

## **Index to Statement of Accounts**

<b>Section of the Accounts</b>	<b>Page Number(s)</b>
Explanatory Foreword	1-2
Annual Report	3-14
Statement of Responsibilities	15
Auditor's Report	16-18
Statement of Accounting Policies	19-35
Annual Governance Statement	36-41
<u>Financial Statements:-</u>	
Income and Expenditure Account	42
Statement of Movement on Reserves	43
Balance Sheet	44
Statement of Total Recognised Gains and Losses	45
<u>Notes to the Financial Statements:-</u>	
Income and Expenditure Account	46-53
Balance Sheet	54-67
Glossary of Terms	68-79

## **Explanatory Foreword**

Welcome to Great Aycliffe Town Council's statutory Statement of Accounts for the financial year ended 31<sup>st</sup> March 2016.

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 is set out in pages 3 to 14 and is a report from the Council's Finance Manager setting out a summary of the Council's activities during the financial year, providing background to the overall financial position of the Council, summarising its financial performance in 2015/16, highlighting the key issues from the Accounts, and providing a 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 statutory requirement to make arrangements for the proper administration of the financial affairs of the Council, secure economic, efficient and effective use of resources, safeguard assets, prevent fraud and error, and prepare and approve the annual Statement of Accounts. The statement also provides certification from the Finance Manager 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 Council's external auditor confirming that the Statement of Accounts has been prepared in accordance with applicable laws and regulations, and that it 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 35 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 (effective January 2015).

### **Annual Governance Statement**

The Annual Governance Statement set out in pages 36 to 41 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 42 is a primary financial statement which sets out all of the income receivable and expenditure incurred relating to the provision of the Council's services during the 2015/16 financial year.

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

The Statement of Movement on Reserves set out on page 43 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 revenue and capital expenditure, and any transfers made between reserves.

### **Balance Sheet**

The Balance Sheet on page 44 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 31<sup>st</sup> March 2016.

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

The Statement of Total Recognised Gains and Losses on page 45 is a primary financial statement which provides a reconciliation of the movement in the overall net worth of the Council as set out in the Balance Sheet between 2014/15 and 2015/16.

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

The Notes to the Financial Statements detailed in pages 46 to 67 provide further information and explanations of the more important accounting entries shown in the Income and Expenditure Account and Balance Sheet.

### **Glossary of Terms**

The Glossary of Terms set out in pages 68 to 79 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.

## **2015/16 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 and 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 information on the overall financial standing of the Council as at 31<sup>st</sup> March 2016, 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:-

- A pre-school learning centre at St Oswald's Park;
- 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 junior football and six a side pitches;
- Eight parks, all with play equipment, four further play areas, four 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;
- A community events programme including Aycliffe Festival, senior citizens trips, fun in the parks, Santa tours and the fireworks display;
- Grounds maintenance of Council owned land and facilities;
- An environment centre;
- Environmental management of a number of nature and conservation areas, the Great Aycliffe Way and other green open space across the Parish;
- Operation of CCTV cameras at the sports complex and depot sites;
- Civic events and functions and the Town Mayor;
- A Park Patrol Service and Town Pride Team; and
- Provision and maintenance of public seating, litter and dog bins and bus shelters.

Services are currently provided by a workforce of 64 staff of which 40 are full time posts and 24 part time posts, supported by a number of casual and temporary staff.

The Council is managed under the policy direction of 30 Elected Members, 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 Council also receives Council Tax Support Grant funding from the Government, which is paid via Durham County Council, and currently totals £228,899 per year, representing nearly 17% of the Council's Net Revenue Budget Requirement.

This grant was put in place by the Government to offset the loss in the Council's tax raising capacity which was brought about by changes to the Council Tax Benefit System and the introduction of Local Council Tax Support Schemes in 2013/14.

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

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, community assets such as parks and play areas, office equipment, 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 each year.

Another key component of the Council's income is the Council Tax Support Grant, which is influenced by the Local Government Grant Settlement by the Government, and also by Durham County Council in terms of how much of the grant is subsequently passed on.

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, identification of more economic and efficient ways of working, and improved procurement of goods and services.

## Revenue Spending in 2015/16

**The Council set a Precept of £1,348,550 for 2015/16** which was based on the Net Revenue Budget Requirement, or the estimated net cost of running all Council services.

This represented a £31,950 or 2.4% increase on the 2014/15 Precept of £1,316,600, and reflected the additional budget provision required to offset a cut to the Council Tax Support Grant funding, a significant fall in pre-school funding income, the officer pay award, and various other increases in running costs and falls in income from fees and charges.

These budget pressures were largely offset from budget reductions and savings, restricting the increase in the Precept, and therefore **limiting the required increase in the level of Town Council Tax in 2015/16 to 1.98%.**

**The Council's actual net revenue spending for the year totalled £1,162,434**, meaning the Council achieved **an overall saving of £186,116 or 14%** against its 2015/16 Precept.

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

- Budgeted contribution to capital reserves	£25,000
- Limited use of the contingency sum	£23,500
- Savings on civic, corporate, finance and administration costs	£18,000
- Savings on works staffing costs, training, fuel, equipment and planting	£23,000
- Deletion of the Environment Officer post	£9,000
- Savings from the Woodham Burn pre-school transfer	£25,000
- A lower than expected final cost for the first Aycliffe Festival	£10,000
- Savings on sports complex running costs, net of falls in income	£22,000
- Increased cemeteries, golf course and driving range income	£15,000
- Other savings on running costs and unspent budgets	£15,500

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:-

<b>Committee / Budget</b>	<b>2014/15 Actual Spend £</b>	<b>2015/16 Budget Spend £</b>	<b>2015/16 Actual Spend £</b>	<b>2015/16 (Saving) / Overspend £</b>
<b>Policy and Resources</b>				
Members and Civic Expenses	63,583	70,350	64,023	(6,327)
Finance Service	62,885	66,250	63,865	(2,385)
Administration Service	109,902	114,950	112,132	(2,818)
Corporate Services	234,597	256,700	271,977	15,277
Neighbourhood Plan	28,354	37,500	12,476	(25,024)
Pre School Learning Centres	40,153	70,800	45,851	(24,949)
Works Section and Depot	141,599	173,800	149,826	(23,974)
Capital Financing Charges	23,472	25,400	23,228	(2,172)
<b>Total</b>	<b>704,545</b>	<b>815,750</b>	<b>743,378</b>	<b>(72,372)</b>
<b>Recreation</b>				
Special Events	133,397	132,550	108,362	(24,188)
Sports Complex	289,849	371,250	349,406	(21,844)
Sports Pitches	20,785	31,950	30,904	(1,046)
Golf Course	36,210	48,450	56,712	8,262
Driving Range	28,090	28,150	24,637	(3,513)
Parks and Play Areas	288,577	292,350	276,489	(15,861)
<b>Total</b>	<b>796,908</b>	<b>904,700</b>	<b>846,510</b>	<b>(58,190)</b>
<b>Environment</b>				
Environment and Open Spaces	122,265	143,850	134,742	(9,108)
Street Equipment	8,619	9,150	7,856	(1,294)
Allotments	11,777	12,600	16,086	3,486
Cemeteries and Church Works	51,257	58,800	55,372	(3,428)
<b>Total</b>	<b>193,918</b>	<b>224,400</b>	<b>214,056</b>	<b>(10,344)</b>
<b>Exclude Depreciation Charges</b>	<b>(329,898)</b>	<b>(382,400)</b>	<b>(382,417)</b>	<b>(17)</b>
<b>Add Contingency Sum</b>	<b>-</b>	<b>27,500</b>	<b>51,507</b>	<b>24,007</b>
<b>Add Contribution to Reserves</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>(25,000)</b>
<b>Less Council Tax Support Grant</b>	<b>(255,847)</b>	<b>(228,900)</b>	<b>(228,899)</b>	<b>1</b>
<b>Less Funding of By Elections</b>	<b>-</b>	<b>-</b>	<b>(21,718)</b>	<b>(21,718)</b>
<b>Less Funding of N. Plan</b>	<b>(28,354)</b>	<b>(37,500)</b>	<b>(12,476)</b>	<b>25,024</b>
<b>Less Funding of A167 Lights</b>	<b>-</b>	<b>-</b>	<b>(47,507)</b>	<b>(47,507)</b>
<b>Council Precept / Net Spending</b>	<b>1,081,272</b>	<b>1,348,550</b>	<b>1,162,434</b>	<b>(186,116)</b>

## Capital Investment in 2015/16

The Council set an initial **Capital Programme Budget for 2015/16** of £240,000, but this was subsequently increased during the year to **£407,750**.

This accounted firstly for the approved carry forward of £69,000 from the 2014/15 financial year regarding on-going and committed projects at the end of last year and secondly for additional budget approvals during the year totalling £98,750.

