations 2011 there is requirement for the Statement of Accounts to be signed and dated by the presiding officer of the Council meeting at which the Accounts are approved.

### **Certification of the Presiding Officer of the Council**

**Mayor of the Council** ..... **Date** .....

### **Responsibilities of the Finance Manager**

The Finance Manager is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Financial Reporting Standard for Smaller Entities (FRSSE), effective 2008.

In preparing this Statement of Accounts, the Finance Manager has:-

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with proper accounting practices as set out in the FRSSE.
- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **Certification of the Finance Manager**

I hereby certify that this Statement of Accounts presents a true and fair view of the financial position of Great Aycliffe Town Council for the year ended 31<sup>st</sup> March 2011 and of its income and expenditure for that year.

**Finance Manager** ..... **Date** .....

## **Independent auditor's report to the Members of Great Aycliffe Town Council**

### **Opinion on the Authority accounting statements**

I have audited the accounting statements and related notes of Great Aycliffe Town Council for the year ended 31 March 2011, under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement of Reserves, the Balance Sheet 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 Great Aycliffe Town Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010.

### **Respective responsibilities of the Finance Manager and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Finance Manager is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Financial Reporting Standard for Smaller Entities (Effective April 2008). My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword and the annual report to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on accounting statements**

In my opinion the accounting statements:

- give a true and fair view of the state of Great Aycliffe Town Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Financial Reporting Standard for Smaller Entities (Effective April 2008).



## **Opinion on other matters**

In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

## **Matters on which I report by exception**

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Governance and Accountability for Local Councils: A Practitioners' Guide (England) 2010' issued by the Joint Practitioners Group (JPAG) and jointly published by the National Association of Local Councils (NALC) and the Society of Local Council Clerks (SLCC) in 2010.

## **Conclusion on the Authority's 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 to regularly review the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities**

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

### **Basis of conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the criteria for other local government bodies published by the Audit Commission in October 2010.

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

## **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Great Aycliffe Town Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

## **Certificate**

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

**Signed** .....

**Date** .....

**Gavin Barker  
Officer of the Audit Commission  
Nickalls House  
The Metrocentre  
Gateshead  
Tyne and Wear  
NE11 9NH**

## **Statement of Accounting Policies**

The purpose of this Statement of Accounting Policies is to explain the basis for the recognition, measurement and disclosure of transactions in the Statement of Accounts in accordance with the statutory requirements set out below.

### **Statutory Requirements**

The Local Government Act and Accounts and Audit Regulations set out the statutory requirement for all relevant bodies 'to prepare, in accordance with proper practices, a statement of accounts each year'.

With effect from 1<sup>st</sup> April 2009 and thereafter, 'proper practices' in relation to the preparation of the accounts of larger local councils are set out in 'Part 4 of Governance and Accountability for Local Councils – A Practitioners Guide 2010'. The guidance is based on the requirements of the Financial Reporting Standard for Smaller Entities (FRSSE), effective 2008.

By following the provisions of FRSSE, larger local councils meet the requirement to follow "proper practices" in relation to the preparation of their accounts.

### **Revision of the Accounts and Audit Regulations**

In January 2011, the Government published a consultation paper on the proposed revision and consolidation of the Accounts and Audit Regulations 2003.

The Accounts and Audit (England) Regulations 2011 were subsequently published by the Government on 22<sup>nd</sup> March 2011. They came into force on 31<sup>st</sup> March 2011 and therefore apply to accounts prepared in respect of the year ended 31<sup>st</sup> March 2011

The regulations were revised and consolidated with the aim of lifting the burden on local authorities and increasing transparency, while also making the regulations easier to understand.

The revised regulations separated out the provisions on the production, approval and publication of the annual accounts applying to smaller and larger relevant bodies.

Prior to the revised regulations being published, the Council was classified as a "relevant body", defined as being a public sector body with a turnover in excess of £1 million per year. The accounting and audit requirements for relevant bodies are described above.

However, the threshold of annual income or expenditure within the definition of a "smaller relevant body" has now been raised from £1 million to £6.5 million in the new regulations.

Status as a smaller relevant body means that the body is subject to much less onerous accounting and audit requirements.

They are permitted by the regulations to prepare simpler published accounts than the larger bodies via the completion of an annual return and under separate arrangements made by the Audit Commission are subject to the 'limited assurance' audit regime.

However the Government also gave all smaller bodies the option of following the rules applying to larger bodies if they wished.

Following consideration of the implications of the revised regulations, the Council was of the opinion that a move to the production of an annual return and limited assurance audit regime would not be appropriate.

As one of the largest Town Councils in the country and one which spends nearly £3 million of local tax payers' money each year, the Council felt it needed to continue to manage its finances to a higher standard and to seek a greater level of assurance from external auditors in order to demonstrate efficient use of public money to local taxpayers.

The Council has therefore taken up the voluntary option available within the regulations of following the rules applying to larger bodies and be subject to a full audit.

This means that the Council will continue to prepare its Statement of Accounts to the current standards in accordance with Governance and Accountability for Local Councils and the FRSSE, as well as voluntarily continue to meet the financial management and corporate governance requirements as set out in the Value for Money Assessment for Other Local Government Bodies.

## **Accounting Principles and Concepts**

Key regard has been given to the following accounting principles and concepts in the preparation of the Statement of Accounts, the exercise of professional judgment, and in the selection and application of the accounting policies that follow:-

### **Going Concern**

This is the accounting principle that the Council will continue to carry out its functions and services as a going concern for the foreseeable future.

### **Prudence**

This is the accounting concept whereby the Council accounts for all transactions on the basis of prudence. This means always taking a prudent view when losses are anticipated and not anticipating gains until they are certain, in order to ensure that assets are not overstated and liabilities are not understated.

### **Accruals**

It is ensured that the financial statements have been prepared on an accruals basis and all income and expenditure relating to the financial year to which the accounts relate has been taken into account regardless of the date of payment or receipt.

### **Relevance**

It is ensured that the financial statements provide information about the Council's financial performance that is useful for assessing the stewardship of public funds and for making economic decisions.

### **Reliability**

It is ensured that the information provided within the financial statements is reliable. Financial information should reflect the substance of the transactions that have taken place, be free from bias and material error, is complete within the limits of materiality and prudently prepared under conditions of uncertainty.

### **Consistency**

It is ensured that the accounting treatment of like items both within an accounting period and from one period to the next should be the same. Consistent accounting policies should be applied within the accounts during a year and between years.

### **Comparability**

It is ensured that the financial statements are prepared with consistent and adequate disclosure to allow comparability.

### **Understandability**

It is ensured that all reasonable efforts are taken in preparing the financial statements to ensure that they are as easy to understand as possible.

### **Materiality**

It is ensured that any omission from or inaccuracy in the financial statements is not large enough to affect the understanding of those statements by a reader, influence assessments of stewardship of public money and economic decisions, or comparisons with other organisations.

### **Primacy of Legislative Requirements**

The Council derives its powers from statute and its financial and accounting framework is closely controlled by primary and secondary legislation. Where legislative requirements and accounting principles conflict, legislative requirements will take precedence.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets as was required under the Code of Practice for Local Authority Accounting in the United Kingdom and on which the Council's Statement of Accounts was based up until 1<sup>st</sup> April 2009.

### **Estimation Techniques**

Estimation techniques are the methods adopted and used by accountants to assess the values of assets, liabilities, gains and losses and changes in reserves when there is uncertainty as to the exact value. As a general principle, the estimation technique chosen will be the one that most closely reflect the economic reality of the transaction.

Estimation techniques will be applied only when required and any used in the preparation of the Statement of Accounts will be appropriately disclosed in the Statement of Accounting Policies.

## **1. Accounting Policies Relating to Revenue Accounts**

### **1.1 Income and Expenditure**

The Council's revenue accounts are maintained on an income and expenditure basis, applying the accruals concept, in accordance with the FRSSE.

This means that sums due to or from the Council are included in the financial statements on the date on which the goods and services were actually provided or received, irrespective of whether or not the cash had actually been received or paid in the year.

However, income and expenditure will only be recognised when the contractual obligation has taken place.

The exception to the above rules is expenditure on salaries and wages which is accounted for in whole weeks and months.

At the end of the year, adjustments will be made via the Balance Sheet to reflect income and expenditure which has not yet been received or paid in respect of goods or services, or which relates to the following year.

These adjustments include debtors and creditors, accruals, prepayments and receipts in advance and details of these adjustments are set out in Accounting Policy 2.3.

### **1.2 Support Service Recharges**

The costs of overheads and support services are recharged to the service areas that benefit from the supply or support service in accordance with the principles of the CIPFA Best Value Accounting Code of Practice (BVACOP). These principles are:-

- Complete recharging of overheads
- Correct recipients
- Transparency
- Flexibility
- Reality
- Predictability / Stability
- Materiality

Recharges or apportionment of costs in respect of support services such as Finance and Administration, as well as the Works Section are made to all front line services during the year based on a budgeted cost, which has been set based on prior year information.

A job costing model is then maintained throughout the year based on actual timesheet information and adjustments are then made at the end of the year based on the actual time worked and actual hourly recharge rates.

Those costs which fall under the BVACOP definitions of 'Corporate and Democratic Core' and 'Non Distributed Costs', are not rechargeable, and are specifically identified in the Income and Expenditure Account as 'Democratic, Management and Civic Costs'.

These are costs relating to the Council's status as a multi-functional, democratic organisation and include all members, civic and corporate management costs.

### **1.3 Interest Payable and Receivable**

Interest payable on the Council's outstanding borrowing is charged to the Income and Expenditure Account, on an accruals basis, for the period to which it relates.

Interest receivable on the Council's investments and bank accounts is credited to the Income and Expenditure Account, on an accruals basis, for the period to which it relates.

### **1.4 External Loan Repayments**

The Council currently has two outstanding loans from the Public Sector Loans Board (PWLb) and makes provision for all scheduled debt repayments based on the type of loan.

The Council's outstanding loans are both fixed rate annuity loans which are calculated on the basis of a sinking fund whereby the proportion of the principal in relation to the annual repayment increases throughout the term of the loan.

Schedule 1 to the Local Government Act 2003 requires larger local councils who have met expenditure by borrowing to debit an 'appropriate amount' to the account from which the expenditure would otherwise fall to be met.

The appropriate amount is a sum equivalent to an instalment of principal and interest combined such that if paid annually it would secure the payment of interest at the due rate on the outstanding principal together with the repayment of the principal not later than the end of the fixed period.

The appropriate amount must be debited to the Income and Expenditure Account with an offsetting credit to the Capital Financing Account.

In the Council's case, the appropriate amount equates to the annual payment of principal and interest due to the PWLB each year.

The effect of this statutory requirement is that the Income and Expenditure Account is debited each year with actual loan interest paid as well as the statutory 'appropriate amount', which also includes an element of loan interest paid.

In order to ensure that local tax payers are not affected by this 'double charge', an amount equivalent to actual loan interest paid is reversed out from the Income and Expenditure Account via the Capital Financing Account.

### **1.5 Early Redemption or Restructuring of Debt**

The Council has in place an approved Treasury Management Code of Practice which provides the framework for the management of the Council's borrowing activities.

This Code of Practice will inform any decisions around any future restructuring or premature repayment of the Council's outstanding debt.

However, it should be noted that the Council has not previously restructured or repaid early any outstanding debt and does not currently have any plans to do so.

## **1.6 Pensions**

The accounting requirements for organisations operating defined benefit or defined contribution pension schemes are set out in Section 10 of the FRSSE.

A defined contribution pension scheme is one into which the employer i.e. the Council, pays regular contributions in respect of its employees, which are fixed as an amount or percentage of pay. Defined contribution schemes have no legal obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits.

A defined benefit pension scheme is one where the scheme rules define the benefits independently of the contributions payable, and the scheme may be funded or unfunded.

The employees of the Council are all eligible to participate in the Durham County Local Government Pension Scheme, which is a defined benefits pension scheme.

Under the requirements of the FRSSE, the Council should therefore account for its pension costs on the basis of a defined benefit scheme.

However, the pension fund actuaries have previously indicated that it is not possible to identify, on a consistent basis, the assets and liabilities relating to those 'smaller bodies' within the scheme. The Council is classified within the fund as a 'smaller body'.

Where fair valuation is not possible, Part 4 of Governance and Accountability for Local Council's 2010 allows pension costs to be accounted for on a defined contribution basis, i.e. actual contributions paid.

The pension costs included in the Council's Statement of Accounts in respect of those employees participating in the pension scheme are therefore equal to the employer's contributions paid to the Pension Fund for those employees during the year.

Employer's contributions are determined by the Pension Fund actuary on a triennial basis and are set to meet 100% of the liabilities of the fund, in accordance with the relevant Government regulations.

The actuarial valuation in 2008 set the contribution rates for the financial years 2008/09 to 2010/11 and contribution rates are based upon a set percentage of the Council's pensionable payroll costs. The Council's rate for 2010/11 was 19.7% which was a 1.5% increase on the 2009/10 pension contribution rate of 19.4%.

The latest actuarial valuation in 2011 has now set the contributions rates for the financial years 2011/12 to 2013/14 and the Council's contribution rate will fall to 18.7%.

Further information about the Durham County Local Government Pension Scheme can be found in the Pension Fund Annual Report which is available from the County Treasurer, Durham County Council, County Hall, Durham, DH1 5UE.

## **1.7 Insurances**

The Council insures against the vast majority of its potential risks and losses via an insurance policy with Zurich Municipal. The Council's insurance cover is reviewed on an annual basis and there are no material unfunded risks that the Council is aware of.



## **1.8 Value Added Tax (VAT)**

VAT is only included in the Council's Income and Expenditure Account, whether of a capital or revenue nature, to the extent that it is irrecoverable. The net amount due to or from HM Revenues and Customers at the end of the year is included in the Balance Sheet as a creditor or debtor.

