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Explanatory Foreword

Welcome to Great Aycliffe Town Council's statutory Statement of Accounts for the financial year ended 31st March 2013.

This foreword provides a brief explanation of the financial statements and 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 14 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, summarising its financial performance in 2012/13, 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 15 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 16 to 18 provides the independent audit opinion from the external auditor 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 19 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 in relation 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 2012/13.

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 by presenting the net worth of the Council's assets and liabilities as at the 31st March 2013.

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.

2012/13 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, 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 final 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 31st March 2013, 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, multi-use 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, four further play areas, two multi use games areas, a skate park, BMX track, and outdoor fitness equipment;
- Stephenson Way and West Cemeteries and the provision of burial services;
- Five allotments sites including some with pigeon and poultry facilities;
- Community events programme 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 currently provided by a workforce of 74 staff of which 52 are full time posts and 22 part time posts, supported by a number of casual and seasonal staff.

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 a new 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 improved procurement of goods and services.

Revenue Spending in 2012/13

The Council set a **Precept of £1,624,400 for 2012/13** which was based on the Net Revenue Budget Requirement or the estimated net cost of running all Council services.

This represented a small increase on the 2011/12 Precept of £7,550 or 0.5%, and delivered a **freeze in the level of Town Council Tax for the third year running**.

Actual revenue spending in 2012/13 totalled £1,310,385 which meant that the Council achieved **an overall saving of £314,015 or 19%** against its 2012/13 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	£16,000
- 2012/13 pay freeze	£33,500
- Sports complex staffing restructure	£9,000
- Catering apprentice not appointed	£5,000
- High pre-school funding and fees due to both settings being full all year	£48,000
- Savings on new insurance contract	£17,000
- Neighbourhood plan not developed and officer not appointed	£24,000
- Higher than expected returns from the solar panel system	£6,000
- Savings on civic costs including hospitality, conferences and training	£6,500
- Savings on external audit fees	£5,000
- CCTV running costs not billed as cameras were out of operation all year	£10,000
- Savings on bedding plants as county council flower beds not taken on	£12,000
- Savings on sports complex running costs and increased income	£65,000
- Savings on special events running costs	£13,000
- Savings on golf complex running costs	£15,000
- Other savings on running costs	£49,000

However these savings were partly offset by shortfalls in income totalling nearly £70,000 in relation to the sports complex bar and catering operations, the golf course and driving range, and the cemeteries.

The above savings on the Revenue Budget were transferred to the Council's balances and reserves at the end of the year. The final outturn position is summarised below:-

Committee / Budget	2011/12 Actual Spend £	2012/13 Budget Spend £	2012/13 Actual Spend £	2012/13 (Saving) / Overspend £
Policy and Resources				
Members and Civic Expenses	68,332	73,900	67,220	(6,680)
Finance Service	61,949	66,150	61,089	(5,061)
Administration Service	117,842	126,850	109,398	(17,452)
Corporate Services	200,738	277,300	220,965	(56,335)
Pre School Learning Centres	6,109	36,550	(18,377)	(54,927)
Works Section	119,459	149,000	127,936	(21,064)
Depot	36,276	40,450	39,078	(1,372)
Capital Financing Charges	26,041	26,150	25,592	(558)
Total	636,746	796,350	632,901	(163,449)
Recreation				
Special Events	133,333	145,650	132,554	(13,096)
Sports Complex	292,540	345,050	278,214	(66,836)
Sports Pitches	19,210	25,600	20,223	(5,377)
Golf Course	56,545	74,650	101,332	26,682
Driving Range	20,386	23,200	20,948	(2,252)
Parks	233,904	246,850	221,636	(25,214)
Play Areas	85,228	87,850	76,579	(11,271)
Total	841,146	948,850	851,486	(97,364)
Environment				
Environment and Open Spaces	126,972	130,100	130,685	585
Public Conveniences	2,069	-	927	927
Street Equipment	18,903	16,150	16,049	(101)
Allotments	8,762	1,800	3,156	1,356
Cemeteries	14,848	14,400	20,605	6,205
Church Works	8,830	9,250	10,486	1,236
Total	180,384	171,700	181,908	10,208
Exclude Depreciation Charges	(364,050)	(362,500)	(359,843)	2,657
Contingency Sum	-	20,000	3,933	(16,067)
Contribution to Reserves	-	50,000	-	(50,000)
Council Precept / Net Spending	1,294,226	1,624,400	1,310,385	(314,015)

Capital Investment in 2012/13

The Council set an initial **Capital Programme Budget for 2012/13** of £221,750, but this was subsequently increased during the year to **£331,500**.

This accounted firstly for the approved carry forward of £91,500 from the 2011/12 financial year regarding on-going and committed projects at the end of last year, and secondly for a number of additional projects approved during the year totalling £18,250.

A number of important capital projects were undertaken this year including:-

- Replacement of Stephenson Way Cemetery roof and the sports complex bar roof;
- The upgrade of the electricity supply for the council offices solar panel system;
- Two replacement works vehicles;
- Resurfacing of the show field running track;
- Various works at the sports complex including drainage repairs, re-decoration works, sports hall wall repairs, and cavity wall insulation;
- Demolition of West Park boathouse and Simpasture closed public toilets;
- Refurbishment of Moore Lane football changing rooms;
- Play area safety surfacing repairs and footpath repairs;
- Construction of a BMX track at Woodham Village;
- Installation of outdoor fitness equipment in West Park; and
- Extension of the skateboard park in the Town Park.

Actual spending on the Capital Programme during the year **totalled £236,581**, and this was financed as follows:-

- **£54,381 from Area Grants** from the Great Aycliffe and Middridge Area Action Partnership, towards the BMX track, outdoor fitness equipment and skate park;
- **£6,183 from John Meynell Funeral Directors** towards the replacement of the roof at Stephenson Way Cemetery;
- **£512 from Newton Aycliffe Rotary Club** towards war memorial fencing;
- **£48,083 from the Council's Earmarked Capital Reserves**;
- **£127,422 was recharged to the Income and Expenditure Account**, relating to capital expenditure that was not enhancing to the value of the fixed assets or that was under the Council's de-minimis materiality threshold.

The under spend against the 2012/13 Capital Programme Budget was due to a number of projects not going ahead and lower than expected costs on a number of other projects.

However there were a number of outstanding requirements at the end of the year totalling £62,250, for which a carry forward of the unspent capital budget will be required. These projects included computer and server upgrades, disabled access improvements and the reception area refurbishment at the Sports Complex, and repairs to the golf course irrigation system.

Fixed Asset Disposals

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

The West Park boat house building and Simpasture closed public toilets were both demolished as they had been out of use for a number of years and no alternative use could be found for the buildings.

In addition the closed public toilets at Aycliffe Village were transferred to Durham County Council.

Finally an old works vehicle that was replaced during the year was scrapped.

2012/13 Income and Expenditure Account

There are a number of differences between the figures shown in the Income and Expenditure Account and those in the Revenue Budget spending comparison as set out in this Annual 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 i.e. they are not paid out or received in cash.

These entries include depreciation on fixed assets, the release of deferred capital grants and contributions to revenue accounts and gains and losses relating to the disposal or sale of fixed assets. All of these entries 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, all capital expenditure that was not enhancing to the value of 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. In reality, such expenditure is funded from Council Balances and Reserves or capital grants and contributions at the end of the year rather than from the Revenue Budget.

This results in a difference between the Revenue Budget saving figure of £314,015 and the surplus shown on the Income and Expenditure Account of £186,594. This difference equates to the total of the non-enhancing and de-minimus capital expenditure for 2012/13, net of financing from capital grants and contributions, of £127,421.