A number of capital projects were undertaken during the year in support of the delivery of the Council's Asset Management Plan including the following:-

- Replacement roof at St Oswald's pre-school office building;
- Depot automatic gate repair;
- Golf complex conservatory replacement;
- Replacement computers and the upgrade of the server infrastructure;
- Sports complex drainage repairs and sports hall floor cleaning;
- A replacement works van, tractor, utility vehicle, and golf aeration machine;
- Replacement multi-units at Horndale and Oak Leaf play areas;
- The installation of a new multi-use games area at Moore Lane Park;
- The completion of various improvements at West Park;
- Golf course safety improvements and irrigation system repairs; and
- Play area safety surfacing repairs, skate park repairs, and footpath repairs.

**Actual spending on the Capital Programme during the year totalled £201,488, and this was financed as follows:-**

- **£139,040 from the Council's Earmarked Capital Reserves;**
- **£29,042 from external capital grants and contributions;**
- **£33,406 was recharged to the Income and Expenditure Account, relating to capital expenditure that was non-enhancing to the value of the fixed assets or that was under the Council's de-minimus materiality threshold.**

The under spend against the 2015/16 Capital Programme Budget was due to a number of projects being delayed including the development a new park in the Cobblers Hall area of the town, replacement heating systems for Moore Lane pavilion and the golf complex, and a replacement play area in West Park.

These, and number of other small projects, are now due to take place in the 2016/17 financial year, and **a total of £197,000 has been carried forward from the 2015/16 Capital Programme Budget underspend** to meet the cost of these capital projects.

The Council did not have any outstanding capital commitments as at 31<sup>st</sup> March 2016 to which it was contractually committed.

## Fixed Asset Disposals

The Council disposed of a number of fixed assets during the year including a works van and two utility vehicles, driving range ball dispenser, and server and computer equipment. None of these disposals resulted in any sales proceeds. However, the disposal of the ball dispenser and server resulted in a small loss on disposal, as these assets had a negligible residual value on the Balance Sheet.



## 2015/16 Income and Expenditure Account

There are a number of differences between the figures shown in the Income and Expenditure Account in the Statement of Accounts 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, impairment and losses on the revaluation of 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 £186,116 and the surplus shown on the Income and Expenditure Account of £152,710. This difference equates to the total of the non-enhancing and de-minimus capital expenditure for 2015/16, of £33,406.

## Balances and Reserves

The savings on the Council's Revenue Budget in 2015/16 allowed the Council to partly offset the 2015/16 Capital Programme Budget expenditure, the funding of the neighbourhood plan and by-elections, as well as the commuted sum payable to Durham County Council to secure the future of the street lighting on the A167 road.

**In overall terms, Council Balances and Reserves fell by £76,989 to £989,338.**

The **General Fund Balance** has been reduced to **£120,796** or approximately 8.5% of the 2016/17 Precept.

A total of **£7,750** has been set aside in the **Revenue Budget Support Fund** to provide support to the 2016/17 Revenue Budget, while the community benefit income from a solar farm at School Aycliffe totalling £792 has been set aside in a Community Benefit Fund.

The Council's other **Earmarked Revenue and Capital Reserves** have reduced slightly to **£860,000**, and will be used to fund specific revenue spending commitments and future capital investment by the Council as set out in the 2016/17 Budget and 2016/17 to 2020/21 Medium Term Financial Plan.

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

<b>General Fund Balance</b>	<b>£120,796</b>
Budget Support Fund	£7,750
Community Benefit Fund	£792
Building Works Reserve	£250,000
Vehicle and Machinery Reserve	£200,000
Parks and Play Areas Reserve	£200,000
ICT Reserve	£50,000
Sports Complex Reserve	£25,000
Golf Complex Reserve	£25,000
Street Equipment Reserve	£50,000
Neighbourhood Plan Reserve	£10,000
Elections Reserve	£50,000
<b>Earmarked Revenue and Capital Reserves</b>	<b>£866,042</b>
<b>Total Balances and Reserves</b>	<b>£989,338</b>

The Council also held a total of £37,543 in unused capital contributions and a total of £20,446 in usable capital receipts at the end of the year.

## 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, 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 **increased by £1,986,700** over the course of the year **from £5,796,391 to £7,783,091**, largely as a result of the revaluation of the Council's land and building assets, as well as the enhancing capital investment undertaken during the year, and the savings made on the Revenue Budget.

## Borrowing

The Council had **outstanding loans totalling £181,919 as at 31<sup>st</sup> March 2016**. Principal repayments totalling £14,667 were made during the year, with interest payments in respect of the outstanding loans totalling £11,027. 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 had **£200,000 invested in the Public Sector Deposit Fund as at 31<sup>st</sup> March 2016** and a further **£765,035 invested in a 100 day notice bank account**. Interest earned from these investments during the year totalled £6,644.

## Fixed Assets

The Council held **operational and non-operational fixed assets** by way of its land, buildings, plant, machinery, vehicles, equipment, community assets and surplus land **to a value of nearly £7.3 million as at 31<sup>st</sup> March 2016**, an increase of £2 million on 2014/15. This increase was as a result of the revaluation of the Council's land and building assets.

## Future Plans

The Council's future plans including specific aims and targets are set out in the Service Delivery Plan and the resourcing of these plans is set out in the 2016/17 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 years 2016/17 to 2020/21, and an Asset Management Plan which sets out capital investment requirements for the next ten years.

## 2016/17 Revenue Budget

**The 2016/17 Revenue Budget was developed in a way that delivered the overriding principle from the Medium Term Financial Plan of maintaining services, while keeping the required increase in the Town Council Tax as low as possible.**

The setting of the Revenue Budget needed to take into account the likely changes in costs and income between the two years; 2015/16 to 2016/17.

Additional budget provision needed to be made for the following:-

- The 2016/17 local government pay award, implementation of the National Living Wage at a minimum rate of £7.20 per hour, and the associated restructure of the Council's grading structure;
- The end of the 'contracted out' rebate on employer's national insurance contributions for all staff in the Local Government Pension Scheme;
- A cut to the Council Tax Support Grant funding;
- A fall in pre-school funding income due to a projected reduction in numbers;
- A fall in golf membership and sports complex income;
- Inflation and other unavoidable increases in running costs; and
- An increase to the contingency sum to help offset future years' budget pressures.

However, these increases were largely offset by savings and budget reductions, assisted by the positive financial situation in the 2015/16 financial year. Savings included:-

- Growth of over 150 properties in the Council Tax Base
- The transfer of Woodham Burn Pre-School to the primary school;
- Savings in staffing costs from a works management restructure, flexible retirements, reduced bar and catering staffing hours, and lower overtime;
- Reduced spending on bar, catering and vending machine supplies linked to the downturn in sports complex income;
- Increases in golf and driving range takings and cemeteries income; and
- Various other budget reductions and efficiency savings.

No provision has been made for new investment in the Revenue Budget either in existing services or new initiatives, although there would be limited scope for investment of a short term or one-off nature by using the Revenue Budget Contingency Sum.

**In overall terms, the Council's 2016/17 Precept was increased by £62,600 or 4.6% from £1,348,550 to £1,411,150.**

**This represented an increase of 1.99% in the Town Council Tax to £145.04 per year at Valuation Band A.** The decision to increase the Council Tax was not taken lightly and in restricting the increase to less than 2%, the impact on the council tax bill at Valuation Band A was limited to less than £3 per year.

This small increase will help to ensure that all services can continue to be provided to the standard expected by the residents of Great Aycliffe next year, whilst continuing to provide a firm foundation, and some contingency resources, to meet the challenges, spending commitments and funding cuts that lie further ahead.

## **2016/17 Capital Programme Budget**

The 2016/17 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 Medium Term Financial Plan.

The levels of Earmarked Capital Reserves currently held will allow the Council to maintain the required level of capital investment in its assets in 2016/17 in order to continue to deliver the Asset Management Plan and to make further investment in community assets.

**The 2016/17 Capital Programme Budget was set at £147,250** and includes provision for the following projects:-

- council offices flat roof replacement and energy efficiency works;
- replacement works vehicles and machinery;
- computer replacements and website development;
- hand held digital radios for special events and the park patrol service;
- replacement play equipment at Byerley Park play area;
- play area surfacing repairs and skate park repairs;
- drainage repairs at the sports complex;
- replacement of the golf irrigation system control panel and tank;
- footpath repairs;
- replacement litter bins and public seating;
- repainting of bridges at West Park;
- improvement works at Woodham bridleway; and
- wildflower meadow cutting and baling machinery.

**In addition**, as highlighted earlier, **a total of £197,000 has been carried forward from 2015/16 in respect of delayed projects** including a major project to develop a new park in the Cobblers Hall area of the town, as well as replacement heating systems for Oak Leaf Golf Complex and Moore Lane environment centre and football changing rooms, and a replacement play area in West Park.