## **1.9 Acquired and Discontinued Operations**

Income and expenditure relating to any acquired or discontinued operations would be shown separately on the Income and Expenditure Account. Any liabilities in respect of discontinued operations would be disclosed separately as a note to the Balance Sheet. There were no acquired or discontinued operations in 2010/11.

## **1.10 Contingent Assets**

Any contingent assets would not be accrued and shown in the financial statements, but disclosed by way of a note to the accounts if the inflow of a receipt or economic benefit was probable. The disclosure would indicate the nature of the contingent asset and an estimate of its financial effect. The Council does not currently hold any contingent assets.

## **1.11 Contingent Liabilities**

Contingent liabilities have not been accrued and shown in the financial statements, but disclosed in a note to the Balance Sheet, if there is a possible obligation, which may require a payment or transfer of economic benefits. The disclosures indicate the nature of the contingent liability, a brief description, an estimate of its financial effect (where possible), an indication of the uncertainties relating to the amount or timing of the outflow and the possibility of reimbursement.

## **1.12 Exceptional and Extraordinary Items, and Prior Year Adjustments**

### **Exceptional Items**

These are material items that derive from events or transactions that fall within the ordinary activities of the Council but which need to be disclosed separately by virtue of their size or incidence in order to give fair presentation of the Council Accounts.

Any exceptional items will be included in the cost of service to which they relate, or on the face of the Income and Expenditure Account if that degree of prominence was required to give a fair representation in the accounts. A full description of any exceptional item will also be provided in the notes to the Income and Expenditure Account.

Gains and losses on the disposal of fixed assets are required to be shown as an exceptional item in accordance with the FRSSE.

The costs of any fundamental reorganisation or restructuring which had a material effect on the nature of the Council's operations would also be shown separately on the face of the Income and Expenditure Account.

### **Extraordinary Items**

These are material items, possessing a high degree of abnormality which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur.

Any extraordinary items would also be disclosed on the face of the Income and Expenditure Account and fully explained in the notes to the Account.

### **Prior Period Adjustments**

Prior period adjustments are material adjustment applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

Material adjustments applicable to prior years are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and adjusting the opening balance of reserves and other Balance Sheet items for the cumulative effect.

## **1.13 Foreign Currency Translation**

Any income or expenditure arising from a transaction denominated in a foreign currency will be translated into £ Sterling at the exchange rate in operation on the date of the transaction.

## **1.14 Revenue Grants**

In line with the requirements of the FRSSE, any grants received in respect of revenue expenditure are matched against the appropriate expenditure to which they relate in the same accounting period.

Revenue grants are accounted for on an accruals basis and recognised in the accounting statements only when the conditions for their receipt have been complied with and there is reasonable assurance that the grant will be received.

## **1.15 Leases**

The Council does not currently have any material commitments under finance leases, its only leased assets being small pieces of land leased at a nil or peppercorn value.

In terms of operating leases, the Council currently leases a building at Stephenson Way Cemetery to a funeral director, some land at the depot site to a telecommunications provider regarding a telephone mast, and also has in place a number of machine rental agreements regarding office equipment, vending machines etc.

Income receivable and machine rentals payable under these operating leases are charged or credited to revenue accounts during the year on an accruals basis in accordance with the FRSSE.

## **2. Accounting Policies Relating to Balance Sheet Accounts**

### **2.1 Stocks**

Material supplies of stocks are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as stocks in the Balance Sheet. Stocks are valued at the latest price paid.

This is a departure from the requirements of the FRSSE, which requires stocks to be valued at the lower of actual cost and net realisable value. The effect of this accounting treatment has not been quantified, however the opinion is held that the difference in value would not be material.

### **2.2 Investments**

Investments are shown in the Balance Sheet at the lower of cost or net realisable value in accordance with the requirements of the FRSSE.

The Council sometimes invests its surplus balances in a short term bank treasury deposit usually on one month's notice. However, there is no difference between the cost and net realisable value on such investments.

The Council does not have any interests in associated or subsidiary companies.

### **2.3 Debtors and Creditors**

The revenue accounts of the Council are maintained on an accruals basis in accordance with the FRSSE and as set out in Accounting Policy 1.1.

This means that income and expenditure is included in the revenue accounts on the date on which the goods or services are actually provided or received, irrespective of whether or not the cash has actually been received or paid in the financial year.

Debtor and creditor adjustments are therefore made via the Balance Sheet to reflect income and expenditure which has not yet been received or paid in respect of goods or services, or which relates to the following year.

**Debtors** are included in the accounts to represent the value of goods supplied or services provided by the Council during the year, for which payment had not been received at the end of the year or which had not yet been billed.

**Creditors** are included in the accounts to represent the value of goods supplied or services provided to the Council during the year, for which payment had not been made at the end of the year e.g. the invoice was received after 31<sup>st</sup> March.

Three other types of adjustment are made to the Council's Revenue Accounts via the Balance Sheet to reflect income and expenditure relating to the following financial year. These are accruals, prepayments and receipts in advance and each is described below:-

**Accruals** which are similar to creditors and will be included in the accounts to represent an amount that is still due to be paid in the year to which the accounts relate but had not been billed at the end of the year e.g. gas or electricity bills, invoices in dispute.

**Prepayments** are included in the accounts to represent an amount that has been paid during the year to which the accounts relate, but where some or all of the expenditure relates to the following financial year.

**Receipts in Advance** are included in the accounts to represent an amount that has been received during the year to which the accounts relate, but where some or all of the income relates to the following financial year.

A de-minimus limit of £100 is applied for the inclusion of these adjustments and where exact amounts are not known, estimates are used.

## **2.4 Provision for Bad and Doubtful Debt**

All outstanding debts due to the Council are reviewed on an on-going basis throughout the year and any known uncollectable debts will be written off.

A separate provision for bad debts would be charged to the revenue accounts on an annual basis to reflect the fact that some debts may become uncollectable at a future date only if deemed material.

Such a provision would be calculated in accordance with best practice and based on the age of the outstanding debt.

## **2.5 Provisions**

In accordance with the FRSSE, provisions are required to be included in the Accounts for any liabilities of uncertain timing or amount that exist at the Balance Sheet date, and that will require a transfer of economic benefits to settle them.

Provisions should only be recognised if the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Council does not currently have such obligations.

## 2.6 Balances and Reserves

The Council holds balances and reserves of both a revenue and capital nature, all of which are set aside for specific purposes, needs or commitments.

Any expenditure to be met from a balance or reserve must be charged to the appropriate service revenue account or capital account and then funded by a transfer from the appropriate balance or reserve.

Transfers to and from reserves and use of reserves during the year are accounted for through the Statement of Movement on Reserves.

The Council currently holds the following balances and reserves:-

- **General Fund Balance** which represents the funds available to meet any shortfall between the expenditure incurred running the Council's services and the income available to fund them. Any surplus on the Council's Revenue Budget would therefore be transferred here and any deficit would be met from here. The Balance would also be used to meet any significant unforeseen costs or liabilities relating to the Revenue Budget.
- **Revenue Budget Support Reserve** which is set aside to provide for the carry forward of unspent Revenue Budget resources from one year to the next in order to fund on-going spending commitments.
- **Earmarked Capital Reserves** which are set aside to meet specific future capital investment requirements as set out in the Council's Asset Management Plan:-
- **Building Works Reserve** which is set aside to meet the costs of planned works required to the Council's buildings.
- **Vehicle and Machinery Reserve** which is set aside to meet the costs of the future replacement of Council vehicles and machinery.
- **Parks and Play Equipment Reserve** which is set aside to fund parks related capital investment and the cost of replacing and upgrading play equipment.
- **Street Equipment Reserve** which is set aside to meet the cost of replacing street equipment such as bus shelters, street lighting, seating and bins.
- **Sports and Golf Complex Reserves** which are held to fund non-building related capital investment specific to the Sports and Golf Complex including replacement of machinery and equipment relating to these facilities.
- **ICT and Office Equipment Reserve** which is set aside to meet the costs of any major computer related investment e.g. new systems and servers, pc replacement etc and office equipment such as telephone systems and photocopiers.

## **2.7 Deferred Capital Grants and Contributions**

In accordance with the previous accounting requirements applicable prior to 2009/10, the Council has continued to account for capital grants and contributions on a deferred basis.

This means that grants and contributions are amortised over the life of the fixed asset to which they relate by making an annual credit to the appropriate revenue account to match the depreciation charge for the fixed asset.

Although this accounting treatment is not required under the FRSSE, Part 4 of Governance and Accountability for Local Councils allows larger local councils to continue with this approach and the Council has continued to adopt this accounting policy.

## **2.8 Post Balance Sheet Events**

A post balance sheet event is an event which occurs after the Balance Sheet date which:-

- provides evidence relating to conditions existing at the Balance Sheet date; or
- indicates that application of the going concern accounting concept to a material part of the Council is no longer appropriate.

Such an event would be classified as an 'adjusting' event under the requirements of the FRSSE and changes would be required to be made to the amounts included in the Statement of Accounts.

Any occurrence of a material post balance sheet event which concerns conditions which did not exist at the Balance Sheet date will be disclosed in the Notes to the Accounts, detailing the nature of the event and an estimate of the financial effect of the event.

Post Balance Sheet events will be reflected in the Accounts up until the date when the Statement of Accounts is authorised for issue, as declared on the Balance Sheet.

## **3. Accounting Policies relating to Capital Accounts**

### **3.1 Fixed Asset Recognition and Measurement**

All material capital expenditure on the acquisition, creation or enhancement of tangible fixed assets is recognised on a consistent basis and capitalised in the Balance Sheet, in accordance with the FRSSE.

Fixed asset expenditure will be included in the Balance Sheet at capitalised cost, which comprises all expenditure that is directly attributable to bringing a new asset into working condition for its intended use, or works to an existing asset which meets the definition of enhancing capital expenditure.

Expenditure on new fixed assets is capitalised, provided that the new fixed asset yields benefits to the Council for a period of time of more than one year.

Expenditure on the enhancement of existing fixed assets is restricted to works which lengthen substantially an existing assets life, increase substantially its open market value, or increase the extent to which it can or will be used for the functions of the Council.

### **3.1 Fixed Asset Recognition and Measurement (Continued)**

A de minimus capital expenditure limit is set which reflects the accounting concept of materiality and ensures that only capital expenditure that is material to the true and fair presentation of the financial position of the Council is recognised in the Balance Sheet.

All capital expenditure that is not enhancing to the value of an existing fixed asset or below the de minimus limit is recharged to the appropriate service revenue account in the year in which it is incurred along with all repairs and maintenance expenditure and expenditure on initial set up costs that are not directly attributable to a capital project such as overhead recharges and feasibility studies.

Any on-going capital works that are uncompleted at the end of the year would be included as work in progress on the Balance Sheet, if the expenditure had been incurred.

### **3.2 Fixed Asset Valuation**

Prior to 2009/10, the Council's Statement of Accounts was prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council's fixed assets were held on the Balance Sheet using a number of different valuation types based on the type of asset including existing use value, open market value, depreciated replacement cost and historic cost, as based on a full valuation of the Council's assets by the District Valuer in April 2005.

These asset values were different to those now required under the FRSSE which requires fixed asset to be valued at historic cost written down to recoverable amount.

However, in the 2009/10 Accounts, the Council took advantage of a transitional provision available in the first accounting period under the FRSSE whereby the existing fixed asset values can be retained.

All fixed asset valuations as at 31<sup>st</sup> March 2009 were therefore carried forward to the first accounting period under FRSSE on 1<sup>st</sup> April 2009.

All fixed asset values are now treated as being measured at cost and are now depreciated in line with previous estimates of useful lives using the straight line depreciation method.

Part 4 of Governance and Accountability for Local Councils does not recommend the revaluation of fixed assets every five years as was the case under the Code of Practice, although the FRSSE does allow revaluation.

However, the Council may consider a revaluation of its fixed assets in the future in order to ensure that asset values are kept up to date.

Any surplus or deficit arising from the future revaluation of fixed assets would be accounted for via the Revaluation Reserve and Capital Financing Account as described in Accounting Policies 3.10 and 3.11.

### 3.3 Depreciation

All fixed assets, other than land, work in progress, surplus assets and community assets are depreciated, by allocating the value of the asset over the period expected to benefit from its use i.e. its estimated useful life, in accordance with the FRSSE.

Where depreciation is provided for, assets are being depreciated using the straight line method using the following broad guidelines for estimated useful lives:-

Asset Type	Estimated Useful Life	Estimation Basis
Buildings	10 to 45 Years	As previously provided by the District Valuer.
Plant	5 to 15 Years	As estimated by Service Managers.
Vehicles	5 to 10 Years	As estimated by Service Managers.
Machinery	5 to 25 Years	As estimated by Service Managers.
Equipment	5 to 20 Years	As estimated by Service Managers.

Depreciation is charged on the original cost of the fixed asset less any residual value.

Depreciation is charged based on the average of the opening and closing values of the fixed asset. Depreciation on new fixed assets, disposed fixed assets or any enhancing expenditure on existing fixed assets during the year would therefore be charged at half the normal depreciation charge in the year of acquisition, disposal or enhancement.

Were an asset has major component parts, with different estimated useful lives, the component parts may be depreciated separately, if this is deemed material.

Where the estimated useful life of an asset has changed, depreciation on the carrying amount would be charged over the revised remaining life of the asset.

Any future revaluation gains would also need to be depreciated, with an amount equal to the difference between current value depreciation and the depreciation that would have been charged based on the historical cost, being transferred each year from the Revaluation Reserve to the Capital Financing Account.

### 3.4 Impairment

Although, there is no specific requirement within the FRSSE to do so, the Council has continued with a policy of undertaking an annual review of impairment of fixed assets.