Balances and Reserves

The favourable outturn position on the Council's Revenue Budget allowed the Council to fund the 2012/13 Capital Programme, whilst at the same time to **increase the overall level of balances and reserves to just under £950,000.**

The **General Fund Balance** has been increased to **£125,565 or 10% of the 2013/14 Precept**, while a total of **£10,150** has been set aside in the **Revenue Budget Support Fund** to provide support the 2013/14 Revenue Budget.

The **Council's Earmarked Revenue and Capital Reserves** have been **increased to £775,000**, and will be used to support future investment by the Council as set out in the 2013/14 Budget and 2012/13 to 2016/17 Medium Term Financial Plan.

The Council's balances and reserves at the end of the year are summarised below:-

General Fund Balance	£125,565
Budget Support Fund	£10,150
Building Works Reserve	£250,000
Vehicle and Machinery Reserve	£200,000
Parks and Play Areas Reserve	£125,000
ICT Reserve	£50,000
Sports Complex Reserve	£25,000
Golf Complex Reserve	£25,000
Street Equipment Reserve	£25,000
Neighbourhood Plan Reserve	£25,000
Elections Reserve	£50,000
Earmarked Revenue and Capital Reserves	£775,000
Unused Capital Contributions	£13,043
Unused Capital Receipts	£20,446
Total Balances and Reserves	£944,204

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 £6,015,895 to £5,880,846**, 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 and Revenue Budget savings, as described earlier, did, in part, offset this fall in net worth.

Borrowing

The Council had **outstanding loans totalling £223,166 as at 31st March 2013**. Principal repayments totalling £12,033 were made during the year, with interest payments in respect of the outstanding loans totalling £14,297. There are currently no plans to restructure or repay early any of the existing loans or to take out any additional borrowing.

Investments

The Council did not have any long term investments as at 31st March 2013.

However, the Council's balances and reserves were invested during the year in a 100 day notice bank account. The **balance invested as at 31st March 2013 was just over £750,000. Interest earned** from investments and bank accounts during the year was minimal and totalled **£4,592** during 2012/13.

Fixed Assets

The Council held fixed assets by way of its land, operational buildings, plant, machinery, vehicles and equipment to a **value of just over £5.6 million as at 31st March 2013.**

Future Plans

The Council's future plans including specific aims and targets for 2013/14 are set out in the Parish Performance Plan and the resourcing of these plans is set out in the 2013/14 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 2012 to 2016, and an Asset Management Plan which sets out capital investment requirements and priorities for the next ten years.

The Council's Revenue Budget for 2013/14 was set on the principle of a freeze in the level of Council Tax for a fourth year in a row.

This was achieved despite the Council having to manage the financial impact arising from the localisation of support for council tax by central government which has fundamentally changed the way in which local councils are funded and led to a substantial reduction in the Council's tax raising capacity of over £350,000.

Although the government put in place a compensatory grant to offset some of this loss, the Council was still faced with a net funding shortfall of £55,000 for 2013/14.

This was compounded by the withdrawal, by Durham County Council, from 2013/14, of the £38,500 Double Taxation Grant currently receivable in respect of services provided by both authorities such as allotments and cemeteries.

The Council was therefore left facing a total funding cut of over £90,000 as a result of issues that were completely out of its control. This meant that even to deliver a standstill budget next year, it would have needed to increase the town council proportion of the council tax by as much as 7.5%, if savings could not be found to balance the budget.

On top of this, the Council faced a number of other financial pressures in relation to the running costs and income of its various services, such as making provision for inflation and a likely 1% officer pay award, as well as providing for the significant falls in sports and golf complex income as a result of the on-going economic difficulties and bad weather.

However, despite this difficult backdrop to the budget setting process, the Council worked hard to identify savings and budget reductions to avoid an increase in the council tax.

This was greatly assisted by the efficient management of the Council's finances in recent years and the various savings that have been delivered as a result, most notably from a restructure of sports complex staffing hours and the renegotiation of the Council insurance and brewery contracts, as well as the savings from the on-going freeze in officer pay. The Council made further savings by deleting four vacant posts from the staffing establishment.

The savings and budget reductions were targeted in a way that ensured front line services were protected, meaning that the community will continue to receive the same range and quality of services from the Council next year that they have come to expect.

In overall terms, the **Council's 2013/14 Precept was reduced by £352,800 from £1,624,400 to £1,271,600**, reflecting the loss in tax raising capacity following the localisation of support for council tax, the inclusion of the new LCTSS Grant which partly offsets this loss, and the budget reductions made to balance the budget.

However, by meeting the funding shortfall faced from savings and budget reductions, the **Council was able to deliver a welcome freeze in the town council proportion of the council tax for a fourth year in a row.**

Whilst the Council now faces much uncertainty about its future funding and could face further cuts to funding in future years, it will continue to review its spending and services over the coming year with a view to delivering further savings and ensuring that future council tax increases are kept as low as possible.

The 2013/14 Capital Programme Budget was prepared on the basis of the future capital investment requirements set out in the Council's Asset Management Plan and the five year capital budget projections included in the Council's Medium Term Financial Plan.

However, bearing in mind the change in the Council's financial situation following the localisation of support for council tax, it was considered prudent to work on a principle of only undertaking essential capital projects until the Council has more certainty over its future funding arrangements.

The 2013/14 Capital Programme Budget was therefore set at a lower level than in recent years at £125,000, although this has subsequently been increased by £62,250 to provide for the carry forward of projects from 2012/13 referred to earlier in the report.

The revised **Capital Programme Budget for 2013/14** therefore currently totals **£187,250** and provides for a number of projects including:-

- Moore Lane Pavilion flat roof replacement;
- Minor building works to St Oswald's Pre School;
- Replacement works foreloader machine;
- Replacement computers, servers and website development;
- Replacement office photocopier;
- Play area safety surface repairs and footpath repairs;
- Asset management works within the Sports Complex building including disabled access improvements, refurbishment of the reception area, replacement of the bar and function room carpets, and replacement of fridges and freezers;
- Golf course irrigation system repairs;
- Replacement of glass bus shelters in the town centre area;
- Bridge repairs at Humphrey Close;

The Capital Programme Budget **will be funded in full from the Council's Earmarked Capital Reserves** which have been built up for this purpose, and as a result, the Council will not need to undertake any further borrowing at the present time.

There are not currently expected to be any external capital grants and contributions available to support the Council's spending plans, although the Council will continue to proactively seek out external grants and contributions where they are available.

The **Council's Balances and Earmarked Reserves** stood at just under **£950,000 at the end of March 2013**.

This is significantly better than originally anticipated in the Medium Term Financial Plan and is as a result of higher than expected savings on the 2012/13 Revenue Budget and a lower than expected outturn on the 2012/13 Capital Programme.

After accounting for the funding of the 2013/14 Capital Programme Budget, the annual contribution to Capital Reserves, the funding of the 2013 Town Council Elections, and assuming full use of the Revenue Budget Contingency Sum, it is estimated that the Council would have around **£750,000 in Balances and Reserves at the end of 2013/14**.

However this balance would be higher if savings continue to be achieved on the Revenue Budget, as they have been in recent years.

This is considered to be an adequate level of reserves to support future capital spending commitments for the foreseeable future and to provide some protection against future spending commitments and possible cuts to LCTSS funding.

In overall terms, the Council is in a relatively strong financial position going forward. Prudent management of the Council's finances has resulted in surpluses being achieved on the Revenue Budget and this in turn has allowed a prudent level of Council balances and reserves to be built up.

This means that the Council is in a strong starting position to deal with the uncertainty around its future funding arrangements that the recent localisation of support for council tax has brought about. This will help it to manage the impact of any future cuts to funding, meet future year's capital investment commitments and endeavour to keep future council tax increases to a minimum.