**The total revised 2016/17 Capital Programme Budget is currently therefore £344,250.**

This budget will help build on the significant progress that has been made in recent years in the delivery of the Asset Management Plan, and ensure that all major building works and replacements of vehicles, machinery and play equipment are fully up to date.

**The Capital Programme Budget will be funded from the Council's Earmarked Capital Reserves**, supported by funding from external capital grants or contributions such as Community Infrastructure Levy and Section 106 Agreement monies, and the Durham County Council Members Initiative Fund.

The Council does not currently need to consider any further borrowing in light of the Earmarked Capital Reserves available, although the option of leasing capital assets will be considered where relevant.

## **Future Levels of Balances and Reserves**

**As highlighted earlier, the Council's Balances and Earmarked Reserves stood at £989,338 at the end of March 2016.**

This is better than originally anticipated in the Medium Term Financial Plan and is as a result of the higher than expected savings on the 2015/16 Revenue Budget and lower than expected outturn on the 2015/16 Capital Programme.

After accounting for the funding of the 2016/17 Capital Programme Budget and the on-going revenue and capital budget commitments carried forward from 2015/16, and providing for the receipts from a forthcoming land sale, **it is likely that the Council will have around £750,000 in Balances and Reserves at the end of 2016/17.**

This balance would be higher if savings continue to be achieved on the Revenue Budget, as they have been in recent years, although the likelihood of significant savings is reducing year by year as a result of the Council's worsening financial situation.

The current level of reserves held is considered to be a prudent level of balances to fund the future capital spending commitments set out in the Council's Medium Term Financial Plan and Asset Management Plan for the next five years, and to provide some protection, if required, against further cuts to the Council Tax Support Grant funding and future revenue budget spending pressures.

## **Medium Term Financial Plan**

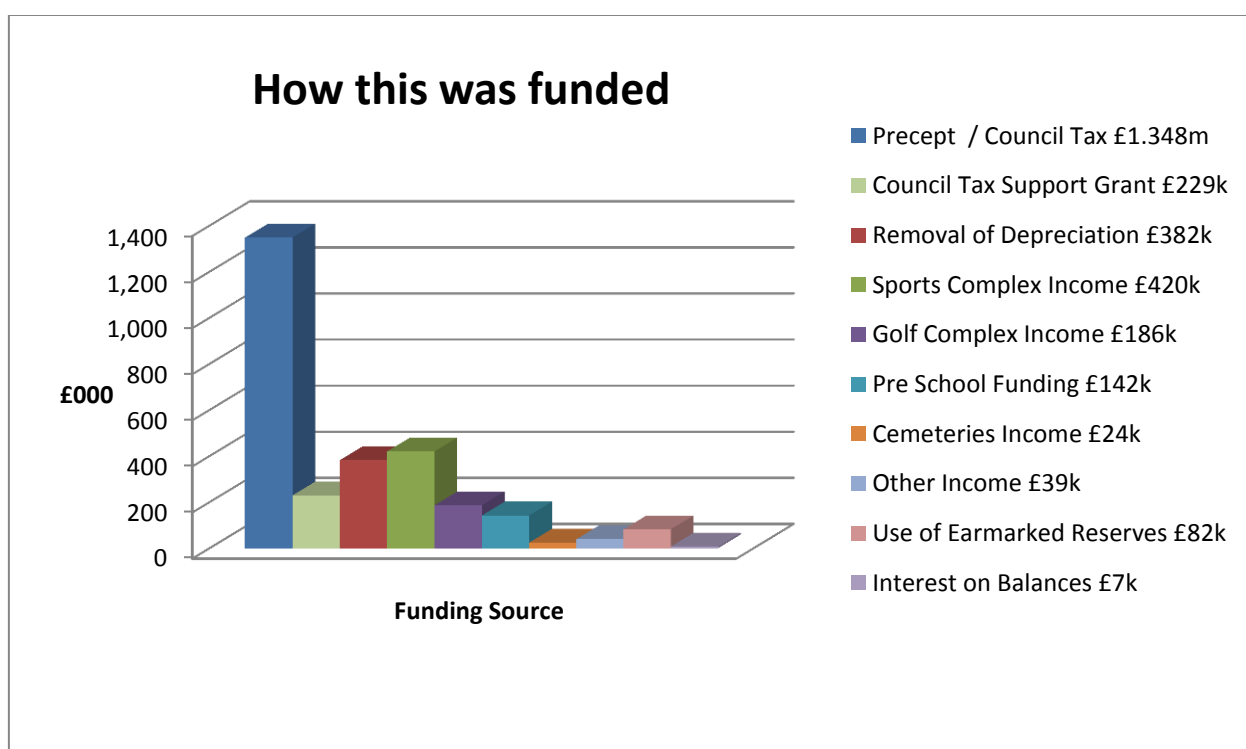
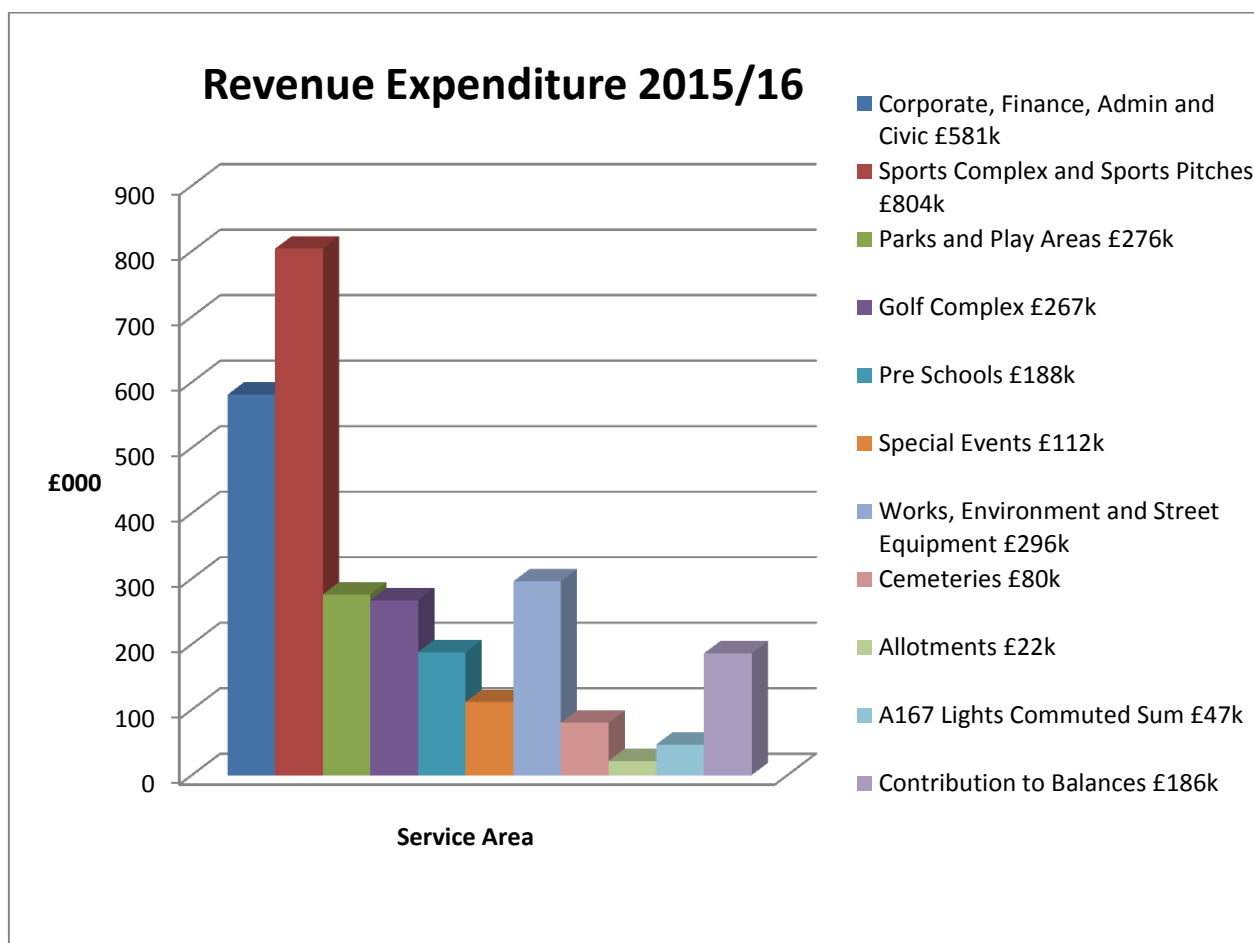
The Council's financial situation is unlikely to improve in the coming years with further cuts expected to be made to the Council Tax Support Grant funding, the possibility of a limit being put in place on the council tax increases of larger town councils, as well as on-going pressure on spending budgets including pay awards and the movement in the National Living Wage towards £9 per hour, and increasing pressure to take on services at risk of being cut or withdrawn by Durham County Council.