Impairment can occur as a result of the following events or changes in circumstances:-

- A significant decline in an fixed asset's market value during the accounting period;
- Evidence of physical damage or obsolescence;
- A significant adverse change in the statutory or regulatory environment; or
- A commitment by the authority to undertake significant reorganisation.

Impairment losses are generally identified if and when a fixed asset is revalued.

However, the value at which each category of fixed assets is included in the Balance Sheet is reviewed at the end of each financial year, via a 'desk top' review carried out by a multi- disciplined team of senior officers to identify possible impairment.



### **3.4 Impairment (Continued)**

Where there is reason to believe that its value has decreased materially in the period, the valuations would be adjusted as follows:-

- Where attributable to clear consumption of economic benefits, the loss is charged to the relevant service revenue account; or otherwise
- The loss is written off first against any previous revaluation gains in the Revaluation Reserve and then against the relevant service revenue account.

### **3.5 Fixed Asset Disposals**

When a fixed asset is disposed of, the value of the asset in the Balance Sheet any disposal costs are written off to the Income and Expenditure Account, while any sales proceeds are credited to the Income and Expenditure Account.

The net effect of the above entries equates to the gain or loss on disposal of the asset.

Any gains or losses on the disposal of fixed assets will be included as an exceptional item in the Income and Expenditure Account and will then be reversed out as a Balance Sheet appropriation by crediting the Usable Capital Receipts Reserve with the disposal proceeds and debiting the Capital Financing Account with the carrying amount of the asset.

### **3.6 Capital Charges to Revenue Accounts**

In accordance with the requirements of the FRSSE, all service revenue accounts are charged with the depreciation charge and, where relevant, any impairment loss for all of the fixed assets used in the provision of that service.

However, the Council is not required to raise council tax to cover the depreciation or impairment of fixed assets, and therefore these charges are reversed out of the Income and Expenditure Account via an appropriation to the Capital Financing Account in the Balance Sheet.

All expenditure on repair and maintenance of fixed assets, de minimus capital spend and any capital expenditure not enhancing to the value of the fixed asset in question are also charged directly to the appropriate service revenue account.

As set out in Accounting Policy 1.4, the Income and Expenditure Account is also charged with an 'appropriate amount' reflecting the principal repayment of external loans used to finance previous capital investment.

### **3.7 Intangible Assets**

Intangible assets are defined as being non-financial fixed assets that do not have a physical substance but are identifiable and controlled by the Council through custody or legal rights and bring benefits for more than one year. An example would be computer software. Any intangible assets would be amortised to the appropriate service revenue account over the life of the asset, to reflect the use of the economic benefits.

The Council does not currently have any intangible assets.

### **3.8 Revenue Expenditure Funded From Capital Under Statute**

Revenue expenditure funded from capital under statute is revenue expenditure which may, by statute, be properly capitalised, but which does not represent a tangible fixed asset. Examples include grants to other bodies for capital expenditure purposes and expenditure on fixed assets that have been sold.

Any such expenditure would be written off to the Income and Expenditure Account in the year in which it was incurred with a corresponding credit to the Capital Financing Account in order to achieve the appropriate use of capital resources within the Accounts.

There has been no revenue expenditure funded from capital under statute in the year.

### **3.9 Capital Grants and Contributions**

Grants and contributions received in respect of capital expenditure are credited initially to the Capital Contributions Unapplied Account within the Balance Sheet.

They are then transferred to the Deferred Capital Grants Account and amounts are then released to the Income and Expenditure Account over the useful life of the fixed asset to which the grant relates, in order to offset the depreciation charge.

The Capital Contributions Unapplied Account therefore reflects capital grants and contributions that have not yet been utilised in funding capital expenditure.

Capital grants are accounted for on an accruals basis and recognised in the accounting statements only when the conditions for their receipt have been complied with and there is reasonable assurance that the grant will be received.

### **3.10 Revaluation Reserve**

The Revaluation Reserve is a non-distributable reserve within the Balance Sheet that would accumulate gains in the value of fixed assets held by the Council, to the extent that these have not been consumed by subsequent downward movements in value.

This reserve would only be required if the Council was to pursue a policy in the future of revaluing its fixed assets. There are currently no plans to do so.

### **3.11 Capital Financing Account**

The Capital Financing Account is a non-distributable reserve within the Balance Sheet used to account for the write down in the value of the Council's fixed assets from depreciation and impairments, and the write off of the book value of fixed assets upon disposal.

It also records the resources that have been used to finance capital expenditure on the Council's fixed assets such as the release of capital grants and contributions via the Deferred Capital Grants Account, the annual repayment of debt, use of earmarked reserves and use of capital receipts.

### **3.12 Infrastructure Assets**

Any expenditure incurred on infrastructure assets, such as highways and footpaths, will be written off as expenditure not enhancing to the value of the Council's fixed assets in the year it was incurred and charged directly to the appropriate service revenue account.

### **3.13 Capital Receipts**

Capital receipts arising from the disposal of fixed assets are credited to the Usable Capital Receipts Reserve, net of any claw back due to the Homes and Communities Agency, until such time as they are used to finance new capital expenditure.

At this time they would be transferred to the Capital Financing Account to reflect the financing of the asset to which they had been applied.

## **4. Accounting Policies relating to Group Accounts**

The FRSSE would require the Council to prepare Group Accounts if it had any interest in subsidiary or associate companies or joint ventures with other organisations.

The Council does not currently have any such interests.

## **5. Accounting Policies relating to Financial Instruments**

Under the Code of Practice for Local Authority Accounting, the Council was required to make various disclosures regarding the accounting treatment of its financial instruments.

Financial instruments are financial assets and liabilities such as loans, investments and bank accounts.

In the Council's case, these disclosures were minimal as the Council does not hold any complex borrowing arrangements or investments, and its exposure to risk is low.

The FRSSE does not require any specific disclosures in relation to financial instruments and as such no additional accounting policies have been included in relation to financial instruments.

The Council has adopted the CIPFA Treasury Management in the Public Services Code of Practice and if the reader should require any further information about the Council's borrowings and investments, they should refer to the Council's Treasury Management Code of Practice which is available to view at the Council Offices or on the Council website.

## **Annual Governance Statement**

### **Introduction**

Governance is defined as the way in which Councils ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

Good governance leads to good management, good performance, good stewardship of public money, good public engagement, and, ultimately, good outcomes for citizens and service users.

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published in June 2007, a Framework for Delivering Good Governance in Local Government.

All Local Authorities are required to review annually their governance arrangements, maintain a local code of governance, including the arrangements for reviewing its effectiveness, and to prepare an Annual Governance Statement, to report publicly on the extent to which the Council has complied with the code each year.

Part 4 of Governance and Accountability for Local Councils 2010 builds on the above requirements and sets out eight representations or statements of assurance that should be included in the Annual Governance Statement. These statements of assurance have been adopted by the Council and are now included in the Annual Governance Statement.

### **Scope of Responsibility**

Great Aycliffe Town Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, as applicable to the parish and town council sector, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council is also required to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to value for money via a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Great Aycliffe Town Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk and ensuring a sound system of internal control.

This statement explains how Great Aycliffe Town Council has complied with the CIPFA / SOLACE Framework for Delivering Good Governance in Local Government and Part 4 of Governance and Accountability for Local Councils 2010, as well as meeting the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of a Statement of Internal Control.

## **Purpose of the Governance Framework**

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

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

The governance framework has been in place at Great Aycliffe Town Council for the year ended 31<sup>st</sup> March 2011, and up to the date of approval of the Annual Report and Statement of Accounts.

## **The Great Aycliffe Town Council Governance Framework**

The Great Aycliffe Town Council governance framework is based on the proper establishment of the Council's overall strategic vision, aims and targets via the Parish Performance Plan, an effective performance management framework, the scheme of administration including financial regulations and standing orders, and ensuring appropriate segregation of duties, officer and member relations and conduct, management and supervision and a system of delegation and accountability.

Development and maintenance of the system is undertaken by service managers within the Council and is overseen by Members of the Council.

The governance framework includes the following specific features:-

- Establishment of the Council's overall vision via the Parish Plan.
- Establishment of strategic aims and targets via the Parish Performance Plan.
- Ensuring regular monitoring of strategic aims and targets via the Performance Management Framework and reporting this via the Parish Performance Plan.
- Regular consultation and engagement with the community and service users via the newsletter, satisfaction surveys, open days, youth council and customer panel.
- Maintenance and annual review of the Council's Constitution including the:-
  - Scheme of Delegation
  - Committee Structure and Powers and Duties of Committees
  - Standing Orders for Contracts and Procurement
  - Financial Regulations
  - Member and Officer Codes of Conduct
  - Council Policies

- Service reviews, as and when required via the Service Review Working Group which reviews the quality and cost effectiveness of Council service areas.
- The work of the Internal Auditor via the completion of the Annual Internal Audit Plan.
- The operation of the Council's Audit Sub-Committee and reporting of the Annual Internal Audit Plan, audit reports and recommendations to this Committee.
- The annual update of the Council's Medium Term Financial Plan.
- The Budget Framework which sets out the guidelines, principles and timeframe for the setting of the Council's annual Revenue and Capital Budget.
- Regular budgetary control including undertaking twice yearly assessments of expected outturn during the year and reporting of the Council finances to Members.
- The implementation of risk management principles across the Council including the annual update of the Risk Management Strategy, the quarterly review and update of the corporate risk register and risk assessment as and when necessary.
- The implementation of the Anti-Fraud and Corruption Policy, Confidential Reporting Policy and Comments and Complaints Policy which set out the procedures for whistle blowing, reporting and investigating concerns of fraud and the investigation of complaints from the public.
- Maintaining Quality Council status.
- Effective and regularly reviewed insurance arrangements.
- The inclusion of all policy, staffing, financial and risk implications of any decisions referred to the Council for consideration.
- Formal ICT procedures for e-mail, internet and other computer use.
- Employment policies, plans and procedures.
- Other financial policies including the Purchase Ordering and Payments for Goods and Services Policy and Income Collection and Debt Recovery Policy.
- Investors in People accreditation.
- A commitment to staff and Member development and training.

## **Annual Review of Effectiveness**

Great Aycliffe Town 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 undertaken by the corporate management team comprising the Town Clerk, Finance Manager and Corporate and Policy Officer who have delegated responsibility for the development, maintenance and review of the governance framework.

The review is significantly informed by the work of the Internal Auditor and the quarterly reports to the Council's Audit Sub-Committee and also by reports from the Audit Commission and other inspectorates such as OFSTED who review the Pre Schools.

The Council currently employs one part time Internal Auditor and an annual Internal Audit Plan has been established which identifies the individual areas of audit activity planned, taking into account an assessment of risk. All of the major services, systems and processes of the Council are examined every year to confirm that internal financial controls are operating satisfactorily and effectively contributing to the efficient delivery of services.

Reliance is also placed upon the work of service managers within the Council, who are responsible for ensuring that the governance and internal control framework is maintained.

The Council has established the following specific processes to help inform the annual review of the effectiveness of the governance framework:-

- Incorporating all issues highlighted in the Annual Governance Report and Annual Audit Letter from the Audit Commission.
- Review of the Internal Audit Plan completed by the Internal Auditor and reports to the Audit Sub-Committee including the annual review of the Internal Audit Service.
- Scrutiny of all decisions and recommendations made by Environment, Recreation and Policy and Resources Committees and Full Council during the year including consideration of any policy, staffing, financial and risk implications highlighted in those reports.
- Review of agendas and minutes of meetings of the senior officer Performance Management Group which monitors performance against aims and targets, considers and agrees budgets, undertakes the quarterly review of the risk register and considers many other corporate issues.
- Reviewing reports of the Service Review Working Group regarding the quality and cost effectiveness of services provided by the Council as and when undertaken.
- Review of the quarterly budgetary control reports which are reported to and considered by the Policy and Resources Committee.
- The outcome of any special investigations or fraud investigations during the year.

## **2010/11 Review of Governance Arrangements**

There were no material issues identified during the 2010/11 review of the effectiveness of the Council's corporate governance arrangements by the corporate management team relating to possible weaknesses in the arrangements or any recommendations to ensure continuous improvement in the framework.

In addition no material issues of internal control were identified by the Internal Auditor during the year, in completing the Annual Internal Audit Plan.

We have been advised on the implications of the review of effectiveness of the governance framework by the corporate management team and, in accordance with Part 4 of Governance and Accountability for Local Councils 2010 make the following eight representations and statements of assurance with regard to the Council's governance arrangements:-

1. We have approved the accounting statements which have been prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices as set out in Part 4 of Governance and Accountability for Local Councils 2010 and the Financial Reporting Standard for Smaller Entities (FRSSE).
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice which could have a significant financial effect on the ability of the Council to conduct its business or on its finances.
4. We have provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.
5. We have carried out an assessment of the risks facing the Council and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.
6. We have maintained throughout the year an adequate and effective system of internal audit of the Council's accounting records and control systems and carried out a review of its effectiveness.
7. We have taken appropriate action on all matters raised in reports from internal and external audit.
8. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year end, have a financial impact on the Council and, where appropriate included them in the accounting statements.



## **Approval Statement**

This Statement was approved at a meeting of the Council's Policy and Resources Committee on the 29<sup>th</sup> June 2011 when authority was given for the Chairman of the Council and the Town Clerk to sign the statement.

On the basis of the review of effectiveness and the information supplied to us, we are satisfied that the Council's corporate governance arrangements are sound and operating effectively.