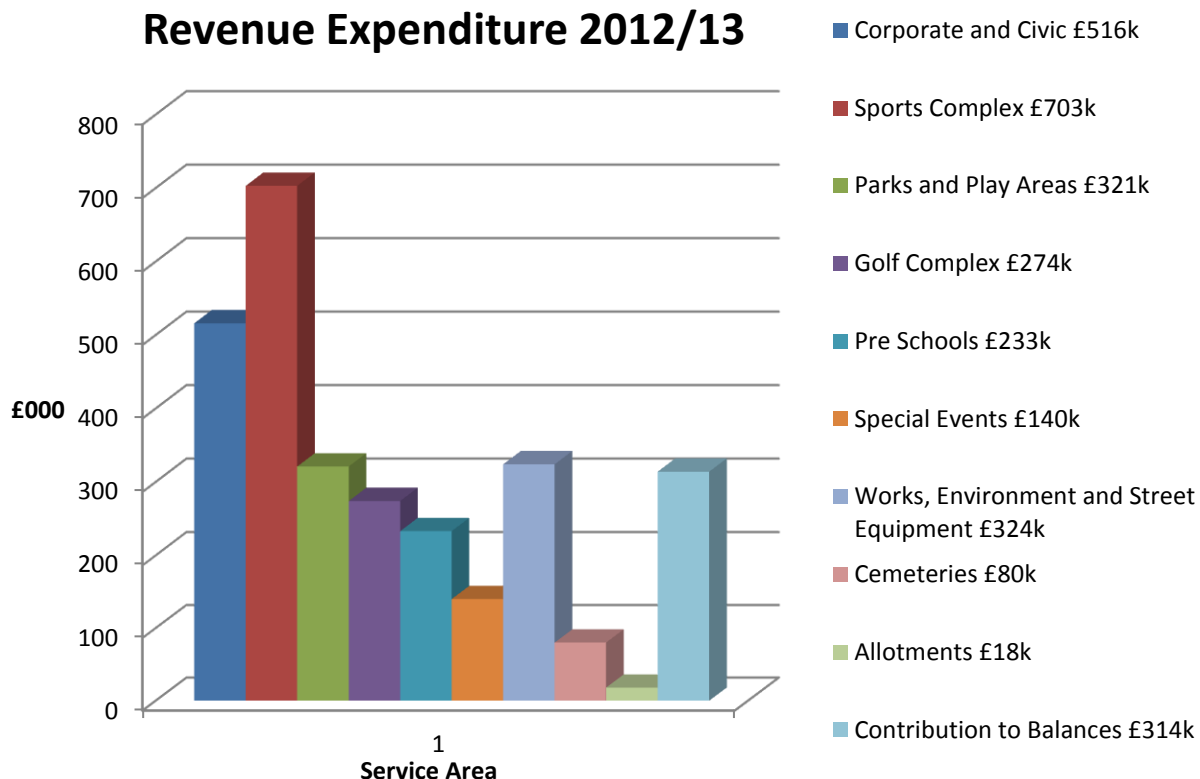
Full details of the Council's future plans can be found within the 2013/14 Revenue and Capital Budget, 2012 to 2016 Medium Term Financial Plan and Asset Management Plan, all of which are available to view at the Council Offices or on the Council website.