The Council's Medium Term Financial Plan considers the likely impact of these issues over the next five years and puts in place a strategy to help ensure that services and jobs are protected as far as possible and that council tax increases are kept as low as possible.

The Council's finances are currently in a healthy position and the Medium Term Financial Plan aims to ensure that the Council can capitalise on this and meet the challenges that lie ahead, deliver its strategic aims and targets, fulfil the needs and priorities of the local community, and continue to provide value for money services to local tax payers.

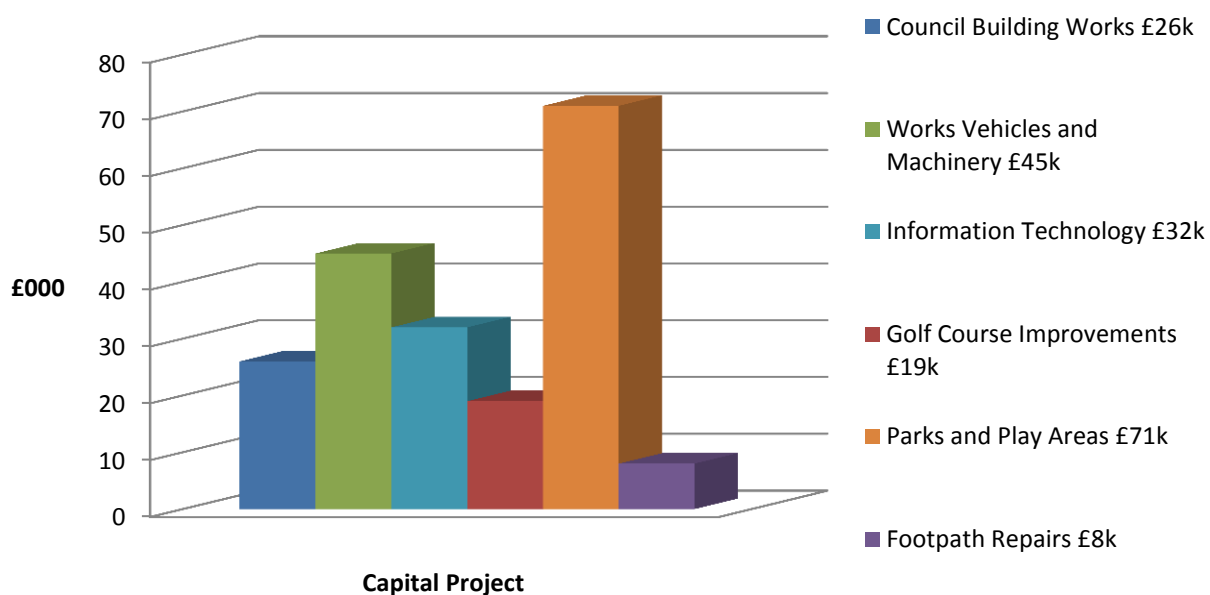
Full details of the Council's future plans can be found within the 2016/17 Revenue and Capital Budget, the 2016/17 to 2019/20 Medium Term Financial Plan and the Asset Management Plan, all of which are available to view at the Council Offices or on the Council website.

## Summary of Revenue Spending in 2015/16 and How It Was Funded

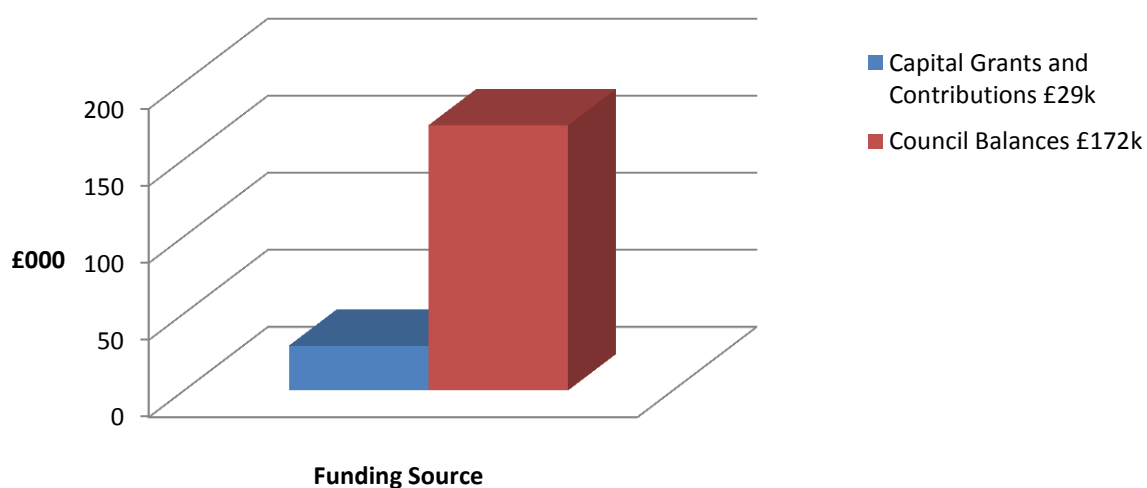


## Summary of Capital Investment in 2015/16 and How It Was Funded

### Capital Expenditure 2015/16



### How this was funded



Mr Dan Austin C.P.F.A.  
Finance Manager

*D A Austin*

Date

13<sup>th</sup> July 2016

## 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 2015 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 considered and approved.

### Certification of the Presiding Officer of the Council

Deputy Mayor of the Council: *M A Dalton* Date: 13<sup>th</sup> July 2016

### 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 January 2015.

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

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

### Certification of the Finance Manager

I hereby certify that this Statement of Accounts presents a true and fair view of the financial position of Great Aycliffe Town Council for the year ended 31<sup>st</sup> March 2016 and of its income and expenditure for that year.

Finance Manager *D A Austin* Date: 13<sup>th</sup> July 2016



## **Independent Auditor's Report to the Members of Great Aycliffe Town Council**

### **Opinion on the Council financial statements**

We have audited the financial statements of Great Aycliffe Town Council for the year ended 31<sup>st</sup> March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on Reserves, the Statement of Total Recognised Gains and Losses, 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 January 2015).

This report is made solely to the members of Great Aycliffe Town Council in accordance with Part 5 of the Local Audit and Accountability Act 2014, and paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Public Sector Audit Appointments Limited.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of Great Aycliffe Town Council, as a body, for our audit work, for this report or for the opinions we have formed.

### **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 the Financial Reporting Standard for Smaller Entities (effective January 2015), 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 and the Annual Report 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 our 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<sup>st</sup> March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

## **Opinion on other matters**

In our opinion, the information given in the Explanatory Foreword and the Annual Report 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 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 24, schedule 7 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24, schedule 7 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## **Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Respective responsibilities of the Council and the auditor**

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

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office, requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required to conclude whether the Council has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the National Audit Office and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office, we are satisfied that, in all significant respects, Great Aycliffe Town Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31<sup>st</sup> March 2016.

**Certificate**

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the Audit Commission.

*C W Waddell*

Cameron Waddell

For and on behalf of Mazars LLP

The Rivergreen Centre,  
Aykley Heads,  
Durham,  
DH1 5TS

Dated: 18<sup>th</sup> July 2016

## **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 Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015 set out a number of important statutory provisions regarding the financial management of local authorities including the specific requirements for the production, public inspection, approval and publication of annual accounts and the required external audit arrangements.

The Council is classified within the Accounts and Audit Regulations as a “smaller relevant body”, defined as being a public sector body with an annual income or expenditure less than £6.5 million per year.

Smaller relevant bodies are permitted by the regulations to prepare simpler published accounts than larger bodies via the completion of an ‘annual return’, and are subject to the less stringent ‘limited assurance’ audit regime.

However the regulations, as things stand, also give all smaller relevant bodies the option of following the rules applying to larger bodies if they wish to do so.

The Town Council is 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 feels that it needs to continue to manage its finances to a higher standard and to seek a greater level of assurance from external auditors in order to demonstrate efficient use of public money to local taxpayers.

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

This decision currently applies for the financial years 2015/16 and 2016/17, although following the recent changes implemented by the Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015, it is likely that the Council will unfortunately be left with little choice but to drop down to the annual return and limited assurance audit regime with effect from the 2017/18 financial year.

Proper practices in relation to the preparation of the accounts of town and parish councils continuing to be treated as larger bodies, are currently set out in ‘Part 4 of Governance and Accountability for Local Councils 2010 – A Practitioners Guide’ which is based on the Statements of Standard Accounting Practice set out in the Financial Reporting Standard for Smaller Entities (effective January 2015). The Council must also have regard to Financial Reporting Standard 102 (FRS102), in accounting for any accounting policies or transactions that are not covered by the FRSSE.