**Signed by the Chairman of the Council** .....

**Signed by the Town Clerk** .....

**Income and Expenditure Account for the Year Ended 31<sup>st</sup> March 2011**

<b>2009/10 £</b>		<b>Notes</b>	<b>2010/11 £</b>
	<b>Income</b>		
1,625,500	Precept		1,623,000
85,019	Grants received	8	42,962
27,698	Rental income, leases and licences		27,092
2,921	Interest receivable and investment income	11	3,561
672,151	Fees and charges for services		684,263
190,925	Other income and contributions		202,224
87,531	Deferred capital grants released to revenue		56,253
<b>2,691,745</b>	<b>Total Income</b>		<b>2,639,355</b>
	<b>Expenditure</b>		
	<b>Direct Service Costs</b>		
973,168	Salaries and wages		1,017,393
11,460	Grant aid expenditure	9	3,285
1,189,789	Other direct service costs		1,177,047
	<b>Democratic, Management and Civic Costs</b>		
324,590	Salaries and wages		330,893
177,065	Other democratic, management and civic costs		165,379
	<b>Exceptional Items</b>		
18,913	(Gains) and losses on disposal of fixed assets		4,847
<b>2,694,985</b>	<b>Total Expenditure</b>		<b>2,698,844</b>
<b>3,240</b>	<b>Net Operating (Surplus) / Deficit for Year</b>		<b>59,489</b>
	<b>Balance Sheet Appropriations</b>		
(18,913)	Reversal of losses on disposal of fixed assets		(4,847)
87,531	Reversal of deferred capital grants and contributions	7	56,253
(324,467)	Reversal of fixed asset depreciation and impairments	5	(354,906)
24,153	Statutory charge for capital (loan repayment costs)		26,226
<b>(228,456)</b>	<b>Net (Surplus)/Deficit to the General Fund Balance</b>		<b>(217,785)</b>

### Statement of Movement on Reserves

The following statement summarises the movement on the Council's Balances and Earmarked Reserves during the year.

	<b>Balance at 1st April 2010 £</b>	<b>Transfer to £</b>	<b>Transfer from £</b>	<b>Use of Reserve £</b>	<b>Balance at 31st March 2011 £</b>
<b>General Fund Balance</b>	106,977	237,785	(279,291)	-	65,471
<b>Other Revenue Reserves</b>					
<i>Budget Support Fund</i>	15,753	26,946	-	(15,753)	26,946
<i>Brewery Sponsorship</i>	10,000	-	-	(5,000)	5,000
<b>Total Revenue Balances</b>	<b>132,730</b>	<b>264,731</b>	<b>(279,291)</b>	<b>(20,753)</b>	<b>97,417</b>
<b>Earmarked Capital Reserves</b>					
<i>Buildings Reserve</i>	300,000	43,295	-	(93,295)	250,000
<i>Vehicle and Machinery Reserve</i>	150,000	84,999	-	(34,999)	200,000
<i>Parks and Play Areas Reserve</i>	100,000	45,537	-	(45,537)	100,000
<i>Street Equipment Reserve</i>	20,000	13,888	-	(8,888)	25,000
<i>ICT Reserve</i>	20,000	52,160	-	(22,160)	50,000
<i>Sports Complex Reserve</i>	20,000	7,466	-	(2,466)	25,000
<i>Golf Complex Reserve</i>	20,000	5,000	-	-	25,000
<i>Insurance Reserve</i>	20,000	-	(20,000)	-	-
	<b>650,000</b>	<b>252,345</b>	<b>(20,000)</b>	<b>(207,345)</b>	<b>675,000</b>
<b>Total Balances and Reserves</b>	<b>782,730</b>	<b>517,076</b>	<b>(299,291)</b>	<b>(228,098)</b>	<b>772,417</b>

The year-end surplus on the Income and Expenditure Account of £217,785 was transferred to the General Fund Balance at the end of the year, along with £20,000 balance from the Insurance Reserve which is not required.

The balance on the 2010/11 Capital Programme requiring to be funded from Council Balances totalling £207,345 was funded from the appropriate Earmarked Reserves.

Transfers were subsequently made between the General Fund Balance and Earmarked Capital Reserves to ensure that sufficient resources are set aside to meet future year capital spending commitments. The total of these transfers was £252,345

A transfer of £26,946 was also made from the General Fund Balance to the Revenue Budget Support Fund in respect of on-going revenue budget commitments which will be used to support the 2011/12 service revenue accounts.

**In overall terms the Council's Balances and Earmarked Reserves fell by £10,313.**

**Balance Sheet as at 31<sup>st</sup> March 2011**

<b>31st March 2010 £</b>		<b>31<sup>st</sup> March 2011</b>		
		<b>Notes</b>	<b>£</b>	<b>£</b>
	<b>Operational Fixed Assets</b>			
4,693,555	Land and Buildings	1		4,615,285
1,232,697	Vehicles, Plant, Machinery and Equipment	1		1,195,464
293,733	Community Assets	1		293,733
<b>6,219,985</b>	<b>Total Tangible Fixed Assets</b>			<b>6,104,482</b>
	<b>Current Assets</b>			
600,000	Short Term Investments	2	-	
14,264	Debtors	3	12,020	
20,249	Stocks	4	17,634	
45,821	Prepayments	5	46,060	
290,506	Bank Accounts and Cash in Hand	6	969,937	
<b>970,840</b>	<b>Total Current Assets</b>			<b>1,045,651</b>
<b>7,190,825</b>	<b>Total Assets</b>			<b>7,150,133</b>
	<b>Current Liabilities</b>			
(109,659)	Creditors	7	(96,922)	
(32,233)	Accruals	8	(124,099)	
(34,202)	Receipts in Advance	9	(32,829)	
-	Provisions		-	
(26,224)	Borrowing Repayable within 12 Months	10	(11,270)	
<b>(202,318)</b>	<b>Total Current Liabilities</b>			<b>(265,120)</b>
<b>6,988,507</b>	<b>Total Assets less Current Liabilities</b>			<b>6,885,013</b>
	<b>Long Term Liabilities</b>			
(246,471)	Long Term Loans Outstanding	11		(235,199)
(503,787)	Capital Grants Deferred Account	12		(484,439)
(13,525)	Capital Contributions Unapplied	14		(20,893)
<b>6,224,724</b>	<b>Total Assets less Total Liabilities</b>			<b>6,144,482</b>
	<b>Financed By:</b>			
-	Revaluation Reserve	15		-
5,425,268	Capital Financing Account	16		5,355,339
650,000	Earmarked Capital Reserves	17		675,000
132,730	General Fund Balance	17		97,417
16,726	Useable Capital Receipts Reserve	18		16,726
<b>6,224,724</b>				<b>6,144,482</b>

The Statement of Accounts for the year ended 31<sup>st</sup> March 2011 was authorised for issue and publication by the Responsible Financial Officer (RFO) on 29<sup>th</sup> June 2011 and any post balance sheet events up to this date have been considered in the Accounts.

## **Notes to the Financial Statements**

### **Notes to the Income and Expenditure Account**

#### **1. Overview of the Income and Expenditure Account**

The Income and Expenditure Account sets out all income receivable and expenditure incurred in the provision of the Council's various services during 2010/11.

The Account follows the standard format as set out in Part 4 of Governance and Accountability for Local Councils 2010, as adapted from the Financial Reporting Standard for Smaller Entities (FRSSE). This standard format helps to ensure comparability between the financial statements of larger local councils.

However, this standard Income and Expenditure Account format is very different from the format in which the Council's Revenue Budget is structured and how it's spending is reported during the year. The Council's Revenue Budget is analysed by individual service areas under the three main Committees of the Council which are Policy and Resources, Recreation and Environment.

The Annual Report provides an analysis of the Council's Revenue Budget and actual spending in 2010/11 in this format.

It is also important to note that the statutory requirements of the Income and Expenditure Account require the inclusion of a number of notional accounting entries relating to fixed assets within service income and expenditure.

These entries include the depreciation and impairment of fixed assets, gains and losses on the disposal of fixed assets, and the release of deferred capital grants.

However these entries are all then removed from the Income and Expenditure Account as 'Appropriations to the Balance Sheet' in order to show the true surplus or deficit for the year as represented by the transfer to or from the General Fund Balance for the year detailed in the Statement of Movement on Reserves.

#### **2. Prior Period Adjustments**

There have been no prior period adjustments made to the Income and Expenditure Account to adjust the 2009/10 comparative figures.

#### **3. Explanation of Income and Expenditure Account Items**

The note on the following page is included in order to provide an explanation of the various headings in the Income and Expenditure Account and to explain which costs and income are included under each category:-

## **Income**

### **Precept**

This is the amount required from local tax payers in Great Aycliffe to run the net cost of all of the Council's services after deducting all income due from grants, fees and charges etc.

### **Grants received**

All grants receivable towards the running costs of the Council's services.

### **Rental income, leases and licences**

This includes rents, leases and licences for the use of Council land and buildings such as the lease of a building at Stephenson Way Cemetery to a funeral director, land at the depot site to a telecommunications company, rental of the golf shop premises to the golf professional and the licence for the provision of the town market.

### **Interest receivable**

All interest receivable on the Council's investments and bank accounts.

### **Fees and charges for services**

All income from fees and charges levied for services and activities provided by the Council such as cemeteries, allotments, golf course, driving range and sports complex.

### **Other income and contributions**

Any other income that does not fall into one of the above categories. Pre-school funding receivable from Durham County Council is included under this category.

## **Expenditure**

### **Direct Service Costs**

These are costs associated with the running of all front line service areas including the pre-schools, works and grounds maintenance, sports complex, golf course, driving range, sports pitches, community events, parks and play areas, environment and open spaces, allotments, cemeteries, markets, CCTV cameras and street equipment.

**Direct service salaries and wages** costs include the cost of all staff directly involved in running of front line service areas, as well as the support provided by office based staff.

**Other direct service costs** include all non-staffing based costs including the running costs of premises and vehicles, and supplies and services such as equipment, training, uniforms, telephones, shrubs and bedding plants, bar and catering supplies, pre-school milk, sub-contractors, consultants and insurance costs.

### **Democratic, Management and Civic Costs**

These are all costs relating to the democratic and corporate management of the Council including the cost of councillors, corporate management, finance and administration.

**Salaries and wages costs** include the cost of all staff directly involved in the corporate and democratic management of the Council, net of support provided by these staff to front line service areas, plus the cost of Members' Allowances.

**Other democratic, management and civic costs** includes all non-staffing based costs including the cost of civic functions, stationery, postage, audit fees, and IT costs.

#### **4. Exceptional and Extraordinary Items**

The only exceptional item in the Income and Expenditure Account is the loss on disposal of fixed assets, which must be identified as an exceptional item in accordance with Part 4 of Governance and Accountability for Local Councils 2010 and FRSE.

The loss on disposal of fixed assets in 2010/11 related to the disposal of the tyre swing in the Town Park for health and safety reasons. The remaining net book value of the asset of £4,847 was written off to the Income and Expenditure Account during the year.

There were no extraordinary items in 2010/11.

#### **5. Depreciation Charge**

All of the Council's operational fixed assets, other than land and community assets, are depreciated using the straight line method over their estimated useful lives.

Accounting Policy 3.4 provides further information on depreciation including the calculation method and the estimated useful life assumptions.

The depreciation charge for each fixed asset is charged to the service area in which the asset is used and is included within 'other direct service costs' and 'other democratic, management and civic costs' in the Income and Expenditure Account.

Total depreciation charged in 2010/11 was £354,906 (£324,467 in 2009/10).

The total depreciation charged is then reversed out of the Income and Expenditure Account as an 'appropriation to the Balance Sheet' as described in Note 1.

#### **6. Calculation of Statutory Charge for Capital ('Appropriate Amount')**

Schedule 1 to the Local Government Act 2003 requires larger local councils who have met expenditure from borrowing to debit an 'appropriate amount' to the account from which the expenditure would otherwise have fallen to be met.

The appropriate amount is a sum equivalent to an instalment of principal and interest combined such that if paid annually it would secure the payment of interest at the due rate on the outstanding principal together with the repayment of the principal not later than the end of the fixed period.

The appropriate amount must be debited to the Income and Expenditure Account with the offsetting credit to the Capital Financing Account.

The actual interest paid on the Council's outstanding loans to the Public Sector Loans Board (PWLb) is charged to the Income and Expenditure Account and included within 'other direct service costs'.

The statutory charge for capital or appropriate amount shown in the Council's Income and Expenditure Account therefore equates to the annual payment of principal due to the PWLB in 2010/11 for the Council's outstanding loans totalling £26,226.

## 7. Deferred Capital Grants Release

Any grants or contributions received towards the financing of capital expenditure by the Council are amortised over the life of the fixed asset to which they relate and released to the appropriate service revenue account to match the depreciation charge for the asset as set out in Accounting Policy 2.7.

The release of these amounts is shown as income in the Income and Expenditure Account and is then reversed out to the Capital Financing Account as an appropriation to the Balance Sheet as described in Note 1. The total of the amounts released to revenue accounts in 2010/11 was £56,253.

An analysis of the Capital Grants Deferred Account including the amounts released to the Income and Expenditure Account is detailed in Note 10 to the Balance Sheet.

## 8. Revenue Grants Received

The Council sometimes receives grants towards the running costs of its services and an analysis grants received during 2010/11 and the preceding year is detailed below:-

	2009/10 £	2010/11 £	Grant from	Nature of Grant
Environment Lottery Grant	9,195	-	Lottery	Environment Initiatives
Sure Start Grant	37,349	-	DCC	Pre School Equipment
Area Budget Grants	-	4,487	DCC	Environment Initiatives
Double Taxation Grant	38,475	38,475	DCC	Cemeteries and Allotments
<b>Total</b>	<b>85,019</b>	<b>42,962</b>		

## 9. Expenditure under the Power of Well Being

Having met the prescribed conditions as required by the Parish Council Power to Promote Well Being Order 2008, the Council adopted the Power of Well Being in November 2009.