Dan Austin
Finance Manager

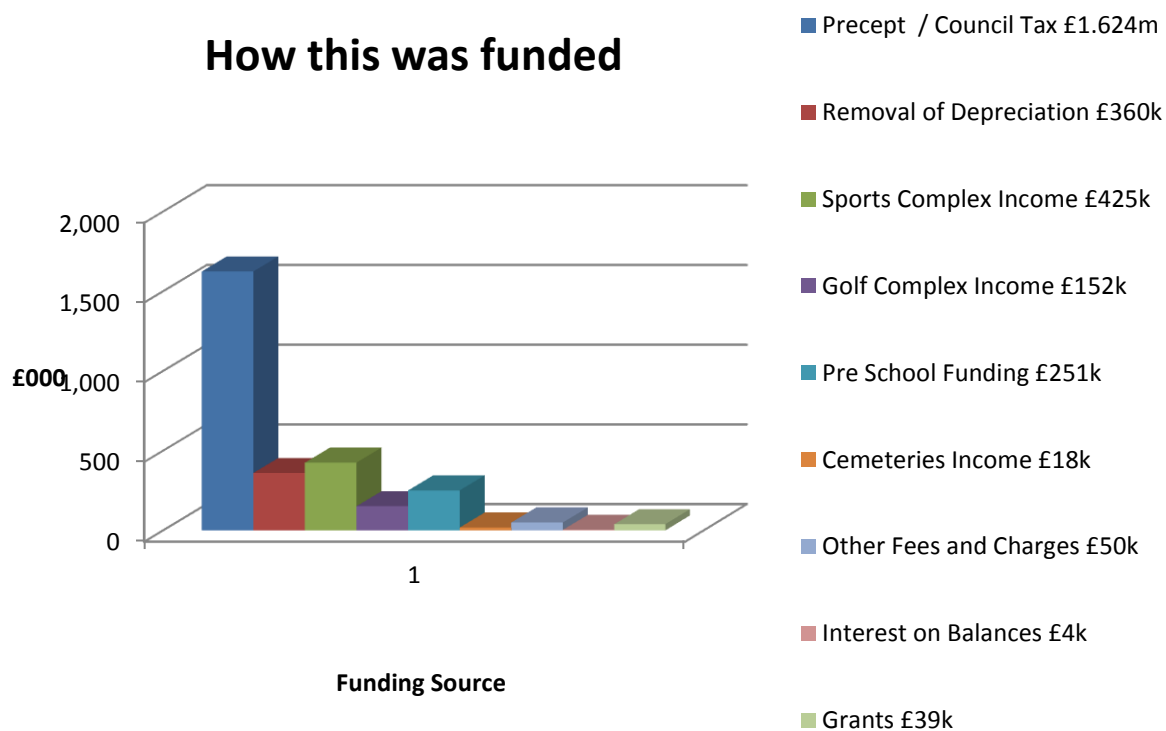
Date **19th June 2013**

Summary of Revenue Spending in 2012/13 and How It Was Funded

Revenue Expenditure 2012/13

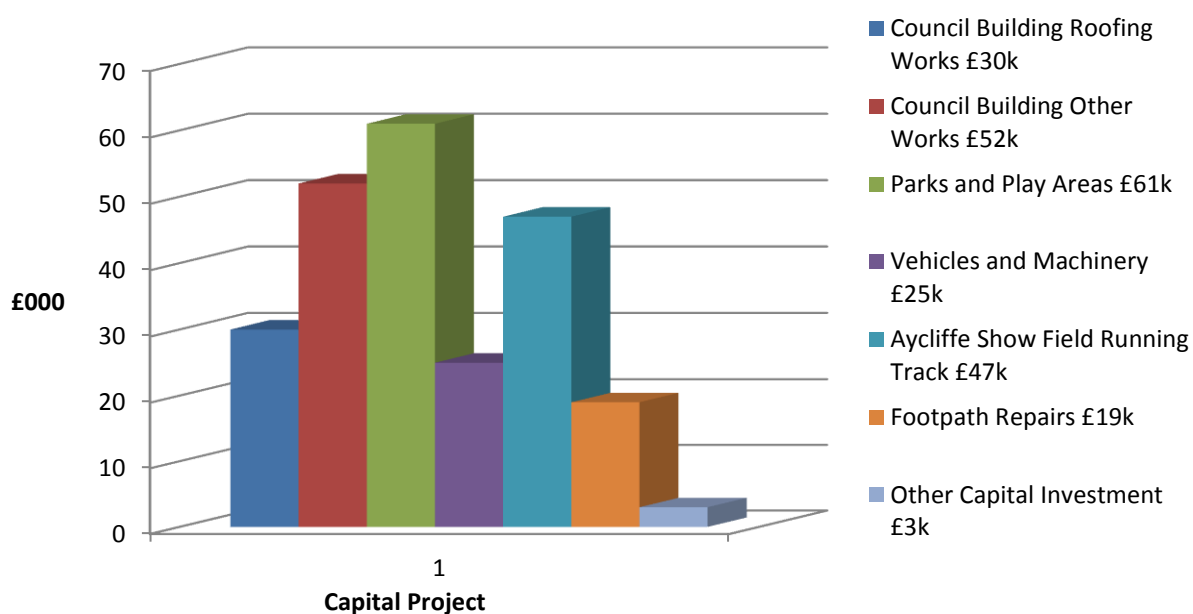


How this was funded

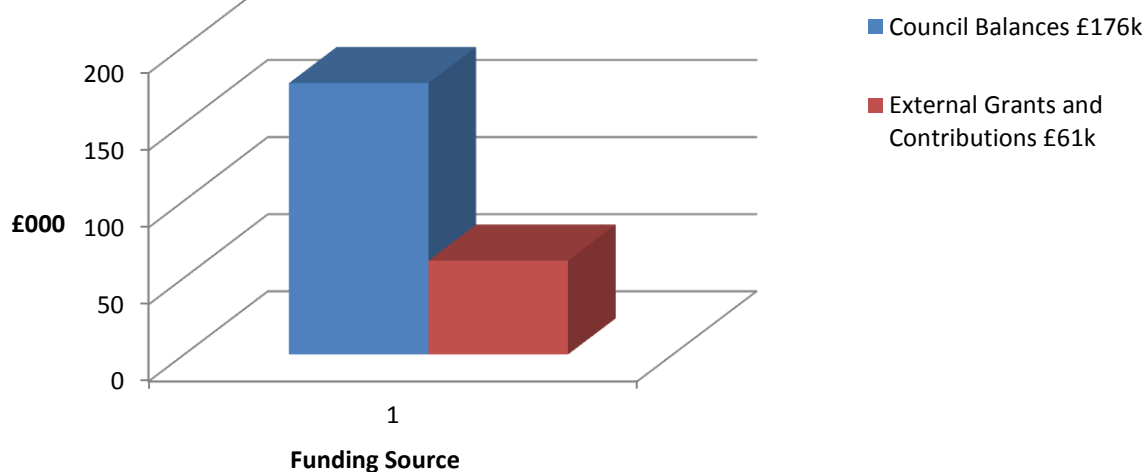


Summary of Capital Investment in 2012/13 and How It Was Funded

Capital Expenditure 2012/13



How this was funded



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 31st March 2013 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 financial statements

We have audited the financial statements of Great Aycliffe Town Council for the year ended 31st March 2013 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on Reserves, the Balance Sheet, and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008).

This report is made solely to the members of Great Aycliffe Town Council in accordance with Part II of the Audit Commission Act 1998, 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 Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in relevant legal and regulatory requirements and the Financial Reporting Standard for Smaller Entities (Effective April 2008), and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us 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 financial statements sufficient to give reasonable assurance that the financial 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 Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Finance Manager; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for my report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Great Aycliffe Town Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the relevant aspects of the Financial Reporting Standard for Smaller Entities (Effective April 2008).

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- In our opinion the annual governance statement does not reflect compliance with 'Governance and Accountability for Local Councils: A Practitioners' Guide (England) 2010' issued by the Joint Practitioners Advisory Group (JPAG) and jointly published by the National Association of Local Councils (NALC) and the Society of Local Council Clerks (SLCC) in 2010;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Other matters on which we are required to conclude

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Executive has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2011, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities;
- our locally determined risk-based work.

As a result, we have concluded that there are no matters to report.

Certificate

We certify that we 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.

Cameron Waddell CPFA
For and on behalf of:
Mazars LLP, Appointed Auditor
Rivergreen Centre,
Aykley Heads,
Durham,
DH1 5TS

22nd July 2013

Statement of Accounting Policies

The purpose of the 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 Accounts and Audit Regulations set out a number of important statutory provisions regarding the financial management of local authorities including the specific requirements for the production, approval and publication of annual accounts and the required external audit arrangements.

The Accounts and Audit Regulations 2011, which came into force on 31st March 2011, separated the provisions on the production, approval and publication of the annual accounts applying to smaller and larger 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. However, the threshold of annual income or expenditure within the definition of a “smaller relevant body” was raised from £1 million to £6.5 million in the new regulations.

Status as a smaller relevant body would have meant that the Council would have been subject to much less stringent accounting and audit requirements. Smaller relevant bodies 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 to do so.

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 chose therefore to take up the voluntary option available within the regulations of following the rules applying to larger bodies and be subject to a full audit. This decision applies for 2011/12 and 2012/13, and will be reviewed by the new Council in 2013/14.

Proper practices in relation to the preparation of the accounts of larger local councils continuing as larger bodies, are set out in ‘Part 4 of Governance and Accountability for Local Council’s – A Practitioners Guide 2010’ which is based on the requirements of the Financial Reporting Standard for Smaller Entities (FRSSE), effective 2008.

By following the provisions of the FRSSE, the Council will meet the statutory requirement to follow “proper practices” in relation to the preparation of its accounts.

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 both during an individual year and between years.

Comparability

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

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 1st April 2009. As set out in Accounting Policy 3.2, all asset valuations as at 31st March 2009 were carried forward to the first accounting period under FRSSE on 1st 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 reflects 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 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, as required.

1.3 Support Service Recharges

The costs of overheads and support services are recharged to the front line service areas that benefit from the supply or support service.

Recharges or apportionment of costs are made in respect of support services such as Finance and Administration, as well as the Works Section.

Recharges are made 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 relating to the democratic and corporate management of the Council are not rechargeable, and are specifically identified in the Income and Expenditure Account as 'Democratic, Management and Civic Costs'.

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 each year.

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 of the Income and Expenditure Account via the Capital Financing Account.

1.5 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.

1.6 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.

1.7 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 2012/13.

1.8 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.

This 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.

1.9 Contingent Liabilities

Any 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.

This disclosure indicates 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.

1.10 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 2010 set the contribution rates for the financial years 2011/12 to 2013/14 and contribution rates are based upon a set percentage of the Council's pensionable payroll costs. The Council's current contribution rate is 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.

1.11 Insurances

The Council insures against the vast majority of its potential risks and losses via a comprehensive insurance policy with Aviva which is managed on the Council's behalf by WPS Insurance Brokers. The Council's insurance cover is reviewed on a regular basis, supported by the Council's own risk management arrangements, and there are no material unfunded risks that the Council is aware of.

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 adjustments 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 mobile phone 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. Therefore, 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 invests its surplus balances in either a short term bank treasury deposit, usually on one month's notice, or in a 100 day notice bank account. However, there is no difference between the cost and net realisable value on such investments.

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.

2.3 Debtors and Creditors (Continued)

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 31st 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 will 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 will 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 Fund** 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 any on-going spending commitments.
- **Earmarked Revenue Reserves** which are set aside to meet specific future revenue spending commitments as follows:-
 - **Neighbourhood Plan Reserve** which is set aside to support the production of the Neighbourhood Plan.
 - **Elections Reserve** which is set aside to meet the costs of any elections.
- **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, multi-use games areas and the skate park.
 - **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 such as new servers and computers 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.

The de-minimus limit is £10,000 for capital expenditure on land, £5,000 for buildings, plant, community assets and vehicles, and £2,500 for machinery and equipment.

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 31st March 2009 were therefore carried forward to the first accounting period under FRSSE on 1st 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 25 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.