By following the provisions of the Financial Reporting Standard for Smaller Entities (FRSSE) and, FRS102 where relevant, the Council will therefore 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**

The accounting concept that ensures the Council accounts for all transactions on the principle 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**

The accounting concept that ensures 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**

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

### **Reliability**

The accounting concept that ensures 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, be complete within the limits of materiality, and prudently prepared under conditions of uncertainty.

### **Consistency**

The accounting concept that ensures 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**

The accounting concept that ensures the financial statements are prepared with a consistent and adequate level of disclosure to allow comparability with other organisations.

### **Understandability**

The accounting concept that ensures all reasonable efforts are taken in preparing the financial statements to ensure that they are as easy to understand as possible.

### **Materiality**

The accounting concept that ensures 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. This accounting concept stipulates that where legislative requirements and accounting principles conflict, legislative requirements will take precedence.

**Accounting Convention**

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets. As explained later on, in Accounting Policy 3.2, all operational land and building assets were subject to a revaluation as at 1<sup>st</sup> April 2015.

**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 Accounts will be appropriately disclosed in this Statement of Accounting Policies.

**Changes in Accounting Policies and Estimates**

The Council has changed the accounting estimates used in relation to the valuation of its fixed assets with effect from 2015/16. This change has seen the revaluation of the Council's operational land and building asset values and remaining useful life estimates with effect from 1<sup>st</sup> April 2015. Changes in the carrying amounts of fixed assets resulting from a reassessment of expected future benefits are treated as a change in accounting estimate in accordance with International Accounting Standard 8 and will therefore be accounted for prospectively in the Income and Expenditure Account and Balance Sheet. The accounting implications of this change are set out in Accounting Policy 3.2.

**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 e.g. where the goods and services in question have been delivered or received. The exception to the above rule 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 2.2.

## **1.2 Value Added Tax (V.A.T.)**

V.A.T. 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 of V.A.T. due to or from HM Revenues and Customs at the end of the year is included in the Balance Sheet as a creditor or debtor, as required.

## **1.3 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 eligible to participate in the Durham County Local Government Pension Scheme, which is a defined benefit 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 '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 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 2013 set the contribution rates for the financial years 2014/15 to 2016/17 and contribution rates are based upon a set percentage of the Council's pensionable payroll costs. The Council's current employer's contribution rate is 18.7%.

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

## **1.4 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 W.P.S. Insurance Brokers. The Council's insurance cover is reviewed on a regular basis and amended throughout the year as required. The Council's insurance arrangements are closely linked to the Council's risk management arrangements, and there are no material unfunded risks that the Council is aware of. Insurance costs are recharged to services using an appropriate apportionment method e.g. building and contents valuation figures, number of staff etc.

## **1.5 Support Service Recharges**

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

Recharges or apportionment of costs are therefore 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 using prior year outturn information. A job costing model is then maintained throughout the year, using actual timesheet information and adjustments are made at the end of the year based on the actual time worked and actual hourly recharge rates.

Those costs directly relating to the democratic and corporate management of the Council e.g. members and civic costs and the cost of the town clerk and other staff undertaking corporate duties are not rechargeable, and are specifically identified in the Income and Expenditure Account as 'Democratic, Management and Civic Costs'.

## **1.6 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.

## **1.7 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.



## **1.8 External Loan Repayments**

The Council currently has two outstanding loans from the Public Sector Loans Board (P.W.L.B.) 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, while the proportion of interest payable decreases.

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 P.W.L.B. 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 the 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 then reversed out of the Income and Expenditure Account to the Capital Financing Account.

## **1.9 Contingent Liabilities**

Contingent liabilities will not be 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 would indicate the nature of the contingent liability, a brief description, an estimate of its financial effect (where possible), an indication of the uncertainties relating to the amount or timing of the outflow, and the possibility of reimbursement.

## **1.10 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.

## **1.11 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 for 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.

## **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 is 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, as well as any impairment losses and losses on the revaluation of assets for which there is no balance of previous revaluations gains held in the Capital Financing Account or Revaluation Reserve.

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 as an exceptional item 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

## **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 Debtors and Creditors**

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

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

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

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

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

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

**Accruals** are similar to creditors and will be included in the accounts to represent expenditure that is due to be paid in the year to which the accounts relate but which has not been billed at the end of the year e.g. gas and 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 e.g. subscriptions, service agreements etc.

**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 e.g. golf memberships, allotment rents etc.

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

## **2.3 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, subject to approval by the Council's Policy and Resources Committee.

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.

## **2.4 Investments**

Investments must be included 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 short term bank treasury deposits, a 100 day notice bank account, and the Public Sector Deposit Fund. However, there is no difference between the cost and net realisable value on such investments.

## **2.5 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 capital 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.

## **2.6 Post Balance Sheet Events**

Post balance sheet events are defined as events that occur between the balance sheet date and the date on which the financial statements are authorised for issue.

Adjusting post balance sheet events are those which provide additional evidence of conditions that existed at the balance sheet date. In such circumstances, the FRSSE would require the Council to make adjustments to the amounts included in the financial statements or recognise items that were not previously recognised.

Non-adjusting post balance sheet events are those that concern conditions that did not exist as at the balance sheet date. In such circumstances, the requirements of the FRSSE would not require the Council to adjust the amounts recognised in its financial statements and the event would instead 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.

## 2.7 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 relevant balance or reserve. Transfers to and from reserves and use of reserves during the year are accounted for via the Statement of Movement on Reserves, and transfers to or from reserves and revenue accounts are shown as a Balance Sheet Appropriation in the Income and Expenditure Account.

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 be transferred here and any deficit met from here. This fund would also be used to meet any significant unforeseen costs or liabilities relating to the Revenue Budget.
- **Earmarked Revenue Reserves** which are set aside to meet specific future revenue spending commitments as follows:-
  - **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.
  - **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.
  - **Community Benefit Fund** which holds monies received from a solar farm in Great Aycliffe, which must be set aside and spent in the local community.
- **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 required asset management plan works 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 the 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.

### **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 operational and non-operational 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 amounting to more than one year.

Expenditure on the enhancement of existing fixed assets is restricted to works which lengthen substantially an existing asset's 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.

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 limits have been set as follows:-

- £10,000 for capital expenditure on land;
- £5,000 for capital expenditure on buildings, plant, vehicles and community assets;
- £2,500 for capital expenditure on machinery, play equipment, office equipment or street equipment.

All capital expenditure that is non-enhancing to the value of an existing fixed asset or below the above de-minimus limits will be recharged to the appropriate service revenue account in the year in which it is incurred.

Any expenditure on repairs and maintenance and initial set-up costs that are not directly attributable to a capital project such as overhead recharges, professional fees and feasibility studies will also be charged directly to the appropriate service revenue account in the year in which it is incurred.

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 expenditure had been incurred.

## **3.2 Fixed Asset Valuation**

### **Historic Cost Valuation of Fixed Assets**

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 depending on the type of asset. This included existing use value, open market value and depreciated replacement cost for land and building assets, as based on a full valuation of the Council's assets by the District Valuation Service in April 2005. Vehicles, plant, machinery and equipment were all valued at depreciated historic cost.

The land and building asset values were different to those required under the FRSSE, which requires fixed assets 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 FRSSE, whereby the existing fixed asset values can be retained. All fixed asset valuations as at 31<sup>st</sup> March 2009 were therefore carried forward to the first accounting period under FRSSE on 1<sup>st</sup> April 2009.

All operational fixed asset values have subsequently been treated as being measured at cost and have been depreciated in line with the previous estimates of useful lives using the straight line depreciation method, and have *not* been revalued in the intervening period.

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 an accounting policy of revaluation of fixed assets to be adopted, as long as the whole class of fixed assets is revalued.

### **Revaluation of Land and Building Assets in 2015/16**

It is now ten years since the last revaluation of the Council's land and building assets in April 2005, and the Council is of the opinion that a number of the valuations and remaining useful life estimates are now out of date, with a number of buildings approaching the end of their previously estimated useful lives, and therefore being held at very low valuations on the Balance Sheet.

As such, the Council, at a meeting on 15<sup>th</sup> July 2015, decided to amend the accounting estimates used for the revaluation of its operational land and building fixed assets, via a reassessment of their current values and estimated remaining useful lives.

A revaluation therefore took place in 2015/16, with a valuation date of 1<sup>st</sup> April 2015, and was undertaken by an M.R.I.C.S. qualified valuer from the District Valuation Service.