This power effectively removes the need for the Council to rely on other legislation in order to take a particular action, providing that action is allowed by statute and promotes the well-being of the Great Aycliffe parish.

This power replaced the previous powers provided under Section 137 of the Local Government Act 1972, whereby the Council was permitted to incur expenditure, up to a specified limit, for the benefit of the people in its area, on activities or projects not specifically authorised by other powers or legislation.

Expenditure under the Power of Well Being in 2010/11 and 2009/10 was as follows:-

Description of Expenditure	2009/10 £	2010/11 £	Income and Expenditure Account
<i>Grants to local charities</i>	11,460	3,285	Grant aid expenditure
<i>Maintenance of church grounds</i>	7,200	8,800	Other direct service costs
<b>Total</b>	<b>18,660</b>	<b>12,085</b>	



## 10. Publicity Expenditure

Section 5 of the Local Government Act 1986 requires the Council to disclose separately its expenditure on publicity. The amounts spent by the Council in 2010/11 and 2009/10 are set out below:-

<b>Description of Publicity</b>	<b>2009/10 £</b>	<b>2010/11 £</b>
<i>Recruitment advertising</i>	220	2,738
<i>General advertising</i>	10,000	9,478
<i>Council newsletter</i>	3,784	3,974
<b>Total</b>	<b>14,004</b>	<b>16,190</b>

These amounts are included within both direct services and democratic, management and civic costs in the Income and Expenditure Account.

## 11. Interest Payable and Receivable

The interest payable on the Council's outstanding loans from the PWLB as described in Note 6, totalled **£15,713** and was charged to Other Direct Service Costs.

The interest receivable from the investment of the Council's surplus balances in a bank treasury deposit and from the Council's bank accounts was minimal due to the very low interest rates and totalled **£3,561**.

## 12. Staffing

As at the 31<sup>st</sup> March 2011, the Council employed 75 staff represented by 50 full time staff and 25 part time staff, both on a permanent and a temporary basis. All employees are paid in accordance with nationally agreed pay scales.

## 13. Senior Officer Remuneration

The Accounts and Audit Regulations 2011 include a statutory requirement to report the remuneration of senior employees. The Council must disclose in a note to the Accounts details of any officers whose remuneration excluding pension contributions, was more than £50,000 in the year.

Only one member of staff, the Town Clerk, was paid more than £50,000 during 2010/11 as detailed below (the 2009/10 figures are shown for comparison):-

<b>Town Clerk Remuneration</b>	<b>2009/10 £</b>	<b>2010/11 £</b>
Basic Salary	62,718	62,537
Car Allowance	960	963
Expenses	330	733
<b>Total Excluding Pension</b>	<b>64,008</b>	<b>64,233</b>
Pension Contributions	12,108	12,320
<b>Total Remuneration</b>	<b>76,116</b>	<b>76,553</b>

## 14. Pensions

The employees of the Council are all eligible to participate in the County Durham Local Government Pension Scheme which is a defined benefit scheme.

Under the requirements of the FRSSE, the Council should therefore account for its pension costs on the basis of a defined benefit scheme.

However as explained in Accounting Policy 1.6, the Pension Fund actuaries have previously indicated that it is not possible to identify on a consistent basis the assets and liabilities relating to those smaller bodies within the Fund.

The Council is classified within the Fund as a smaller body, and in these circumstances, the FRSSE requires that the disclosure of pension costs within the financial statements be made on the basis of a defined contribution scheme i.e. actual contributions paid.

**The contributions made to the County Durham Local Government Pension Scheme for the year ended 31<sup>st</sup> March 2011 were as follows:-**

**Employees £48,207**  
**Employers £151,575**

Employee contribution rates varied from 5.5% to 7.2% of pensionable pay.

The Council's contribution rate was 19.7% of pensionable pay and these costs were charged to the Income and Expenditure Account with the salaries and wages costs for direct services and democratic, management and civic.

As at 31<sup>st</sup> March 2011, there was a total of £17,883 due to the Pension Fund in outstanding contributions relating to the month of March and this is reflected in the creditors and accruals figures within the Balance Sheet.

## 15. Members' Allowances

During 2010/11, Council Members were each permitted to claim a Basic Allowance of £1,059.60 per annum under the Local Authorities (Members' Allowances) (Amendment) Regulations 2004.

During 2010/11 the total Basic Allowances paid to Council Members, and charged to the Income and Expenditure Account within democratic, management and civic salaries and wages costs was as follows (the 2009/10 figures are shown for comparison):-

	<b>2009/10 £</b>	<b>2010/11 £</b>
<b>Members' Allowances</b>	<b>31,611</b>	<b>31,463</b>

## 16. Related Party Transactions

In accordance with the requirements of the FRSSE, the financial statements should contain a disclosure of any material transaction with related parties, i.e. individuals and bodies that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Disclosure of these transactions allows the reader to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit other parties' ability to bargain freely with the Council.

The material related parties to the Council are as follows:-

- **Central Government**

Central Government has control over the general operations of the Council as it is responsible for setting the statutory framework within which the Council operates. Central Government also provides funding to local government, although the Council does not currently receive any Government funding. Finally, the Council makes tax payments to Government departments including income tax, national insurance and VAT.

- **Members of the Council**

Members have direct control over the formulation and implementation of the Council's constitution, standing orders, financial regulations, strategies and policies. Related party transactions may exist if a Member serves on another body with which the Council also has transactions, for example if a Member also serves on Durham County Council. Details of any related transactions would be recorded in the Register of Members Interests, which is open to public inspection at the Council Offices. An annual declaration of interests is also made at the start of each civic year. During 2010/11, no Members were involved in any declarable transactions.

- **Officer of the Council**

Related party transactions are required to be made by officers where they have been involved in any material transactions with a related party, and these are recorded in a Register of Officers Interests. During 2010/11, no officers were involved in any declarable transactions.

- **Other Public Sector Bodies**

There were a number of transactions with other public sector bodies during the year, all relating to transactions with other councils. These were:-

- The Local Government Pension Scheme which is administered by Durham County Council on behalf of the employees of the Council;
- Capital projects undertaken during the year and funded by grants from the Durham County Council Area Budgets relating to the purchase of dance mats and improvements to the Great Aycliffe Way;
- The Sports Complex heating system replacement capital works managed and undertaken on behalf of the Council by Durham County Council;
- The procurement of bedding plants from Darlington Borough Council nursery.

- **Joint Ventures**

The Council is not currently involved in any joint ventures.

## 17. Disclosure of Audit Costs

In 2010/11 and 2009/10 the Council incurred the following fees relating to external audit services provided by the Audit Commission, and these are included within other democratic, management and civic costs within the Income and Expenditure Account:-

	<b>2009/10</b>	<b>2010/11</b>
	<b>£</b>	<b>£</b>
Annual fee for audit services	14,621	15,000
Other services provided	-	-
<b>Total</b>	<b>14,621</b>	<b>15,000</b>

## 18. Trading Operations

The Council facilitates an open air market which could be classified as a trading operation. The costs and income from the market are included within other direct services costs in the Income and Expenditure Account and the financial trading position of the market is summarised below:-

	<b>2009/10</b>	<b>2010/11</b>
	<b>£</b>	<b>£</b>
Market Expenditure	13,838	14,581
Market Income	18,297	18,016
<b>Market Surplus</b>	<b>4,459</b>	<b>3,435</b>

## 19. Finance and Operating Leases

The Council does not currently have any finance leases.

In terms of operating leases, the Council leases a building at Stephenson Way Cemetery to a funeral director at a rental of £4,200 per year, and land at the depot site regarding a telephone mast to a telecommunications provider at £2,476 per year.

The Council also has a number of machine rental agreements for vending machines and payments in respect of these and income in respect of the above operating leases are charged or credited to the relevant service revenue account.

## 20. Agency Services

The Council does not currently provide any services on behalf of other authorities or other public sector bodies on an agency basis.

## 21. Local Authority Goods and Services Act 1970

The Council is empowered by this Act to provide goods and services to other public sector bodies. However, the Council did not provide any goods or services under these powers during 2010/11 other than officer support to other town and parish councils.

The Council also procures bedding plants from Darlington Borough Council and receives a number of services from Durham County Council e.g. trade waste collection, professional services, the CCTV monitoring service etc.

## Notes to the Balance Sheet

### 1. Fixed Assets

#### a) Movement in the Value of Fixed Assets

The movement in the value of the Council's operational fixed assets as detailed in the Balance Sheet during the year in respect of additions, disposals, revaluations, impairment and depreciation is summarised in the table below:-

	<b>Land and Buildings £</b>	<b>Vehicles, Plant and Machinery £</b>	<b>Community Assets £</b>	<b>Total Fixed Assets £</b>
<i>Gross Book Value at 1/4/2010</i>	5,388,629	2,169,057	293,733	7,851,419
<b>Gross Book Value at 1/4/2010</b>	<b>5,388,629</b>	<b>2,169,057</b>	<b>293,733</b>	<b>7,851,419</b>
<i>Add capital expenditure</i>	120,946	157,607	10,947	289,500
<i>Less non enhancing expenditure</i>	(27,652)	(6,651)	(10,947)	(45,250)
<i>Less disposals and sales</i>	-	(19,669)	-	(19,669)
<i>Add work in progress transfers</i>	(1)	1	-	-
<i>Add revaluations</i>	-	-	-	-
<i>Less impairment losses</i>	-	-	-	-
<b>Gross Book Value 31/3/2011</b>	<b>5,481,922</b>	<b>2,300,345</b>	<b>293,733</b>	<b>8,076,000</b>
<i>Less accumulated depreciation</i>	(695,073)	(936,361)	-	(1,631,434)
<b>Depreciation at 1/4/2010</b>	<b>(695,073)</b>	<b>(936,361)</b>	<b>-</b>	<b>(1,631,434)</b>
<i>Less depreciation for year</i>	(171,564)	(183,342)	-	(354,906)
<i>Write off disposal depreciation</i>	-	14,822	-	14,822
<b>Depreciation at 31/3/2011</b>	<b>(866,637)</b>	<b>(1,104,881)</b>	<b>-</b>	<b>(1,971,518)</b>
<b>Net Book Value at 1/4/2010</b>	<b>4,693,556</b>	<b>1,232,696</b>	<b>293,733</b>	<b>6,219,985</b>
<b>Net Book Value at 31/3/2011</b>	<b>4,615,285</b>	<b>1,195,464</b>	<b>293,733</b>	<b>6,104,482</b>

The Council's operational assets, other than land and community assets have all been depreciated as detailed above using the straight line method over their estimated useful lives. Accounting Policy 3.3 provides further details on depreciation methods and estimated useful life assumptions.

The Council does not currently hold any non-operational fixed assets such as surplus assets, investment properties and assets under construction.

## b) Capital Expenditure and Financing

A summary of capital expenditure during 2010/11 and how this was financed is detailed below (the 2009/10 figures are shown for comparison):-

Capital Expenditure by Asset Type	2009/10 £	2010/11 £
<b>Council Building Works:</b>		
Council Offices	-	-
Oak Leaf Sports Complex	-	69,644
Oak Leaf Golf Complex	14,236	3,930
St Oswald's Pre School	-	7,309
Moore Lane Environment Centre	-	2,548
Stephenson Way Cemetery	10,066	-
St Oswald's Park Pavilion	4,490	9,863
Simpasture Park Pavilion	6,681	-
<b>Vehicles, Plant, Machinery and Equipment:</b>		
Replacement vehicles	63,806	34,999
Replacement machinery	10,700	-
Play equipment and multi-use games areas	11,295	45,537
CCTV cameras	8,600	-
IT hardware	16,569	15,412
Office equipment	4,004	6,748
Dance Mats	-	15,000
Sports Complex lift and automatic doors	9,934	-
Sports Complex bowls hall carpet	20,514	-
Sports Complex emergency lights and alarm	9,949	-
Sports Complex bar furniture	-	2,466
Street equipment - litter bins, fencing etc	21,979	2,411
<b>Community Assets:</b>		
Sheila's Garden at St Oswald's Park	53,253	-
Great Aycliffe Way	-	21,905
Allotments Fencing	-	6,478
<b>Not Enhancing Value of Fixed Assets</b>	35,131	45,250
<b>Total Capital Expenditure</b>	<b>301,207</b>	<b>289,500</b>
<b>Financed by:</b>		
Use of Earmarked Reserves	221,658	207,345
Use of Capital Contributions	44,418	36,905
Recharged to Revenue Accounts	35,131	45,250
<b>Total Capital Financing</b>	<b>301,207</b>	<b>289,500</b>

### c) Analysis of Fixed Asset Portfolio

A summary of the material fixed assets held by the Council is set out below:-

	31/03/2010	31/03/2011
<b>Operational Buildings</b>		
Council Offices	1	1
Sports Complex	1	1
Golf Complex and Driving Range	1	1
Boat house	1	1
Park pavilions*	7	7
Cemeteries	2	2
Depots	2	2
Closed public conveniences	2	2
<b>Operational Land</b>		
Village greens and green open space	Various	Various
Nature parks and conservation areas	Various	Various
Football pitches and playing fields	Various	Various
Golf course	1	1
Lorry park	1	1
<b>Vehicles, Machinery and Equipment</b>		
Civic car	1	1
Works vehicles	11	9
Tractors	7	7
Ride on mowers	9	9
Golf course buggies	6	6
Utility vehicles	3	4
Excavators	2	2
Works equipment e.g. trailers	Various	Various
Grave shoring equipment	1	1
Golf course irrigation system	1	1
Driving range golf ball dispensing machine	1	1
Driving range golf ball washing machine	1	1
Driving range golf ball collector vehicle	1	1
Play areas and play equipment	22	22
Multi use games areas	2	2
Skate parks	1	1
Youth shelters	1	1
CCTV cameras	7	3
Bus shelters	55	55
Street lighting e.g. car parks, parks	Various	Various
Christmas lighting	Various	Various
Public seating and litter and dog bins	Various	Various
<b>Community Assets</b>		
Allotments sites	5	5
Park land and grounds	Various	Various
Cemeteries land and grounds	2	2
Memorial gardens	2	2
Sculptures and public art	Various	Various
Civic regalia	1	1

\* The park pavilions have been put to various use including a pre-school, environment centre, offices, changing rooms, storage and public toilets.