Where 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 and 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 expenditure 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, or written off in full if there are no economic benefits arising from the purchase of the asset.

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 2012/13.

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.

Once used to finance capital expenditure, they are 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 a 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 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 it 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 31st March 2013, 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 of 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 services.
- The work of the Internal Auditor undertaken 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 assessments 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 investigation of 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.
- Financial policies including the Purchase Ordering and Payments for Goods and Services Policy and Income Collection and Debt Recovery Policy.
- 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 external auditors 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 Council's external auditors, Mazars LLP.
- 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 referred to and 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 such as health and safety, training and development, staffing issues etc.
- Review of 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.
- Review of the outcome of any special investigations or fraud investigations undertaken during the year.

2012/13 Review of Governance Arrangements

There were no material issues identified during the 2012/13 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 make 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.

The Council has 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, makes 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 Full Council on the 25th June 2013 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 and internal control 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 31st March 2013

2011/12 £		Notes	2012/13 £
	Income		
1,616,850	Precept		1,624,400
53,172	Grants received	8	61,255
22,777	Rental income, leases and licences		20,946
3,727	Interest receivable and investment income	11	4,592
678,457	Fees and charges for services		624,634
242,134	Other income and contributions		251,432
59,080	Deferred capital grants released to revenue	7	58,846
2,676,197	Total Income		2,646,105
	Expenditure		
	Direct Service Costs		
1,044,546	Salaries and wages		1,036,835
3,345	Grant aid expenditure	9	2,350
1,227,648	Other direct service costs		1,219,981
	Democratic, Management and Civic Costs		
322,843	Salaries and wages		320,985
181,691	Other democratic, management and civic costs		168,324
	Exceptional Items		
14,588	Losses on the disposal of fixed assets	4	28,795
2,794,661	Total Expenditure		2,777,270
118,464	Net Operating Deficit for Year		131,165
	Balance Sheet Appropriations		
(14,588)	Reversal of losses on disposal of fixed assets	4	(28,795)
59,080	Reversal of deferred capital grants and contributions	7	58,846
(364,053)	Reversal of fixed asset depreciation and impairments	5	(359,843)
11,270	Statutory charge for capital (loan repayment costs)	6	12,033
(189,827)	Net Surplus to the General Fund Balance		(186,594)

Statement of Movement on Reserves

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

	<i>Balance at 1st April 2012 £</i>	<i>Transfer to £</i>	<i>Transfer from £</i>	<i>Use of Reserve £</i>	<i>Balance at 31st March 2013 £</i>
General Fund Balance	60,730	223,068	(158,233)	-	125,565
Budget Support Fund	40,512	10,150	(32,475)	(8,037)	10,150
Revenue Budget Balance	101,242	233,218	(190,708)	(8,037)	135,715
Earmarked Revenue Reserves					
<i>Neighbourhood Plan Reserve</i>	-	25,000	-	-	25,000
<i>Elections Reserve</i>	-	50,000	-	-	50,000
Earmarked Capital Reserves					
<i>Buildings Reserve</i>	250,000	20,063	-	(20,063)	250,000
<i>Vehicle and Machinery Reserve</i>	200,000	25,500	-	(25,500)	200,000
<i>Parks and Play Areas Reserve</i>	100,000	25,000	-	-	125,000
<i>Street Equipment Reserve</i>	25,000	2,520	-	(2,520)	25,000
<i>ICT Reserve</i>	50,000	-	-	-	50,000
<i>Sports Complex Reserve</i>	25,000	-	-	-	25,000
<i>Golf Complex Reserve</i>	25,000	-	-	-	25,000
Total Earmarked Reserves	675,000	148,083	-	(48,083)	775,000
Total Balances and Reserves	776,242	381,301	(190,708)	(56,120)	910,715

The year-end surplus on the Income and Expenditure Account of £186,594 was transferred to the General Fund Balance at the end of the year along with the unused balance from 2011/12 on the Budget Support Fund of £32,475 and the £4,000 brewery sponsorship. **The total transfer to the General Fund Balance was therefore £223,069.**

The balance on the 2012/13 Capital Programme requiring to be funded from Council Balances totalling £48,083 was funded from the appropriate Earmarked Capital Reserves, while a total of £8,037 was utilised from the Budget Support Fund during the year to support the Revenue Budgets. **Total use of Earmarked Capital Reserves was £56,120.**

Transfers totalling £158,233 were subsequently made from the General Fund Balance to the Budget Support Fund and Earmarked Revenue and Capital Reserves to ensure that sufficient resources are set aside to meet future years' spending commitments.

A total of £10,150 was transferred to the Budget Support Fund, while £73,083 was transferred to Earmarked Capital Reserves, and a total of £75,000 was used to set up two new Revenue Reserves, the Elections Reserve and the Neighbourhood Plan Reserve.

In overall terms the Council's Balances and Earmarked Reserves increased by £134,473 over the course of the year.

Balance Sheet as at 31st March 2013

31st March 2012 £		31st March 2013		
		Notes	£	£
	Operational Fixed Assets			
4,432,470	Land and Buildings	1		4,255,265
1,195,430	Vehicles, Plant, Machinery and Equipment	1		1,069,863
293,733	Community Assets	1		293,733
5,921,633	Total Tangible Fixed Assets			5,618,861
	Current Assets			
500,000	Short Term Investments	2	752,596	
14,729	Debtors	3	16,216	
17,096	Stocks	5	17,565	
45,926	Prepayments	6	47,565	
371,724	Bank Accounts and Cash in Hand	4	243,328	
949,475	Total Current Assets			1,077,270
6,871,108	Total Assets			6,696,131
	Current Liabilities			
(84,495)	Creditors	7	(82,508)	
(42,515)	Accruals	8	(43,848)	
(31,126)	Receipts in Advance	9	(24,947)	
(12,033)	Borrowing Repayable within 12 Months	11	(12,852)	
(170,169)	Total Current Liabilities			(164,155)
6,700,939	Total Assets less Current Liabilities			6,531,976
	Long Term Liabilities			
(223,166)	Long Term Loans Outstanding	12		(210,314)
(448,836)	Capital Grants Deferred Account	13		(427,773)
(13,042)	Capital Contributions Unapplied	14		(13,043)
6,015,895	Total Assets less Total Liabilities			5,880,846
	Financed By:			
5,219,362	Capital Financing Account	15		4,949,685
675,000	Earmarked Revenue and Capital Reserves	16		775,000
101,242	Revenue Budget Balance	16		135,715
20,291	Useable Capital Receipts Reserve	17		20,446
6,015,895				5,880,846

The Statement of Accounts for the year ended 31st March 2013 was authorised for issue and publication by the Responsible Financial Officer (RFO) on 25th June 2013 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 2012/13.

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).

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 spending is reported during the year.

The Council's Revenue Budget is analysed by each individual service area under the three main Committees of the Council which are Policy and Resources, Recreation and Environment.

The Annual Report on page 6 provides an analysis of the Council's Revenue Budget and actual spending in 2012/13 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 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 'book' entries are all then removed from the Income and Expenditure Account as 'Appropriations to the Balance Sheet' in order to show the true 'cash' 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 2011/12 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 areas of expenditure and income are included under each category.

Income

Precept

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

Grants received

Any grants that are 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, the 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 the cemeteries, allotments, golf course, driving range and sports complex.

Other income and contributions

All other income that does not fall into one of the above categories. For example, 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, external 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 FRSSE.

The loss on disposal of fixed assets in 2012/13 related to the demolition of West Park boathouse and Simpasture closed public toilets during the year as well as the transfer of Aycliffe Village closed public toilets to Durham County Council.

The remaining net book value of the buildings of £28,795 was written off to the Income and Expenditure Account as a loss on disposal.