In accordance with this accounting policy and the requirements of the FRSSE, further revaluations of the Council's land and building assets will now be undertaken every five years, and also in the intervening years if it is likely that there has been a change in value. A revaluation may also be required in the intervening period if a fixed asset needs to be reclassified as a non-operational asset. The most likely circumstances for this would be if a plot of land was put on the market for sale by the Council. In such circumstances, the revaluation would be limited to the asset or assets being reclassified.

## **3.2 Fixed Asset Revaluation (continued)**

### **Accounting for Fixed Asset Revaluations**

The FRSSE requires the carrying amount of fixed assets following revaluation to be market value, although it does allow current value, defined as being the lower of replacement cost and recoverable amount, to be used where the Council does not believe market value is an appropriate valuation basis.

The Finance Manager and District Valuation Service have taken the view that a number of the Council's land and buildings are 'specialised' assets for which there is a very limited market i.e. they would rarely, if ever, be sold on the open market, due to the specialised nature of local councils. These assets include cemeteries, park pavilions and the sports complex. These assets have therefore been valued at depreciated replacement cost.

All land and buildings for which there is considered to be a market, including the golf complex, depots and office buildings, have been valued at open market value.

When undertaking a revaluation of fixed assets, the FRSSE requires all tangible fixed assets of the same class to be revalued, and as such all operational buildings and associated land have therefore been revalued. However, all green open space, parks and cemeteries land have been excluded and treated as community assets.

The FRSSE requires that revaluation gains i.e. increases in the carrying value of fixed assets, are recognised in the Revaluation Reserve, except to the extent that they reverse previously recognised revaluation losses, in which case they are required to be recognised in the Income and Expenditure Account.

The FRSSE requires that revaluation losses i.e. falls in the carrying value of fixed assets, to be charged to the Income and Expenditure Account, unless they have been caused by falling market prices.

Where decreases in value have been caused by falling market values they should be accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset will be written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset will be written down against the relevant service in the Income and Expenditure Account.

However, it should be noted that the Council's Revaluation Reserve only contains revaluation gains recognised since 1<sup>st</sup> April 2007 i.e. the date of its formal implementation. Gains arising before that date, including those from the last revaluation in April 2005 were consolidated into the Capital Financing Account in 2007/08, and therefore any falls in value such as those highlighted above will need to be written down against Capital Financing Account, this year, rather than the Revaluation Reserve.

Finally, following the revaluation of fixed assets, the FRSSE requires the disclosure of the comparable amounts that would have been reported if the historic cost valuation model had been retained. This information will be disclosed in the notes to the accounts.



### 3.3 Impairment

The Financial Reporting Standard for Smaller Entities (effective January 2015) requires the Council to undertake 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, in the years when a revaluation of fixed assets has not taken place, the value at which each category of fixed assets is included in the Balance Sheet will be 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.

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 held in the Revaluation Reserve (or Capital Financing Account for any pre-2015/16 revaluation gains), and thereafter against the relevant service revenue account.

### 3.4 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 will be depreciated using the straight line method using the following broad guidelines for estimated useful lives:-

Asset Type	Estimated Useful Life	Estimation Basis
Buildings	16 to 41 Years	As provided by the District Valuation Service.
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 revalued cost of buildings and on the original cost of plant, vehicle, machinery and equipment, less any estimated residual value, where relevant.

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 to be material.

### **3.4 Depreciation (continued)**

Where a fixed asset has been revalued, all accumulated historic cost depreciation will be eliminated from the Depreciation Account via the Capital Financing Account.

The revalued gross book value will then be depreciated, using the straight line method, over the revised estimated useful life of the asset.

An adjustment will be made for the depreciation on the revaluation gains, with an amount equal to the difference between current value depreciation and the depreciation that would have been charged based on the historical cost valuation model, being transferred each year from the Revaluation Reserve to the Capital Financing Account.

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

### **3.5 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 or revaluation 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, impairment or falls in the value 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 charged directly to the appropriate service revenue account.

As set out in Accounting Policy 1.6, 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.

### **3.6 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 and licences.

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.

### **3.7 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.

### **3.8 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 (or Revaluation Reserve where there is a balance of previous revaluation gains) with the carrying amount of the asset.

### **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 Capital Receipts**

Capital receipts arising from the disposal or sale 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.

### **3.11 Revaluation Reserve**

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

This reserve would also be utilised if the Council needed to bring previously unrecognised fixed assets onto its asset register, or if it needed to reclassify and revalue existing operational fixed assets as non-operational fixed assets, for example as surplus land, if land was placed on the market for sale.

An adjustment is made to the balance held in the Revaluation Reserve each year for the value of the depreciation on the revaluation gains.

### **3.12 Capital Financing Account**

The Capital Financing Account is a non-distributable reserve within the Balance Sheet used to account for the annual write down in the value of the Council's fixed assets from depreciation, revaluation losses and impairments, as well as the write off of the book value of fixed assets when they are disposed of or sold.

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

The Capital Financing Account also holds the balance of any revaluation gains from before 1<sup>st</sup> April 2007 when the Revaluation Reserve was introduced.

Any losses from falls in fixed asset valuations following revaluation or impairment losses will be written off against any previous revaluation gains held in the Capital Financing Account as highlighted in Accounting Policies 3.2 and 3.3.

Also, as highlighted in Accounting Policies 3.4 and 3.11, a transfer is made each year from the Revaluation Reserve to the Capital Financing Account for the value of depreciation on revaluation gains.

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

Under the previous 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 these.

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 and the Medium Term Financial Plan, both of which are available to view at the Council Offices or on the Council website.

## **Annual Governance Statement**

### **Introduction**

Good 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 they have complied with the local 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 included in this 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.

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 its use of resources.

In discharging this overall responsibility, Great Aycliffe Town Council is responsible for putting in place proper arrangements for the governance of its affairs, to facilitate 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 6(1) of the Accounts and Audit Regulations 2015 in relation to undertaking an annual review of the effectiveness of the Council's system of internal control and preparing an Annual Governance Statement.

## **Purpose of the Governance and Internal Control Framework**

The governance framework comprises all of the cultures, values, strategies, policies, systems and processes, 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 aims and targets, and to consider whether those aims and targets have led to the delivery of high quality, appropriate and cost effective services.

The system of internal control is a significant part of this framework, and is designed to manage risk of failure to a reasonable level via a series of controls. 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 targets, to evaluate the likelihood of those risks being realised and their impact should they be realised, to manage them efficiently, effectively and economically, and to take action to mitigate the risk.

The governance framework has been in place at Great Aycliffe Town Council for the year ended 31<sup>st</sup> March 2016, 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 Service Delivery Plan, an effective performance management framework, the scheme of administration including financial regulations and standing orders, good officer and member relations and conduct, sound management and supervision, and a robust system of delegation and accountability, including appropriate segregation of duties.

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 Service Delivery Plan.
- Ensuring regular monitoring of strategic aims and targets via the Performance Management Framework, and reporting of this via the Service Delivery 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;
  - Members' and Officers' Codes of Conduct; and
  - All supporting Council policies.

- The scrutiny and review of strategic aims and targets and Council policies and procedures by the Review Sub Committee.
- 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; planned, monitored and reported 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 audit 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 quarterly reporting of the Council financial position 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 undertaking new 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.
- Effective and regularly reviewed insurance arrangements.
- The inclusion of all policy, staffing, financial and risk implications of all decisions referred to the Council or its committees or sub-committees for consideration.
- Formal ICT procedures for e-mail, internet, social media, and other computer use.
- Effective employment policies and procedures.
- Supporting financial policies including the Treasury Management Code of Practice, 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 the Council's 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 Audit Completion 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.
- Scrutiny of all decisions and recommendations referred to and made by the Environment, Recreation and Policy and Resources Committees and 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 other important corporate issues such as health and safety, training and development and staffing issues.
- Review of reports of the Service Review Working Group regarding the quality and cost effectiveness of services provided by the Council, as and when these are undertaken.
- Review of the agendas and minutes of the Review Sub Committee.
- 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 by the Internal Auditor during the year.



## **2015/16 Review of Governance Arrangements**

There were no material issues identified during the 2015/16 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 the completion of the Annual Internal Audit Plan.