**d) Analysis of Net Assets Employed**

The net assets employed by the Council as set out below represents the aggregate of reserves, both of a revenue and capital nature, attributable to the Council, and as such represents the net worth of the Council or the value of local tax payers equity:-

	<b>2009/10 £</b>	<b>2010/11 £</b>
<b><i>Net assets employed</i></b>	<b>6,224,724</b>	<b>6,144,482</b>

**e) Fixed Asset Valuations**

The methodology for all fixed asset valuations was set out in Accounting Policy 3.2.

The FRSSSE requires all fixed assets to be recorded on the Balance Sheet at historic cost written down to their recoverable amount if this is less.

In the 2009/10 Accounts, the Council took advantage of a transitional provision available in the first accounting period under the FRSSSE whereby existing fixed asset valuations could be retained.

The Council therefore carried forward all of its fixed asset valuations as at 31<sup>st</sup> March 2009 to the first accounting period under FRSSSE on 1<sup>st</sup> April 2009 as a proxy for historic cost.

All fixed asset values are now treated as being measured at cost and are depreciated in line with previous estimates of useful lives using the straight line depreciation method.

Part 4 of Governance and Accountability for Local Councils does not recommend the revaluation of fixed assets, although the Council may consider a revaluation of its fixed assets in the future in order to ensure that asset values are kept up to date.

In the meantime, the Council is not aware of any material changes in the value of any of its land, buildings or other assets during 2010/11.

**f) Impairment of Fixed Assets**

Although there is no specific requirement within the FRSSSE to do so, the Council has continued with an Accounting Policy of undertaking an annual review of possible impairment of its fixed assets, as set out in Accounting Policy 3.4.

The value at which land and buildings are included in the Balance Sheet has therefore been reviewed at the end of the financial year by a team of senior officers via a desk top review with a view to identifying possible impairment.

This review concluded that there were no events or changes in circumstances in 2010/11 that would indicate the material impairment of any of the Council's fixed assets and therefore no adjustments have been made to the Council's fixed asset valuations to provide for impairment losses.



**g) Intangible Assets**

Accounting Policy 3.8 provides a definition of intangible fixed assets.

The Council does not currently hold any intangible assets on its Balance Sheet and there was no expenditure on intangible assets during 2010/11.

Any intangible assets would be amortised to the appropriate service revenue account over the life of the asset, to reflect the use of the economic benefits.

**h) Revenue Expenditure Funded From Capital Under Statute**

Accounting Policy 3.8 provides a definition of revenue expenditure funded from capital under statute.

There has been no revenue expenditure funded from capital under statute during the year.

**i) Fixed Assets Held Under Finance Leases**

The Council currently holds a number of pieces of land on long term peppercorn lease and these are detailed below:-

<b>Land</b>	<b><i>Leased From</i></b>	<b><i>Term</i></b>
Aycliffe Village Playing Field	Durham County Council	99 Years
Scott Place Play Area	Durham County Council	125 Years
Town Park	Durham County Council	125 Years

All of this land was included on the Balance Sheet at nil value as at 31<sup>st</sup> March 2011.

**j) Fixed Asset Disposals**

The Council disposed of the following fixed assets during 2010/11 and the table below details the net book value, any sales proceeds and the gain or loss on disposal:-

<b>Asset Description</b>	<b>Net Book Value £</b>	<b>Sales Proceeds £</b>	<b>Gain / (Loss) on Disposal £</b>
<b>Equipment:</b>			
Daihatsu Jeep (M596 RAJ)	-	-	-
School Aycliffe Play Area	-	-	-
Sports Complex Heating System	-	-	-
Town Park Tyre Swing	4,847	-	(4,847)
	<b>4,847</b>	<b>-</b>	<b>(4,847)</b>

The loss on disposal in respect of the Town Park tyre swing has been charged to the Income and Expenditure Account. All other disposals related to assets at the end of their useful life with no residual value. None of the disposals resulted in sales proceeds.

## **k) Claw Back of Land Sale Proceeds**

Some 140 acres of the Council's land, which was part of that transferred to the Council in the 1980's from the Aycliffe and Peterlee Development Corporation, is subject to a restrictive covenant by which, in certain circumstances, including sale, a percentage of its capital value reverts to the transferor.

The claw back percentage ranges from 38% for land transferred in 1980 to 56% for land transferred in 1989, as at 31<sup>st</sup> March 2011. The percentage reduces by 2% each year.

The Council did not dispose of any land during 2010/11 and does not currently have any land up for sale.

However there are three pieces of land identified in the Sedgefield Borough Local Development Framework for possible future development. Two of these pieces of land are located at Woodham Village and the other is adjacent to St Oswald's Park.

## **l) Capital Commitments into 2011/12**

The Council had an outstanding capital commitment as at 31<sup>st</sup> March 2011 totalling approximately £20,000 to which it is contractually committed. This relates to the development of the new Council website which was in progress at the end of the year.

There were also a number of projects that had been planned to take place in the 2010/11 financial year but which had not commenced as at 31<sup>st</sup> March 2011. These projects are now due to take place early in 2011/12.

These projects included roofing works at the Sports Complex and Stephenson Way Cemetery, Sports Complex access road and car park resurfacing and St Oswald's Allotments extension.

A carry forward of unused Capital Programme Budget totalling £143,500 has been made to meet the cost of the above requirements.

The Council's Capital Programme requirements for 2011/12 and beyond are set out in more detail in the 2011/12 Capital Programme Budget, the 2011 to 2015 Medium Term Financial Plan and the Asset Management Plan.

## **2. Investments**

The Council sometimes invests its surplus balances and reserves in a short term bank treasury deposit usually on one month's notice.

However as at the 31<sup>st</sup> March 2011, all of the Council's surplus balances, totalling £822,414 were held in a higher rate bank account, as the interest rates achievable on the bank account were comparable with those available on the treasury deposit investment.

Interest receivable from investment and the Council's bank accounts is credited to the Income and Expenditure Account and totalled £3,561 in 2010/11.

### 3. Debtors

An analysis of the Council's outstanding debtors at the end of the year is detailed below (the 2009/10 figures are shown for comparison):-

	31/3/2010 £	31/3/2011 £
<b><i>Amounts falling due within one year</i></b>		
<i>HM Revenues and Customs - VAT</i>	6,857	4,427
<i>Other local authorities</i>	429	63
<i>Sundry debtors</i>	6,978	7,530
<b><i>Amounts falling due after one year</i></b>	-	-
<b><i>Total</i></b>	<b>14,264</b>	<b>12,020</b>

The level of outstanding debt as at 31<sup>st</sup> March 2011 is of low value and is mostly less than three months old. It is therefore considered to be of low risk and a bad debt provision is not considered necessary in the Accounts at the present time.

Outstanding debtors are reviewed regularly during the year and any irrecoverable debts are written off following approval by the Council.

### 4. Stocks

The Council holds a number of stocks at its sports complex and depot and they are all included in the Balance Sheet at latest price paid as set out in Accounting Policy 2.1.

An analysis of the Council's stocks at the end of the year is detailed below (the 2009/10 figures are shown for comparison):-

	31/03/2010 £	31/03/2011 £
<b><i>Sports Complex</i></b>		
<i>Bar supplies</i>	6,132	5,603
<i>Catering supplies</i>	2,179	2,195
<i>Cleaning Materials</i>	280	568
<i>Resale items</i>	1,477	967
<b><i>Works and Depot</i></b>		
<i>Tools and equipment</i>	3,322	3,315
<i>Golf course materials and equipment</i>	1,269	1,215
<i>Parks and play equipment</i>	2,825	2,395
<i>Cleaning and consumables</i>	513	226
<i>Petrol and oil</i>	2,252	1,150
<b><i>Total</i></b>	<b>20,249</b>	<b>17,634</b>

## 5. Prepayments

As at the 31<sup>st</sup> March 2011, the Council had made payments in its revenue accounts in respect of the 2011/12 financial year totalling £46,060. These payments included the Council insurance contract, IT support contracts, subscriptions and maintenance agreements, where a proportion of the contracts ran into the new financial year.

These payments have therefore been included as prepayments in the Balance Sheet and moved forward to 2011/12.

## 6. Bank Balances and Cash in Hand

An analysis of the Council's bank balances and cash balances at the end of the year is detailed below (the 2009/10 figures are shown for comparison):-

	<b>31/03/2010</b> £	<b>31/03/2011</b> £
<i>Current account</i>	52,550	132,228
<i>High interest account</i>	221,225	822,414
<i>Cash in transit</i>	14,633	13,049
<i>Floats and cash held</i>	2,098	2,246
<b>Total</b>	<b>290,506</b>	<b>969,937</b>

## 7. Creditors

An analysis of the Council's outstanding creditors at the end of the year is detailed below (the 2009/10 figures are shown for comparison):-

	<b>31/03/2010</b> £	<b>31/03/2011</b> £
Government departments:		
<i>HM Revenues and Customs</i>	22,976	23,732
<i>Audit Commission</i>	1,443	-
Other local authorities	31,603	22,514
Sundry creditors	53,637	50,676
<b>Total</b>	<b>109,659</b>	<b>96,922</b>

## 8. Accruals

As at the 31<sup>st</sup> March 2011, a number of provisions needed to be made in the revenue accounts to provide for amounts relating to goods and services already received but which still had not been billed at the end of the year. These are shown as accruals in the Balance Sheet and totalled £124,099 in 2010/11.

Accruals included the sports complex heating system capital project at £69,450, loan interest, audit commission fees, CCTV recharges and outstanding gas or electricity bills.

## 9. Receipts in Advance

As at the 31<sup>st</sup> March 2011, the Council had received income in its revenue accounts in respect of the 2011/12 financial year totalling £32,829. This included golf season ticket income, allotments income, and income relating to the 2011 Aycliffe Show.

This income has therefore been included as receipts in advance in the Balance Sheet and moved forward to 2011/12.

## 10. Borrowing Repayable Within 12 Months

The following table shows the repayments due to be made in the next year in respect of the Council's outstanding borrowing (the 2009/10 figure is shown for comparison):-

	2009/10 £	2010/11 £
<i>Public Works Loan Board</i>	26,224	11,270
<b>Total</b>	<b>26,224</b>	<b>11,270</b>

## 11. Long Term Borrowing

The following table sets out a breakdown of the Council's outstanding loan balance that will be repayable after a period of twelve months i.e. from 2011/12 onwards:-

Source of Loan	Interest Rate %	31/03/2010 £	31/03/2011 £
<i>Public Works Loans Board</i>	8.1	76,834	71,203
<i>Public Works Loans Board</i>	5.2	169,637	163,996
		<b>246,471</b>	<b>235,199</b>

The Council's remaining two loans were taken out in 1995 and 2004 to part fund the construction of West Cemetery and the Town Park.

An analysis of the maturity period of the loans is shown below:-

	Years	31/03/2010 £	31/03/2011 £
	1 - 2	11,270	12,034
	2 - 5	38,614	41,247
	5 - 10	84,157	84,088
	10 +	112,430	97,830
		<b>246,471</b>	<b>235,199</b>

## 12. Capital Grants Deferred Account

Grants and contributions used towards the financing of capital expenditure are transferred to the Capital Grants Deferred Account and released to the appropriate service revenue account over the life of the fixed assets to which they relate, to match the depreciation charge, in line with Accounting Policy 2.7.

The movement on the Capital Grants Deferred Account during the year is set out below (the 2009/10 figures are shown for comparison):-

	<b>2009/10 £</b>	<b>2010/11 £</b>
<b><i>Balance brought forward at 1st April</i></b>	546,900	503,787
Contributions received during the year	44,418	36,905
Less amounts released to I&E Account	(87,531)	(56,253)
<b><i>Balance carried forward at 31st March</i></b>	<b>503,787</b>	<b>484,439</b>

The capital contributions received during 2010/11 related to funding from the Durham County Council Area Budget administered by the Great Aycliffe and Middridge Area Partnership (GAMP).

A total of £56,253 was released to revenue accounts at the end of the year.

The closing balance on the Account is made up of the remaining balances of previously received capital grants and contributions, from various sources, mainly relating to the funding of play equipment, that have yet to be released to revenue accounts.

## 13. Contingent Liabilities

### Outstanding Insurance Claims

There are currently no material outstanding insurance claims against the Council that might give rise to a contingent liability.

### Equal Pay Claims

A number of authorities have been approached by their employees regarding equal pay compensation in recent years. Some of these authorities have settled claims rather than proceeding through legal avenues. The Council has to date received no claims, although there is still a possibility of future claims. However, the potential liabilities of any such claims cannot be quantified.

There are no other potential contingent liabilities that the Council is aware of.

## 14. Capital Contributions Unapplied

The Capital Contributions Unapplied Account includes all those capital grants and contributions that have not yet been applied in financing capital expenditure via the Capital Grants Deferred Account.

The movement on the Capital Contributions Unapplied Account during the year is set out below (the 2009/10 figures are shown for comparison):-

	2009/10 £	2010/11 £
<b>Balance brought forward at 1st April</b>	<b>14,905</b>	<b>13,525</b>
<i>Capital contributions received</i>	43,038	44,273
<i>Capital contributions used</i>	-	-
<i>Transfers to Grants Deferred Account</i>	(44,418)	(36,905)
<b>Balance carried forward at 31st March</b>	<b>13,525</b>	<b>20,893</b>

The balance brought forward on the account relates to the unused balance of contributions received in previous years, from CDENT and English Partnerships towards works to Great Aycliffe Way and Aycliffe Nature Park, which had only been part applied in funding capital expenditure in respect of these areas via the Deferred Capital Grants Account.