There were no extraordinary items in 2012/13.

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 in accordance with Accounting Policy 3.3 which 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 2012/13 was £359,843 (£364,053 in 2011/12). 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'. Interest payments for 2012/13 totalled £14,297.

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 2012/13 for the Council's outstanding loans which totalled £12,033.

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 2012/13 was £58,846.

An analysis of the Capital Grants Deferred Account including the amounts released to the Income and Expenditure Account is detailed in Note 13 to the Balance Sheet.

8. Revenue Grants Received

The Council sometimes receives grants towards the running costs of its services and an analysis of grants received during 2012/13 and the preceding year is detailed below:-

	2011/12 £	2012/13 £	Grant from	Nature of Grant
Area Budget Grant	408	22,780	DCC	Woodham BMX Track
Tree Grants	600	-	DCC	Tree Planting
Environment Grant	1,789	-	CDENT	Nature Park Works
Section 106 Agreement	11,900	-	DCC	Jubilee Woodland Creation
Double Taxation Grant	38,475	38,475	DCC	Cemeteries and Allotments
Total	53,172	61,255		

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 2012/13 and 2011/12 was as follows:-

Description of Expenditure	2011/12 £	2012/13 £	Income and Expenditure Account
<i>Grants to local charities</i>	2,595	2,350	Grant aid expenditure
<i>Maintenance of church grounds</i>	10,000	11,500	Other direct service costs
Total	12,595	13,850	

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 2012/13 and 2011/12 are set out below:-

Description of Publicity	2011/12 £	2012/13 £
<i>Recruitment advertising</i>	1,444	75
<i>General advertising</i>	7,544	6,956
<i>Council newsletter</i>	3,920	4,264
Total	12,908	11,295

These amounts are included within 'other direct services costs' and 'other 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 **£14,297** and was charged to 'other direct service costs'.

The interest receivable from the investment of the Council's surplus balances in a 100 day notice account and from the Council's other bank accounts was minimal due to very low interest rates available and totalled **£4,592**.

12. Staffing

As at the 31st March 2013, the Council employed 74 staff represented by 52 full time staff and 22 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 2012/13 as detailed below (the 2011/12 figures are shown for comparison):-

Town Clerk Remuneration	2011/12 £	2012/13 £
Basic Salary	62,537	62,537
Car Allowance	963	963
Expenses	375	263
Total Excluding Pension	63,875	63,763
Pension Contributions	11,694	11,694
Total Remuneration	75,569	75,457

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 1.10, the Pension Fund actuaries have previously indicated that it is not possible to identify on a consistent basis the assets and liabilities relating to 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 31st March 2013 were as follows (2011/12 figures are shown for comparison):-

Pension Contributions	2011/12 £	2012/13 £
<i>Employees' Contributions</i>	47,598	46,229
<i>Employers' Contributions</i>	131,795	138,667
Total	179,393	184,896

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

The Council's contribution rate was 18.7% of pensionable pay in 2012/13, unchanged from 2011/12. 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 31st March 2013, there was a total of £17,494 due to the Pension Fund in outstanding contributions relating to the month of March and this is reflected in the creditors figure within the Balance Sheet.

15. Members' Allowances

During 2012/13, 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 2012/13 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 2011/12 figures are shown for comparison):-

	2011/12 £	2012/13 £
Members' Allowances	31,706	31,240

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 main 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. The Council made income tax and national insurance payments to the Government totalling £243,676 in 2012/13 while it reclaimed VAT totalling £48,532.

- **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 are 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 year.

- **Officers 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 2012/13, no officers were involved in any declarable transactions.

- **Durham County Council**

There were a large number of transactions with Durham County Council during the year, and the most material transactions are summarised below:-

- Receipt of the Council Precept payment totalling £1,624,400;
- Payment of employer and employee pension contributions totalling £184,896;
- Receipt of pre-school funding totalling £229,730;
- Receipt of Double Taxation Grant received totalling £38,475;
- Receipt of Area Grants totalling £54,381;
- Various payments in respect of early retirement recharges, business rates, licences, hired in machinery and equipment, pre-school room rent, trade waste collection and training totalling £105,610 excluding VAT.

- **Darlington Borough Council**

- Procurement of bedding plants totalling £13,493.

17. Disclosure of Audit Costs

In 2012/13 and 2011/12 the Council incurred the following fees relating to external audit services provided by Mazars LLP, and these are included within other democratic, management and civic costs within the Income and Expenditure Account:-

	2011/12	2012/13
	£	£
Annual fee for audit services	11,730	7,650
Other services provided	-	-
Total	11,730	7,650

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 (the 2011/12 figures are shown for comparison):-

	2011/12	2012/13
	£	£
Market Expenditure	8,469	8,540
Market Income	12,494	11,412
Market Surplus	4,025	2,872

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 £4,500 per year, and land at the depot site regarding a telephone mast to a telecommunications provider at £2,633 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 2012/13 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, hire of equipment, monitoring of CCTV cameras etc.

Notes to the Balance Sheet

1. Fixed Assets

a) Movement in the Value of Fixed Assets

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

	Land and Buildings £	Vehicles, Plant and Machinery £	Community Assets £	Total Fixed Assets £
<i>Gross Book Value at 1/4/2012</i>	5,464,922	2,466,569	293,733	8,225,224
Gross Book Value at 1/4/2012	5,464,922	2,466,569	293,733	8,225,224
<i>Add capital expenditure</i>	132,758	103,823	-	236,581
<i>Less non enhancing expenditure</i>	(109,330)	(41,385)	-	(150,715)
<i>Less disposals and sales</i>	(38,780)	(19,140)	-	(57,920)
<i>Add work in progress transfers</i>	-	-	-	-
<i>Add revaluations</i>	-	-	-	-
<i>Less impairment losses</i>	-	-	-	-
Gross Book Value 31/3/2013	5,449,570	2,509,867	293,733	8,253,170
<i>Less accumulated depreciation</i>	(1,032,452)	(1,271,139)	-	2,303,591
Depreciation at 1/4/2012	(1,032,452)	(1,271,139)	-	2,303,591
<i>Less depreciation for year</i>	(171,838)	(188,005)	-	(359,843)
<i>Write off disposal depreciation</i>	9,985	19,140	-	29,125
Depreciation at 31/3/2013	(1,194,305)	(1,440,004)	-	(2,634,309)
Net Book Value at 1/4/2012	4,432,470	1,195,430	293,733	5,921,633
Net Book Value at 31/3/2013	4,255,265	1,069,863	293,733	5,618,861

The value of the Council's operational assets fell slightly from £5.9 million to £5.6 million as the enhancing capital expenditure on fixed assets in 2012/13 was more than offset by the annual depreciation charge and asset disposals during the year.

The Council did not hold any non-operational assets such as surplus assets held for sale or intangible assets during 2012/13.