The Council has been advised on the outcome 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 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 the meeting of the Council on the 13<sup>th</sup> July 2016 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 Vice Chairman of the Council:

*M A Dalton*

Signed by the Town Clerk:

*A Bailey*

**Income and Expenditure Account for the Year Ended 31<sup>st</sup> March 2016**

<b>2014/15</b>			<b>2015/16</b>
<b>£</b>		<b>Notes</b>	<b>£</b>
	<b>Income</b>		
1,316,600	Precept		1,348,550
259,847	Grants received	3	236,770
7,396	Rental income, leases and licences		7,422
6,370	Interest receivable and investment income	4	6,644
703,157	Fees and charges for services		655,153
195,462	Other income and contributions		141,439
70,855	Deferred capital grants released to revenue	5	66,864
<b>2,559,687</b>	<b>Total Income</b>		<b>2,462,842</b>
	<b>Expenditure</b>		
	<b>Direct Service Costs</b>		
1,046,628	Salaries and wages		987,281
8,971	Grant aid expenditure	7	3,685
1,065,124	Other direct service costs		1,163,238
	<b>Democratic, Management and Civic Costs</b>		
351,816	Salaries and wages		354,902
185,410	Other democratic, management and civic costs		202,613
	<b>Exceptional Items</b>		
15,461	Losses on the disposal of fixed assets	6	1,549
-	Losses on the revaluation of fixed assets	6	116,599
<b>2,673,410</b>	<b>Total Expenditure</b>		<b>2,829,867</b>
<b>113,723</b>	<b>Net Operating Deficit for Year</b>		<b>367,025</b>
	<b>Balance Sheet Appropriations</b>		
(40,029)	Transfers from earmarked reserves		(90,659)
(15,461)	Reversal of losses on disposal of fixed assets	9	(1,549)
70,855	Reversal of deferred capital grants and contributions	5	56,822
(329,898)	Reversal of depreciation charge	8	(382,417)
-	Reversal of losses of revaluation of fixed assets	9	(116,599)
13,728	Statutory charge for capital (loan repayment costs)	10	14,667
<b>(187,082)</b>	<b>Net Surplus to the General Fund Balance</b>		<b>(152,710)</b>

## Statement of Movement on Reserves for the Year Ended 31<sup>st</sup> March 2016

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

	<b>1st April 2015 £</b>	<b>Transfers to £</b>	<b>Transfers from £</b>	<b>Use of Reserves £</b>	<b>31st March 2016 £</b>
<b>General Fund Balance</b>	<b>176,827</b>	<b>210,776</b>	<b>(266,807)</b>	<b>-</b>	<b>120,796</b>
<b>Earmarked Revenue Reserves</b>					
<i>Budget Support Fund</i>	14,500	7,750	(4,750)	(9,750)	7,750
<i>Neighbourhood Plan Reserve</i>	75,000	-	(52,524)	(12,476)	10,000
<i>Elections Reserve</i>	50,000	21,718	-	(21,718)	50,000
<i>Community Benefit Fund</i>	-	792	-	-	792
<b>Earmarked Capital Reserves</b>					
<i>Buildings Reserve</i>	250,000	16,513	-	(16,513)	250,000
<i>Vehicle and Machinery Reserve</i>	200,000	31,867	-	(31,867)	200,000
<i>Parks and Play Areas Reserve</i>	150,000	84,879	-	(34,879)	200,000
<i>Street Equipment Reserve</i>	50,000	23,544	-	(23,544)	50,000
<i>Office Equipment Reserve</i>	50,000	47,507	-	(47,507)	50,000
<i>Sports Complex Reserve</i>	25,000	-	-	-	25,000
<i>Golf Complex Reserve</i>	25,000	32,237	-	(32,237)	25,000
<b>Total Earmarked Reserves</b>	<b>889,500</b>	<b>266,807</b>	<b>(57,274)</b>	<b>(230,491)</b>	<b>868,542</b>
<b>Total Balances and Reserves</b>	<b>1,066,327</b>	<b>477,583</b>	<b>(324,081)</b>	<b>(230,491)</b>	<b>989,338</b>

The year-end surplus on the Income and Expenditure Account of £152,710 was transferred to the General Fund Balance at the end of the year, along with the unused balances on the Budget Support Fund and Neighbourhood Plan Reserves totalling £57,274, and £792 in community benefit funding from a solar farm. **The total net transfer to the General Fund Balance at the end of the year was therefore £210,776.**

A total of £139,040 was taken from the appropriate Earmarked Capital Reserves to fund capital expenditure in 2015/16, while £12,476 was taken from the Neighbourhood Plan Reserve to fund the cost of developing the plan, £21,718 from the Elections Reserve to fund three by-elections, and £47,507 from the Street Equipment Reserve to fund the commuted sum to secure the future of the A167 lighting. Finally a total of £9,750 was utilised from the Budget Support Fund during the year to support the Revenue Budget.

**Total use of Earmarked Revenue and Capital Reserves in 2015/16 was £230,491.**

**Transfers totalling £266,807 were subsequently made from the General Fund Balance to Earmarked Revenue and Capital Reserves** to ensure that sufficient resources are set aside to meet future years' spending commitments. A total of £7,750 was transferred to the Budget Support Fund, £21,718 to the Elections Reserve, £792 to the Community Benefit Fund and £236,547 to Earmarked Capital Reserves.

**In overall terms, the Council's Balances and Earmarked Reserves fell by £76,989 over the course of the financial year.**

**Balance Sheet as at 31<sup>st</sup> March 2016**

<b>31<sup>st</sup> March 2015 £</b>		<b>Notes</b>	<b>31<sup>st</sup> March 2016 £</b>
	<b>Operational Fixed Assets</b>		
3,986,396	Land and Buildings	1	6,048,582
838,658	Vehicles, Plant, Machinery and Equipment	1	819,445
293,733	Community Assets	1	293,733
	<b>Non Operational Fixed Assets</b>		
110,000	Surplus Land	1	110,000
<b>5,228,787</b>	<b>Total Tangible Fixed Assets</b>		<b>7,271,760</b>
	<b>Current Assets</b>		
1,010,632	Short Term Investments	2	965,035
154,233	Bank Accounts and Cash in Hand	3	151,847
5,499	Debtors	4	12,835
45,961	Prepayments	5	45,107
20,386	Stocks	6	16,155
<b>1,236,711</b>	<b>Total Current Assets</b>		<b>1,190,979</b>
<b>6,465,498</b>	<b>Total Assets</b>		<b>8,462,739</b>
	<b>Current Liabilities</b>		
(89,835)	Creditors	7	(108,581)
(33,644)	Accruals	8	(20,303)
(31,652)	Receipts in Advance	9	(33,003)
(14,668)	Borrowing Repayable within 12 Months	10	(15,674)
<b>(169,799)</b>	<b>Total Current Liabilities</b>		<b>(177,561)</b>
<b>6,295,699</b>	<b>Total Assets less Current Liabilities</b>		<b>8,285,178</b>
	<b>Long Term Liabilities</b>		
(181,918)	Long Term Loans Outstanding	11	(166,245)
(336,120)	Capital Grants Deferred Account	13	(298,299)
(13,043)	Capital Contributions Unapplied	14	(37,543)
<b>5,764,618</b>	<b>Total Assets less Total Liabilities</b>		<b>7,783,091</b>
	<b>Financed By:</b>		
110,000	Revaluation Reserve	15	1,577,110
4,567,845	Capital Financing Account	16	5,196,197
889,500	Earmarked Revenue and Capital Reserves	17	868,542
176,827	General Fund Balance	17	120,796
20,446	Useable Capital Receipts Reserve	18	20,446
<b>5,764,618</b>			<b>7,783,091</b>

The Statement of Accounts for the year ended 31<sup>st</sup> March 2016 was authorised for issue and publication by the Responsible Financial Officer (RFO) on 13<sup>th</sup> July 2016 and any post balance sheet events up to this date have been considered in the Accounts.

## Statement of Total Recognised Gains and Losses

The Statement of Total Recognised Gains and Losses discloses the total increase or decrease in the net worth of the Council over the financial year, and provides a reconciliation of the movement on the Balance Sheet between the two financial years.

This statement takes the surplus or deficit from the Income and Expenditure Account, and adds in any gains or losses that have not been recognised in the Income and Expenditure Account.

This includes gains and losses on the revaluation of fixed assets which have been accounted for via the Revaluation Reserve and Capital Financing Account.

The total recognised gains and losses figure equates to the movement on the Council's Balance Sheet for the year i.e. the difference between the 2014/15 and 2015/16 Balance Sheet totals.

2014/15 £		2015/16 £
113,723	(Surplus) or Deficit on the Income and Expenditure Account	367,025
-	(Surplus) or Deficit arising from Revaluation of Fixed Assets	(2,385,498)
<b>113,723</b>	<b>Total Recognised (Gains) and Losses</b>	<b>(2,018,473)</b>

The surplus arising from the revaluation of fixed assets in 2015/16 can be broken down as follows:-

Increases in the value of Land and Building Fixed Assets (Credited to the Revaluation Reserve)	£1,530,955
Decreases in the value of Land and Building Fixed Assets (Debited to the Capital Financing Account)	(£680,281)
Clearance of Historic Cost Depreciation (Credited to the Capital Financing Account)	£1,534,824
<b>Total Surplus from the Revaluation of Fixed Assets</b>	<b>£2,385,498</b>

## **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 2015/16.

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 and income against budget is reported by the Council during the year.