The capital contributions received during 2010/11 related to funding from the Durham County Council Area Budget administered by the Great Aycliffe and Middridge Area Partnership. £15,000 was received towards the purchase cost of some dance mats, £25,884 was received towards improvements to the Great Aycliffe Way and £3,390 was received towards in the installation of picnic tables in the Council's parks.

A total of £36,905 has subsequently been transferred to the Deferred Capital Grants Account to fund the purchase of the dance mats and the Great Aycliffe Way works undertaken during 2010/11.

## 15. Revaluation Reserve

This reserve would record any accumulated gains on the fixed assets held by the Council arising from increases in value, as a result of inflation and other factors, to the extent that these gains have not been consumed by subsequent downward movements in value arising from impairment and depreciation incurred as a result of these increases.

The Revaluation Reserve balance is currently zero as the Council has not undertaken any revaluation of its fixed assets and is not aware of any other increases in value.

In future this reserve would only be used if the Council was to pursue a policy in the future of revaluing its fixed assets. There are currently no plans to do so.

A summary of the movement on the Revaluation Reserve is detailed on the following page (the 2009/10 figures are shown for comparison):-

**15. Revaluation Reserve (continued)**

	<b>2009/10 £</b>	<b>2010/11 £</b>
<b>Balance brought forward at 1st April</b>	<b>32,404</b>	<b>-</b>
<i>Disposal of fixed assets</i>	(32,404)	-
<i>Revaluation of fixed assets</i>	-	-
<b>Balance carried forward at 31st March</b>	<b>-</b>	<b>-</b>

The movement on the reserve in 2009/10 related to four plots of land at High Barn Road, School Aycliffe that were added to the Balance Sheet as surplus land awaiting disposal and subsequently sold during the year.

**16. Capital Financing Account**

This account is a non-distributable reserve which is used to account for transactions relating to fixed assets and the financing of capital expenditure.

The account provides for the write down in the value of the Council's fixed assets from depreciation and impairment and also the write off of the book value of fixed assets upon disposal or sale. It also records the resources that have been used to finance capital expenditure on the Council's fixed assets such as the release of capital grants and contributions via the Deferred Capital Grants Account, the annual repayment of loans, use of earmarked reserves and the use of capital receipts.

As summary of the movement of the Capital Financing Account during the year is set out below (the 2009/10 figures are shown for comparison):-

	<b>2009/10 £</b>	<b>2010/11 £</b>
<b>Balance brought forward at 1st April</b>	<b>5,408,141</b>	<b>5,425,268</b>
<i>Prior year adjustments</i>	8,250	-
<b>Adjusted balance brought forward</b>	<b>5,416,391</b>	<b>5,425,268</b>
<b>Add financing of fixed assets:</b>		
<i>Use of earmarked reserves</i>	221,658	207,345
<i>Repayment of long term loans</i>	24,155	26,226
<i>Grants deferred release</i>	87,531	56,253
<b>Less write down of fixed assets:</b>		
<i>Depreciation charges in year</i>	(324,467)	(354,906)
<i>Loss on disposal of fixed assets</i>	-	(4,847)
<i>Deferred charges / intangible assets</i>	-	-
<b>Balance carried forward at 31st March</b>	<b>5,425,268</b>	<b>5,355,339</b>



## 17. Council Balance and Earmarked Reserves

The Statement of Movement on Reserves on page 42 provides a full breakdown of the Council's Balances and Earmarked Reserves as at 31<sup>st</sup> March 2011, including the movement on those balances and reserves during the year.

Total Balances and Earmarked Reserves £772,417 as at 31<sup>st</sup> March 2011, of which £97,417 was set aside in the General Fund Balance and Revenue Budget Support Fund to provide support to the Council's Revenue Budget in future years.

A further £675,000 has been set aside in Earmarked Capital Reserves to meet future years' capital investment requirements.

## 18. Useable Capital Receipts Reserve

A summary of the movement on the Useable Capital Receipts Reserve is shown below (the 2009/10 figures are shown for comparison):-

	2009/10 £	2010/11 £
<b>Balance as at 1<sup>st</sup> April</b>	<b>3,235</b>	<b>16,726</b>
Capital receipts received during the year	32,312	-
Capital receipts used during the year	-	-
Due to Homes and Community Agency	(18,821)	-
<b>Balance as at 31<sup>st</sup> March</b>	<b>16,726</b>	<b>16,726</b>

The balance on the Useable Capital Receipts Reserve relates to the proceeds from the sale of land at High Barn Road in School Aycliffe during 2009/10.

## 19. Post Balance Sheet Events

Events after the Balance Sheet date have been considered up until the date when the Statement of Accounts is authorised for issue, as declared on the Balance Sheet.

There have been no material post balance sheet events that the Council is aware of.

## **Glossary of Terms used in the Statement of Accounts**

### **Accounts and Audit Regulations 2011**

These Regulations provide the statutory framework for the preparation of local authority accounts and the management of local authority financial affairs. They cover financial management responsibilities, accounting records, systems of internal control, internal audit, the format of the accounts, when they must be completed and approved, how and when they should be published, the rights of local electors and the conduct of the annual statutory audit.

### **Accounting Concepts**

These are the fundamental principles which underlie the preparation of the financial statements within the Statement of Accounts and in particular inform the selection and application of appropriate accounting policies and estimation techniques and the exercise of professional judgement. At present these fundamental accounting concepts are relevance, reliability, comparability, understandability, materiality, accruals, going concern, and primacy of legislative requirements.

### **Accounting Period**

The period of time covered by the Accounts. In the case of the Council's Statement of Accounts, this is the financial year which runs from 1st April to 31st March.

### **Accounting Policies**

The specific accounting principles, bases, conventions, rules and practices selected and consistently followed by the Council as being, in the opinion of the Finance Manager, appropriate to its circumstances and best suited to present fairly its financial position. Accounting Policies define the process by which transactions, assets, liabilities, gains, losses and other events are measured and recognised in the Statement of Accounts.

### **Accruals Concept**

The accounting concept whereby the financial statements should be prepared on an accruals basis and all income and expenditure relating to the year is accounted for regardless of the date of payment or receipt.

### **Accruals**

Accruals are provisions in the Revenue Accounts for future expenditure relating to goods or services that have already been received before the end of the accounting period but for which an invoice has not yet been received. Common accruals include gas and electricity, pension costs, bank charges and loan interest.

### **Annual Governance Statement**

The production of this statement is a statutory requirement in the Accounts and Audit Regulations 2011 and the CIPFA Framework for Delivering Good Governance in Local Government. All local authorities are required to review annually their governance arrangements, maintain a local code of governance, including arrangements for reviewing its effectiveness and to prepare an Annual Governance Statement to report publicly on the extent to which the Council has complied with the code. The Annual Governance Statement is published within the Statement of Accounts.

### **Appropriate Amount**

Schedule 1 to the Local Government Act 2003 requires all local councils who have met capital expenditure by borrowing to charge an 'appropriate amount' to the Income and Expenditure Account. This is a sum equivalent to annual loan repayment and interest costs and is also known as the Statutory Charge for Capital.

### **Appropriations**

These are non-cash items within the Income and Expenditure Account, for example depreciation, impairment, release of deferred capital grants, gains and losses on the disposal of fixed assets etc. They are accounting entries required in order to show the true cost of services, reflecting the use of fixed assets within those services. Appropriations are excluded from the calculation of the Council Precept and setting of the Council Tax.

### **Asset Charges / Capital Charges**

These are appropriations which are charged to service revenue accounts as a measure of the benefits that have been consumed from the use of the fixed assets i.e. buildings, vehicles, machinery etc, used in the provision of those services. The most common type of asset charge is depreciation.

### **Audit Commission**

The Government body which is currently responsible for undertaking the Statutory Annual Audit of the Council including the Audit of the Statement of Accounts.

### **Bad (and Doubtful) Debts**

A provision is sometimes made in the Statement of Accounts for debts which may be uneconomic to collect or unenforceable. However, the Council's low levels of debt do not currently justify a bad debt provision.

### **Balance Sheet**

The Balance Sheet is the primary financial statement which shows the overall financial position or net worth of the Council at the end of the financial year. This is made up of all of the fixed and current assets owned e.g. land, buildings, vehicles, stocks, bank balances etc, liabilities owed e.g. outstanding loans, creditors etc and funds held e.g. reserves and balances etc.

### **Best Value**

This is a duty on local authorities to secure best value in all aspects of service provision. This duty requires councils to ensure that they are providing the best possible services to the public and at the lowest possible cost i.e. value for money. The duty of Best Value was recently withdrawn for Town and Parish Councils but the Council has continued to apply its principles to its work.

### **Borrowing**

This represents the balance of the Council's outstanding loans taken out in previous years to finance major capital investment. Loan repayments due to be made within the next 12 months will be shown as a current liability in the Balance Sheet, whilst all repayments due after a period of 12 months will be shown as long term borrowing.

### **Budget Requirement**

The amount the Council estimates in advance of each year as its planned revenue spending, after deducting any income due from grants, fees and charges and any other funding it expects. The Net Budget Requirement equates to the Council Precept, on which the Town Council Tax is set.

### **Capital Expenditure**

Capital expenditure is expenditure relating to fixed assets e.g. land, buildings, vehicles, machinery etc. Capital expenditure can relate to the acquisition of new fixed assets or the enhancement of existing fixed assets that either substantially adds to the value of the asset, increases its useful life, or increases the extent to which it can be used. Capital expenditure must provide benefits to the Council for a period of more than one year and must be material.

### **Capital Financing Account**

This account accounts for the resources used to finance the Council's fixed assets, including use of balances and reserves, revenue financing, release of deferred grants and repayment of debt. It also accounts for the write down in the historical cost of fixed assets via depreciation and impairment losses, and when they are sold or disposed of.

### **Capital Receipts**

Capital receipts are proceeds from the sale of a fixed asset by the Council. A set proportion of any receipts in respect of Council land must be paid to the Homes and Communities Agency under the provisions of a restrictive covenant put in place when the land originally transferred to the Council. The remaining proceeds, known as usable capital receipts, are set aside in a reserve and can be used to finance future capital expenditure.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy. This is a professional accountancy body that specialise in public sector accounting. They are responsible for the education of training of professional accountants and regulation through the setting and monitoring of professional standards. CIPFA has responsibility for setting accounting standards for local government via the Code of Practice on Local Authority Accounting and the annual Statement of Recommended Practice (SORP). However, the Council as a larger local council was removed from the requirements of the Code of Practice and SORP by CIPFA with effect from 2009/10.

### ***CIPFA Code of Practice on Local Authority Accounting***

Up until 31st March 2009, this Code of Practice set out the statutory requirements and recommended best practice that needed to be complied with and considered by the Council in preparing the annual Statement of Accounts. The Council as a larger local council was removed from the requirements of the Code of Practice and SORP by CIPFA with effect from 2009/10 and must now comply with Part 4 of Governance and Accountability for Local Councils 2010 which is based on the requirements of the Financial Reporting Standard for Smaller Entities (FRSSE).

### **Community Assets**

Those fixed assets that the Council intends to hold in perpetuity which have no determinable useful life and which may have restrictions on their disposal e.g. civic regalia, parks, allotments, memorial gardens and historic buildings.

### **Comparability Concept**

The accounting concept whereby the financial statements should be prepared with sufficiently consistent and adequate disclosure in order to allow comparability between accounting periods and with the financial statements of other councils.

### **Consistency Concept**

The accounting concept whereby the accounting treatment of like items in the financial statements either within an accounting period or from one period to the next should be the same. This means that consistent accounting policies should be applied within the financial statements both during a year and between years.

### **Contingent Asset**

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

### **Contingent Liability**

A contingent liability is a possible loss or liability arising from past events and whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the Council's control or a present loss or liability arising from past events where the amount cannot be measured with reliability.

### **Council Tax**

A banded property tax which is levied on domestic properties throughout the country to pay for services provided locally by public sector bodies i.e. Councils and Police and Fire Authorities. The Council's Precept divided by the tax base for the town i.e. the number of chargeable properties for council tax purposes in the area gives the Band D Council Tax. The actual council tax payable varies depending upon the valuation band of the property.

### **Creditors**

Creditors are amounts owed by the Council for work carried out, goods received or services provided to the Council during the accounting period, but for which payment had not yet been made as at the Balance Sheet date.

### **Current Asset**

This is an asset which is expected to be disposed of, utilised or realised within twelve months of the Balance Sheet date. Examples include stocks, debtors and bank accounts.

### **Current Liability**

This is a liability or outstanding obligation which is expected to be met within twelve months of the balance sheet date. Examples include creditors, bank overdrafts and short term borrowing.

### **Debtors**

These are amounts due to the Council for goods or services provided during the accounting period, but for which payment had not yet been received as at the Balance Sheet date.

### **Debt Redemption**

This refers to the early repayment of outstanding loans. Debt redemption incurs premiums if the interest rates of the loans are higher than the prevailing interest rate at the time of repayment or discounts can be receivable if interest rates are lower.

### **Deficit**

A deficit occurs when expenditure in a given accounting period exceeds income.

### **Deferred Charges**

Deferred charges have now been reconstituted as Revenue Expenditure Funded by Capital Under Statute. Further explanation is provided under this heading.

### **Defined Contribution Pension Scheme**

This is a pension or retirement benefit scheme into which an employer pays regular contributions in respect of its employees, which are fixed as an amount or percentage of pay. Defined contribution schemes have no legal obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits.