All fixed 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 the depreciation methodology used and estimated useful life assumptions.

b) Capital Expenditure and Financing

A summary of capital expenditure during 2012/13 and how this was financed is detailed below (the 2011/12 figures are shown for comparison):-

Capital Expenditure by Asset Type	2011/12 £	2012/13 £
Council Land and Buildings:		
Sports Complex access road	40,000	-
Aycliffe Show field running track	-	46,585
Oak Leaf Sports Complex	27,691	32,204
Oak Leaf Golf Complex	-	1,125
St Oswald's Pre School	1,322	2,817
Moore Lane Environment Centre	2,114	-
Moore Lane football changing rooms	-	12,151
Stephenson Way Cemetery	437	16,337
West Cemetery	-	930
West Park boat house demolition	-	3,598
Horndale football changing rooms	4,020	-
Simpasture Park pavilion and public toilets	3,591	-
School Aycliffe football changing rooms	-	660
Vehicles, Plant, Machinery and Equipment:		
Council Offices solar panel system	61,475	10,183
Replacement vehicles and machinery	10,000	25,500
Play equipment and safety surfacing	85,788	6,627
West Park outdoor fitness equipment	-	11,607
Town Park skate board park extension	-	19,994
Woodham BMX track	-	22,780
IT hardware and website	33,225	-
Sports Complex lockers and scaffolding	6,373	-
Sports Complex sports hall floor and lights	7,833	-
Sports Complex bowls hall lights	-	1,282
Fencing, bins, seating and picnic tables	23,474	3,033
Community Assets:		
Great Aycliffe Way and Jubilee Woodland	15,797	-
Footpath repairs	-	19,168
St Oswald's Allotments extension	15,362	-
Total Capital Expenditure	338,502	236,581
Financed by:		
Use of Earmarked Reserves	168,130	48,083
Use of Capital Contributions	37,574	61,076
Non Enhancing Expenditure to I&E Account	132,798	127,422
Total Capital Financing	338,502	236,581

c) Analysis of Fixed Asset Portfolio

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

	31/03/2012	31/03/2013
Operational Buildings		
Council Offices	1	1
Sports Complex	1	1
Golf Complex and Driving Range	1	1
Boat house	1	-
Park pavilions*	6	6
Cemeteries	2	2
Depots	2	2
Closed public conveniences	2	-
Operational Land		
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
Vehicles, Machinery and Equipment		
Civic car	1	1
Works vehicles	9	10
Tractors	7	7
Ride on mowers	9	9
Golf course buggies	6	6
Utility vehicles	4	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	1	1
Play areas and play equipment	23	23
Multi use games areas and fitness equipment	2	3
Skate parks and BMX tracks	1	2
Youth shelters	1	1
CCTV cameras	3	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
Community Assets		
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 various uses including a pre-school, environment centre, offices, changing rooms, storage and public toilets.

d) Fixed Asset Valuations

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

The FRSSE 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 FRSSE whereby existing fixed asset valuations could be retained. The Council therefore carried forward all of its fixed asset valuations as at 31st March 2009 to the first accounting period under FRSSE on 1st 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 2012/13.

e) 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:-

	2011/12 £	2012/13 £
Net assets employed	6,015,895	5,880,846

f) Impairment of Fixed Assets

Although there is no specific requirement within the FRSSE 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 2012/13 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

The Council does not currently hold any intangible assets on its Balance Sheet.

h) Fixed Assets Held Under Leases

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

Land	<i>Leased From</i>	<i>Term</i>
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 31st March 2013.

i) Revenue Expenditure Funded From Capital Under Statute

Accounting Policy 3.8 provides a definition of revenue expenditure funded from capital under statute. However, there has been no such expenditure during the year.

j) Fixed Asset Disposals

The Council disposed of the following fixed assets during 2012/13 and the table below details the net book value, any sales proceeds and the gain or loss on disposal:-

Asset Description	Net Book Value £	Sales Proceeds £	Gain / (Loss) on Disposal £
Buildings			
West Park Boathouse	25,057	-	(25,057)
Simpasture Toilets	1,138	-	(1,138)
Aycliffe Village Toilets	2,600	-	(2,600)
Machinery and Equipment:			
Works Vehicle ND51 CFE	-	-	-
	28,795	-	(28,795)

The Council demolished two long term empty buildings during 2012/13. These were West Park boathouse and Simpasture closed public toilets.

In addition the closed public toilets at Aycliffe Village were transferred to Durham County Council and therefore removed from the Council's asset register. The remaining net book value of the buildings of £28,795 was written off to the Income and Expenditure Account as a loss on disposal.

All other disposals related to assets at the end of their useful life with no residual value. None of these disposals resulted in any sales proceeds.

k) Claw Back of Land Sale Proceeds

Some 140 acres of the Council's land, which were part of that transferred to the Council in the 1980s from the Aycliffe and Peterlee Development Corporation, are 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 34% for land transferred in 1980 to 52% for land transferred in 1989, as at 31st March 2013. The percentage reduces by 2% each year.

The Council does not currently have any land up for sale although there are three pieces of land identified in the 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 2013/14

The Council did not have any outstanding capital commitments as at 31st March 2013 to which it is contractually committed.

However, there were a number of projects that had been planned to take place in the 2012/13 financial year but which had not commenced as at 31st March 2013. These projects are now due to take place early in 2013/14.

These projects included the upgrade of the disabled access lifts and reception area refurbishment at the Sports Complex, computer and server upgrades, and golf irrigation system repairs. A total of £62,250 has been carried forward from the Capital Programme Budget to meet the cost of these requirements.

The Council's Capital Programme requirements for 2013/14 and beyond are set out in more detail in the 2013/14 Capital Programme Budget, the 2012 to 2016 Medium Term Financial Plan and the Asset Management Plan.

2. Investments

The Council invests its surplus balances and reserves in either a 100 day notice bank account or a bank treasury deposit investment. The chosen investment method depends upon which account offers the most favourable rates of interest at the time that the investment is made.

As at the 31st March 2013, a total of £752,596 was invested in a 100 day notice account. The remainder of the Council's surplus balances and reserves was held in the main bank account.

Interest receivable from previously held treasury deposit investments and the Council's bank accounts is credited to the Income and Expenditure Account and totalled £4,592 in 2012/13.

3. Debtors

An analysis of the Council's outstanding debtors at the end of the year is detailed below (the 2011/12 figures are shown for comparison):-

	31/3/2012 £	31/3/2013 £
<i>Amounts falling due within one year</i>		
<i>HM Revenues and Customs - VAT</i>	9,557	6,555
<i>Other local authorities</i>	430	275
<i>Sundry debtors</i>	4,742	9,386
<i>Amounts falling due after one year</i>	-	-
<i>Total</i>	14,729	16,216

The level of outstanding debt as at 31st March 2013 is of low value and is all 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. 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 2011/12 figures are shown for comparison):-

	31/03/2012 £	31/03/2013 £
<i>Current Account</i>	144,216	217,412
<i>Base Rate Tracker Account</i>	200,389	26
<i>Cash in transit</i>	25,249	23,813
<i>Floats and cash held</i>	1,870	2,077
<i>Total</i>	371,724	243,328

The Council had a higher amount of cash held in the 100 day notice short term investment at the end of the 2012/13 financial year and this accounts for the lower level of cash held that was held in bank accounts in comparison to 2011/12.

5. Stocks

The Council holds a number of stocks at its sports complex and works 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 stocks held at the end of the year is detailed below (the 2011/12 figures are shown for comparison):-

	31/03/2012	31/03/2013
	£	£
Sports Complex		
Bar supplies	5,390	4,553
Catering supplies	1,832	1,981
Vending machine stocks	540	682
Cleaning materials	421	260
Resale items	438	500
Works and Depot		
Tools and equipment	3,621	4,106
Golf complex materials and equipment	1,508	1,479
Parks and play equipment	1,594	2,208
Cleaning and consumables	416	596
Petrol and oil	1,336	1,200
Total	17,096	17,565

6. Prepayments

The Council had made payments in its revenue accounts as at 31st March 2013 where some or all of the expenditure related to the 2013/14 financial year. These payments included the Council insurance and IT support contracts, as well as various subscriptions and maintenance agreements, where a proportion of the contracts ran into the new financial year. These payments have been included as prepayments in the Balance Sheet and moved forward to 2013/14 and totalled **£47,565**. For comparison purposes, year-end prepayments in 2011/12 totalled £45,926.