### **Deferred Benefit Pension Scheme**

This is a pension or retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable, and the scheme may be funded or unfunded. The Council is a member of the Durham County Pension Fund which is a defined benefit multi-employer scheme. However, as the Council is classified within the Fund as a smaller body, it accounts for its pension costs on the basis of a defined contribution scheme i.e. contributions paid.

### **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.

### **Democratic, Management and Civic Costs**

This is a service area on the Income and Expenditure Account that relates to the costs of the democratic and corporate management of the Council as an elected multi-purpose authority. It includes the costs of councillors, corporate management, financial services and administration.

### **Depreciation**

This is a measure of the cost required to be charged to individual service areas to reflect the benefits of fixed assets that have been used in that service area during the period. Depreciation is charged against the service area benefiting from the use of each fixed asset and is basically a measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset. Depreciation is an appropriation rather than a real cost and is used to show the true cost of a particular service area.

### **Direct Service Costs**

This is a service area on the Income and Expenditure Account that relates to the costs associated with the running of all of the front line services provided by the Council including pre-schools, works and grounds maintenance, sports complex, golf course, driving range, sports pitches, community events, parks, play areas, environment areas and open space, allotments, cemeteries, markets, CCTV cameras and street equipment.

### **Earmarked Reserves**

These reserves represent surplus balances which have been set aside by the Council and earmarked for a specific purpose in the future, usually to meet future capital investment requirements or to provide protection against unforeseen spending commitments.

### **Estimation Techniques**

The methods used within the financial statements in order to arrive at estimated amounts for assets, liabilities, gains or losses. Estimation techniques implement the measurement aspects of accounting policies e.g. methods of depreciation, bad debt provisions etc.

### **Events after the Balance Sheet Date**

Any events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is authorised for issue by the Responsible Financial Officer i.e. the date the Accounts are approved. The effect of such events must be adjusted for within the financial statements if they relate to conditions that existed at the balance sheet date.

### **Exceptional Items**

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

### **Extraordinary Items**

Material items, possessing a high degree of abnormality which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. Extraordinary items also need to be disclosed separately by virtue of their size or incidence in order to give fair presentation of the accounts.

### **Fair Value**

Fair value is a term used to describe the price at which an asset could be exchanged in an arms-length transaction less, where applicable, any grants or contributions receivable towards the purchase or use of the asset.

### **Finance Lease**

A finance lease is a lease for the purchase of a fixed asset that transfers substantially all of the risks and rewards of ownership of that fixed asset to the lessee. Finance leases should be capitalised and treated as fixed assets.

### **Financial Reporting Standards**

These are common standards of accounting practice issued by the Accounting Standards Board and taken into account in the CIPFA Accounting Code of Practice and Financial Reporting Standard for Smaller Entities (FRSSE).

### **Financial Reporting Standard for Smaller Entities (FRSSE)**

The FRSSE is issued by the Accounting Standards Board and sets out the 'proper accounting practices', as required by the Local Government Act and Accounts and Audit Regulations, which must be followed in relation to the preparation of accounts by all smaller entities. With effect from 1st April 2009 the FRSSE requirements replaced those set out in the CIPFA Code of Practice on Local Authority Accounting for all larger local councils. Detailed guidance on how the FRSSE applies to larger local councils is set out in Part 4 of Governance and Accountability for Local Councils - A Practitioners Guide (England) 2010.

### **Fixed Assets**

These are assets that yield benefits to the Council and the services it provides for a period of more than one year. Fixed assets include land and buildings, vehicles, plant, machinery, equipment and community assets.

### **General Fund Balance**

This is an accumulated surplus balance used to support future revenue spending or meet unforeseen spending commitments.

### **Going Concern Concept**

The accounting concept whereby it is assumed, for the purposes of the preparation of the financial statements, that the Council's services and functions will continue to operate for the foreseeable future.

### **Governance and Accountability for Local Councils (England) 2010**

Governance and Accountability for Local Councils - A Practitioners Guide (England) 2010, was developed and issued by the Joint Practitioners Advisory Group (JPAG) comprising a number of stakeholders including the National Association of Local Councils (NALC), Society of Local Council Clerks (SLCC), Department for Communities and Local Government (CLG) and the Audit Commission. Part 4 of this document provides accounting guidance for larger local councils on the interpretation and implementation of the various accounting requirements in force for that particular financial year, as set out in the FRSSE.

### **Government Grants**

These are assistance from the Government or Government agencies in the form of cash or transfers of assets in return for past or future compliance with certain conditions relating to the activities of the Council.

### **Grants Deferred Account**

Where a grant or contribution has been received in relation to the funding of a fixed asset, previous recommended accounting practice required that the grant was deferred and released to fund the fixed asset over the course of its useful life in order to match the depreciation charge. All capital grants and contributions used to fund capital expenditure are therefore held in the Grants Deferred Account and released to the Revenue Accounts each year over the life of the asset that the grant is funding.

### **Group Accounts**

These would be required if the Council had any material interests in subsidiary and associate companies and/or joint ventures with other organisations. The Council does not currently have any such interests.

### **Impairment**

This is a material reduction in the value of a fixed asset below its carrying amount on the Balance Sheet e.g. as a result of physical damage, obsolescence or market conditions.

### **Income and Expenditure Account**

This is a primary accounting statement and reports the income and expenditure incurred during the year in respect of the running of all of the services for which the Council is responsible, and shows how the net expenditure has been financed by local tax payers via the Council Precept.



### ***Infrastructure Assets***

These are a class of fixed assets and relate to inalienable assets, the expenditure on which is recoverable only by continued use of the asset created. Examples of such assets are highways and footpaths.

### ***Investment Properties***

These are a class of fixed asset and relate to an interest in land and or buildings which is held for investment potential. The Council does not currently hold any such assets.

### ***Leases***

Leases are the means by which Councils can obtain the right to use assets without purchasing the asset outright. 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.

### ***Liquid Resources***

These are current assets that are readily disposable by the Council without disrupting its business and are readily convertible into cash e.g. bank accounts, stocks.

### ***Long Term Contracts***

A contract entered into for the design or construction of a single substantial asset or the provision of a service, where the time taken to complete the contract is such that activity falls into two accounting periods i.e. two years.

### ***Long Term Investments***

Surplus balances that are invested by the Council for a period of more than one year. The Council does not currently have any such investments.

### ***Matching***

The accounting concept whereby all income and expenditure are recognised in the financial statements as they are earned and incurred, not when the money is actually received or paid.

### ***Materiality Concept***

The accounting concept whereby any omission from or inaccuracy in the financial statements should not be large enough to affect the understanding of those statements by a reader, influence assessments of stewardship of public money and economic decisions, or comparisons with other entities.

### ***National Association of Local Councils (NALC)***

NALC are the national association representing the interests of all local councils in England and Wales. NALC provide support and advice to council's via a network of county associations.

### ***Net Book Value***

The amount at which fixed assets are included in the balance sheet, that is their historic cost or current value less the cumulative amounts provided for depreciation and impairment over their useful life.

### ***Net Current Replacement Cost***

The cost of replacing a fixed asset in its existing condition.

**Net Realisable Value**

The open market value of a fixed asset in its existing use less the expenses that would be incurred in realising the asset i.e. selling or disposing of the asset.

**Non-Operational assets**

These are fixed assets which are held by the Council but which are not directly occupied, used or consumed in the delivery of services. Examples include investment properties, assets under construction and assets that are surplus to requirements.

**Operational Assets**

These are fixed assets which are held, occupied, used or consumed by the Council in the direct delivery of services. Examples include land and buildings, vehicles, plant, machinery and equipment.

**Outturn**

This is an accounting term used to describe the actual financial position of the Council at the end of the financial year, and is usually used in comparisons between actual spending and the Budget.

**Overheads Recharges**

Overheads recharges relate to the reallocation of costs from one service area to another and most commonly relate to the apportionment of support service costs such as finance and administration to front line service areas.

**Power of Well Being Expenditure**

This is a power that allows the Council to spend money for the benefit of the people in its area, on activities and services not specifically authorised under any other powers. This power effectively removes the need for the Council to rely on other legislation in order to take a particular action, providing that action is allowed by statute and promotes the well-being of the Great Aycliffe parish.

**Precept**

The Precept represents the Net Budget Requirement of the Council, and is the amount required to be collected, via the Council Tax, from the taxpayers of the town to fund the Council's services. The Precept is levied on the billing authority (Durham County Council) who then collect the Council Tax on behalf of the Town Council.

**Prepayments**

Prepayments are payments made during the current accounting period, where a proportion of the cost relates to the following accounting period e.g. subscriptions, service agreements that run into the following financial year. An adjustment is made in the accounts to transfer the prepayment forward into the following accounting period.

**Prior Year Adjustments**

Those material adjustments that need to be made to the prior year's accounts as a result of changes to accounting policies or the correction of fundamental errors.

**Provisions**

These are amounts set aside to meet any liabilities, commitments or losses arising from contractual obligations, where the amount or date is uncertain at the time the Accounts are prepared. The Council does not currently hold any provisions on its Balance Sheet.

**Prudence Concept**

The accounting concept whereby local authorities account for transactions on the basis of prudence e.g. always taking a prudent view when losses are anticipated and not anticipating gains until they are certain, in order to ensure that assets are not overstated and liabilities are not understated.

**Public Works Loan Board (PWLB)**

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

**Receipts in Advance**

This is income received during the current accounting period, but where a proportion of the income relates to the following accounting period e.g. golf season tickets, allotment rents and leases. An adjustment is made in the accounts to transfer the receipt in advance forward to the following accounting period.

**Related Parties**

Two or more parties are related when, at any time during the accounting period, one party has direct or indirect control of the other party, has influence over financial and operating policies, or are subject to common control from the same source. Related party transactions must be declared in a note to the accounts.

**Relevance Concept**

The accounting concept whereby the financial statements should provide information about the Council's financial performance that is useful or relevant to the reader in assessing the stewardship of public funds and for making economic decisions.

**Reliability Concept**

The accounting concept whereby the financial information provided within the financial statements should be reliable. Financial information should therefore reflect the substance of the transactions that have taken place, be free from bias and material error, be complete and prudently prepared under conditions of uncertainty.

**Remuneration**

All sums paid to or receivable by an employee of the Council and the monetary value of any other benefits received.

**Residual Value**

The net realisable value of a fixed asset at the end of its useful life.

**Revaluation**

The valuation of fixed assets may be reassessed from time to time to ensure that the valuations shown in the Balance Sheet are accurate, up to date and reflect any changes in market values.

**Revaluation Reserve**

This Reserve accounts for accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation and other factors, to the extent that these gains have not been consumed by subsequent downward movements in value and depreciation incurred as a result of these increases in values .

### ***Revenue Expenditure***

Revenue expenditure is spending on the day to day running of the Council's services and includes expenditure such as salaries, energy costs, supplies and services etc.

### ***Revenue Expenditure Funded from Capital Under Statute***

Revenue expenditure funded from capital under statute is the replacement for deferred charges and is expenditure which may be capitalised under statute, but which does not create a tangible fixed asset e.g. a capital contribution made to another organisation. Any such expenditure must be written off and charged to the Income and Expenditure Account in the year in which it is incurred.

### ***Reserves and Balances***

This is the total of the Council's accumulated balances and reserves and includes both the General Fund Balance and the total of all Revenue and Capital Earmarked Reserves.

### ***Statement of Internal Control (SIC)***

The production of this statement is a statutory requirement in the Accounts and Audit Regulations 2011 and is included within the Statement of Accounts to provide assurance on the effectiveness of the Council's system of internal control. The system of internal control relates to the arrangements that the Council puts in place to ensure that it conducts its business in accordance with law and proper standards, safeguards public money and secures continuous improvement and value for money via a combination of economy, efficiency and effectiveness. This Statement has now been replaced by the Annual Governance Statement.

### ***Statements of Standard Accounting Practice (SSAP's)***

These are common standards of accounting practice issued by the Accounting Standards Board and taken into account in the FRSE.

### ***Stocks***

These are stocks of goods or other assets, held at the end of the accounting period for consumption or resale in the near future. Stocks can include goods and assets purchased for resale e.g. sports equipment, vending machine supplies and consumable finished goods e.g. tools, spares and cleaning materials.

### ***Statement of Movement on Reserves***

This statement reconciles the movement on the Council's balances and earmarked reserves during the year including the transfer of the year end surplus or deficit from the Income and Expenditure Account, use of earmarked reserves to meet capital expenditure and transfers to and from reserves.

### ***Statement of Total Recognised Gains and Losses (STRGL)***

This statement brings together all the recognised gains and losses of the Council that have not been recognised in the Income and Expenditure Account. The statement reflects the change in the net worth of the Council over an accounting period i.e. the movement on the Council's Balance Sheet. However, all gains and losses are currently accounted for within the Income and Expenditure Account and this statement would only therefore be required if the Council was to adopt a policy of revaluation of fixed assets or required to account for pension costs on a defined benefit scheme basis.

***Substance over Form***

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

***Surplus***

A surplus occurs when income exceeds expenditure.

***Tangible Fixed Assets***

These are fixed assets that yield benefits to the Council and the services it provides for more than one year. This includes Operational Assets such as land and buildings, vehicles, plant, machinery and equipment and community assets, and Non-Operational Assets such as investment properties, assets under construction and surplus assets held for disposal.

***Understandability Concept***

The accounting concept whereby all reasonable efforts should be made in preparing the financial statements in order to ensure that they are as easy to understand as possible.

***Urgent Issues Task Force (UITF)***

This is an accountancy task force specifically set up to deal with new technical accounting issues that arise during the year and which have not been considered yet by the Financial Reporting Standards Board.

***Useful (Economic) Life***

The period or life over which the Council will derive benefits from the use of a fixed asset.

***Work in Progress***

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