7. Creditors

An analysis of the Council's outstanding creditors at the end of the year is detailed below (the 2011/12 figures are shown for comparison):-

	31/03/2012	31/03/2013
	£	£
HM Revenues and Customs	23,110	23,180
Other local authorities	18,230	18,265
Sundry creditors	43,155	41,063
Total	84,495	82,508

8. Accruals

A number of provisions needed to be made in the revenue accounts as at the 31st March 2013 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 payments, totalling **£43,848**, included loan interest, external audit fees, and outstanding gas and electricity bills and are shown as accruals in the Balance Sheet. For comparison purposes, year-end accruals in 2011/12 totalled £42,515.

9. Receipts in Advance

The Council had received income in its revenue accounts as at the 31st March 2013, where some or all of the income related to the 2013/14 financial year. This income, totalling **£24,947**, included golf season ticket sales and allotments rents and is shown as receipts in advance in the Balance Sheet. For comparison purposes, year-end receipts in advance in 2011/12 totalled £31,126.

10. 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.

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

11. 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 2011/12 figure is shown for comparison):-

	2011/12 £	2012/13 £
<i>Public Works Loan Board</i>	12,033	12,852
Total	12,033	12,852

12. 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 2013/14 onwards:-

Source of Loan	Interest Rate %	31/03/2012 £	31/03/2013 £
<i>Public Works Loans Board</i>	8.1	65,104	58,500
<i>Public Works Loans Board</i>	5.2	158,062	151,814
		223,166	210,314

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	31/03/2012 £	31/03/2013 £
	1 - 2	12,852	13,728
	2 - 5	44,070	47,095
	5 -10	77,834	70,998
	10 +	88,410	78,493
		223,166	210,314

13. Deferred Capital Grants Account

The Deferred Capital Grants Account holds the balance of all capital contributions that have been used in previous years to finance capital expenditure. Amounts are released each year to the appropriate service revenue account to match the depreciation charge in respect of the fixed asset that the contribution financed, in line with Accounting Policy 2.7.

The movement on the Capital Grants Deferred Account during the year is set out below (the 2011/12 figures are shown for comparison):-

	2011/12 £	2012/13 £
<i>Balance brought forward at 1st April</i>	484,439	448,836
Contributions received during the year	23,477	37,783
Less amounts released to I&E Account	(59,080)	(58,846)
<i>Balance carried forward at 31st March</i>	448,836	427,773

A total of £37,783 was transferred from the Capital Contributions Unapplied Account and used to finance capital expenditure during 2012/13, while a total of £58,846 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 capital grants and contributions, from various sources, and mainly relating to the funding of play equipment, that will be released to revenue accounts during the coming years over the remaining useful lives of the fixed assets to which they relate.

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 2011/12 figures are shown for comparison):-

	2011/12 £	2012/13 £
Balance brought forward at 1st April	20,893	13,042
<i>Capital contributions received</i>	29,722	61,077
<i>Transferred to I&E Account</i>	(14,096)	(23,293)
<i>Transferred to Grants Deferred Account</i>	(23,477)	(37,783)
Balance carried forward at 31st March	13,042	13,043

The balance brought forward on the account relates to the unused balance of contributions received in previous years, from County Durham Environmental Trust (CDENT) and Great Aycliffe and Middridge Area Partnership (GAMP) Area Budget towards capital works relating to the Great Aycliffe Way and Aycliffe Nature Park, which have not yet been applied in funding capital expenditure via the Deferred Capital Grants Account.

A total of **£61,077** in **new capital contributions** were **received in 2012/13** as follows:-

- £22,780 in Area Grant received from the Great Aycliffe and Middridge Area Action Partnership to fund the BMX Track at Woodham Village
- £11,608 in Area Grant received from the Great Aycliffe and Middridge Area Action Partnership to fund the outdoor fitness equipment in West Park
- £19,994 in Area Grant received from the Great Aycliffe and Middridge Area Action Partnership to fund the skate park extension in the Town Park
- £6,182.50 from John Meynell Funeral Directors towards the roof replacement at Stephenson Way Cemetery
- £512.50 from Newton Aycliffe Rotary Club towards the war memorial improvements.

A total of **£37,783** was subsequently **transferred to the Deferred Capital Grants Account** to fund capital expenditure in respect of the above.

A further **£23,293** was **transferred to the Income and Expenditure Account** to fund non enhancing capital expenditure in respect of the above.

15. 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, the use of earmarked reserves and the use of capital receipts.

A summary of the movement on the Capital Financing Account during the year is set out below (the 2011/12 figures are shown for comparison):-

	2011/12 £	2012/13 £
Balance brought forward at 1st April	5,355,339	5,219,362
Add financing of fixed assets:		
Use of earmarked reserves	168,130	48,083
Repayment of long term loans	11,270	12,033
Grants deferred release	59,080	58,846
Less write down of fixed assets:		
Depreciation charges in year	(364,054)	(359,844)
Loss on disposal of fixed assets	(14,588)	(28,795)
Claw back due to Homes and Communities Agency	4,185	-
Balance carried forward at 31st March	5,219,362	4,949,685

16. 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 31st March 2013, including the movement on those balances and reserves during the year.

Total Balances and Earmarked Reserves £910,715 as at 31st March 2013, of which £135,715 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.

The remaining **£775,000** has been set aside in **Earmarked Revenue and Capital Reserves** to meet future years' spending requirements.

17. Useable Capital Receipts Reserve

A summary of the movement on the Useable Capital Receipts Reserve is shown below (the 2011/12 figures are shown for comparison):-

	2011/12 £	2012/13 £
Balance as at 1st April	16,726	20,291
Capital receipts received during the year	7,750	-
Capital receipts used during the year	-	-
Due to / from Homes and Community Agency	(4,185)	155
Balance as at 31st March	20,291	20,446

The balance on the Useable Capital Receipts Reserve relates to the proceeds from the sales of land at High Barn Road in School Aycliffe over the last few years that have not yet been utilised in financing capital expenditure.

18. 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 to inspect the accounts, and the conduct of the annual statutory audit of the accounts.

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, consistency, comparability, understandability, materiality, prudence, 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 each year.

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 requirements are set out in the CIPFA Framework for Delivering Good Governance in Local Government. All local authorities are required to maintain a local code of governance, including arrangements for reviewing its effectiveness each year, 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 the annual depreciation charge.

Audit Commission

The Government body which previously responsible for undertaking the Statutory Annual Audit of the Council including the Audit of the Statement of Accounts. The Audit is now undertaken by the successor organisation, Mazars LLP.

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 was a duty on local authorities to secure best value in all aspects of service provision. This duty required 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 the 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 net 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 each year.

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 specialises 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 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. Examples include civic regalia, parks, allotments, memorial gardens and historic buildings.

Comparability Concept

The accounting concept whereby the financial statements should be prepared with sufficient consistency and adequate disclosure in order to allow comparability both 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 by local authorities 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, calculates the Band D Council Tax. The actual council tax payable then 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 help 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 arrangement 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 that is held and 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 as set out in the FRSSE.

Government Grants

These are financial 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. The Council does not currently hold any such assets.

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.

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.

Mazars LLP

Mazars LLP are the Council's current external auditors.

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. prior to 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 Revenue 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 collects 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, have 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 would account 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

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 which are taken into account in the FRSSE.

Stocks

These are stocks of goods or other assets which are 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. bar and catering supplies, 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 to the General Fund Balance, the use of earmarked reserves to meet capital expenditure, and transfers to and from balances and reserves.

Statement of Total Recognised Gains and Losses (STRGL)

This is a financial statement that would bring together any recognised gains and losses of the Council that have not been recognised in the Income and Expenditure Account. The statement would reflect 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 statements 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 over which the Council would expect to derive benefits from the use of a fixed asset and which is used as part of the calculation of the annual depreciation charge.

Work in Progress

The cost of work completed up to the end of the financial year on an as yet uncompleted capital project.