The Council's Revenue Budget is analysed by each individual service area under the three main Committees of the Council; 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 2015/16 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 depreciation, losses on revaluation, 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 'Balance Sheet Appropriations' 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 reported in the Statement of Movement on Reserves.

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

This note is included in order to provide further explanation of some of the headings included in the Income and Expenditure Account and the income and expenditure items included under each.

##### **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. This figure is mostly made up of the Council Tax Support Grant payable by the Government via Durham County Council, to offset the loss in the Council's tax raising capacity following the localisation of support for council tax in 2013.

## **2. Explanation of Income and Expenditure Account Items (continued)**

### **Income (continued)**

#### **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 and land at the depot site to a telecommunications company.

#### **Interest receivable**

This includes 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 not falling into one of the above categories such as the pre-school funding receivable from Durham County Council, feed in tariff subsidy from the solar panel system, and external audit fee and insurance premium rebates.

### **Expenditure**

#### **Direct Service Costs**

These are costs associated with the running of all of the front line services of the Council 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 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 such as the running costs of premises and vehicles, and supplies and services such as equipment, training, uniforms, telephones, bedding plants, bar and catering supplies, pre-school milk, sub-contractors, consultancy and insurance costs.

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

These are all costs relating to the democratic and corporate management of the Council and include 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 corporate and democratic costs including the cost of civic functions, stationery, postage, external audit fees, and information technology.



### 3. Revenue Grants Received

The Council receives grants towards the running costs of its services and an analysis of grants received during 2015/16 and the preceding year 2014/15, is detailed below:-

	<b>2014/15 £</b>	<b>2015/16 £</b>	<b>Grant from</b>	<b>Nature of Grant</b>
Council Tax Support Grant	255,847	228,899	DCC	Government Support.
Area Budget Grant	4,000	350	DCC	Environment Initiatives.
Neighbourhood Plan Grant	-	7,521	Groundwork	Neighbourhood Plan.
<b>Total</b>	<b>259,847</b>	<b>236,770</b>		

### 4. Interest Payable and Receivable

The **interest payable** on the Council's outstanding loans from the Public Works Loan Board totalled **£11,027** in 2015/16, 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 the Public Sector Deposit Fund in 2015/16 totalled **£6,644**.

### 5. 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 2.5. They may also be written off in full to the appropriate service revenue account if they relate to non-enhancing or de-minimus capital expenditure.

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 2015/16 was £66,864, while the amount reversed out to the Capital Financing Account was £56,822, as there was a £10,042 capital contribution relating to non-enhancing capital expenditure that was written off in full to revenue, in 2015/16.**

An analysis of the Capital Grants Deferred Account including the amounts released to the Income and Expenditure Account is detailed in Note 14 to the Balance Sheet.

### 6. Exceptional and Extraordinary Items

Losses on the disposal of fixed assets and losses on the revaluation of fixed assets are both shown as exceptional items in the Income and Expenditure Account in accordance with the FRSSE.

The losses on disposal of fixed assets in 2015/16 related to the write off of the remaining book value of computer equipment and a driving range ball dispenser during the year.

Further information on the losses on the revaluation of fixed assets is provided in Note 10.

There were no other exceptional or extraordinary items in 2015/16.

## 7. Expenditure under the General Power of Competence

The general power of competence was provided for in the Localism Act 2011 and gives a local authority 'the power to do anything that individuals generally may do'. Having met the prescribed conditions as required by the Parish Councils (General Power of Competence) (Prescribed Conditions) Order 2012, the Council adopted the General Power of Competence at its Annual General Meeting in May 2013.

This power effectively removes the need for the Council to rely on other legislation in order to take a particular action, providing that action complies with statutory duties and the law.

Expenditure under the General Power of Competence in 2015/16 and the preceding year 2014/15 is detailed below:-

Description of Expenditure	2014/15 £	2015/16 £	Income and Expenditure Account
<i>Grants to local charities</i>	8,971	3,685	Grant aid expenditure
<i>Maintenance of church grounds</i>	10,000	10,400	Other direct service costs
<b>Total</b>	<b>18,971</b>	<b>14,085</b>	

## 8. 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 3.4 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 2015/16 was £382,417 (£319,618 in 2014/15).**

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

## 9. Losses on the Revaluation of Fixed Assets

As highlighted in Accounting Policy 3.2, any losses arising from the revaluation of fixed assets for which there is no previous balance of revaluation gains held in the Capital Financing Account are required to be written down against the relevant service in the Income and Expenditure Account.

Following the revaluation of the Council's land and building fixed assets in 2015/16, there were a number of falls in the value of individual fixed assets, for which there was no previous balance of revaluation gains and which therefore needed to be charged against the Income and Expenditure Account in 2015/16.

The revaluation losses amounted to £116,599 and, in accordance with Accounting Policy 1.12, have been treated as an exceptional item in the Income and Expenditure Account by virtue of their size, in order to give fair presentation of the Council Accounts.

## 10. 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 2015/16 totalled £11,027.

**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 2015/16 for the Council's outstanding loans which totalled £14,667.**

## 11. Disclosure of Audit Costs

In 2015/16 and 2014/15 the Council incurred the following fees relating to external audit services provided by Mazars LLP. These costs are included within other democratic, management and civic costs in the Income and Expenditure Account:-

	2014/15 £	2015/16 £
Annual fee for audit services	7,650	7,650
Other services provided	-	-
Audit fee rebate	(786)	-
<b>Total</b>	<b>6,864</b>	<b>7,650</b>

## 12. 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 £3,016 per year. The Council also has a number of machine rental agreements in place for vending machines and payments in respect of these as well as the income in respect of the above operating leases are charged or credited to the relevant service revenue account during the year.

### 13. Staffing

As at the 31<sup>st</sup> March 2016, the Council employed **64 staff** represented by **40 full time** staff and **24 part time** staff, both on a permanent and a temporary basis, supported by a number of casual staff at the Oak Leaf Sports Complex. All employees are paid in accordance with nationally agreed pay scales.

### 14. Senior Officer Remuneration

The Accounts and Audit Regulations 2015 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 2015/16 as detailed below (the 2014/15 figures are shown for comparison):-

<b>Town Clerk Remuneration</b>	<b>2014/15 £</b>	<b>2015/16 £</b>
Basic Salary	63,510	64,552
Car Allowance	963	963
Expenses	382	185
<b>Total Excluding Pension</b>	<b>64,855</b>	<b>65,700</b>
Pension Contributions	11,876	12,071
<b>Total Remuneration</b>	<b>76,731</b>	<b>77,771</b>

### 15. Members' Allowances

During 2015/16, 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 2015/16 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 2014/15 figures are shown for comparison):-

	<b>2014/15 £</b>	<b>2015/16 £</b>
<b>Members' Allowances</b>	<b>30,199</b>	<b>29,778</b>

## 16. 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 1.3, 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 31<sup>st</sup> March 2016 were as follows (2014/15 figures are shown for comparison):-

<b>Pension Contributions</b>	<b>2014/15 £</b>	<b>2015/16 £</b>
<i>Employees' Contributions</i>	55,684	52,847
<i>Employers' Contributions</i>	164,997	155,558
<b>Total</b>	<b>220,681</b>	<b>208,405</b>

Employee contribution rates varied from 5.5% to 8.5% of pensionable pay.

The Council's contribution rate was 18.7% of pensionable pay in 2015/16, unchanged from 2014/15. These costs were charged to the Income and Expenditure Account within the salaries and wages costs for direct services and democratic, management and civic.

As at 31<sup>st</sup> March 2016, there was a total of £18,150 due to the Pension Fund in outstanding contributions relating to the month of March 2016 and this is reflected in the creditors figure within the Balance Sheet.

## 17. 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 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, and the Council received £228,899 in 2015/16 in Council Tax Support Grant funding. The Council also made income tax and national insurance payments to the Government totalling £213,674 in 2015/16, while it made payments totalling £5,895 in relation to VAT and Machine Games Duty. The Council also reclaimed VAT totalling £28,139.

- **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**

An annual declaration of any related party transactions are required to be made by all senior officers where they have been involved in any material transactions with a related party. These are then recorded in a Register of Officers Interests. During 2015/16, 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 £1,348,550;
- Receipt of the Local Council Tax Support Scheme Grant of £228,899;
- Payment of employer and employee pension contributions totalling £208,405;
- Receipt of pre-school funding totalling £123,522;
- Receipt of grants from Great Aycliffe and Middridge Area Action Partnership towards environmental initiatives and Aycliffe Festival totalling £1,100;
- Various payments in respect of early retirement recharges, business rates, by elections, licences, vehicle repairs, hired machinery, CCTV running costs and trade waste collection totalling £135,951 excluding VAT.

- **Darlington Borough Council**

The Council purchased bedding plants to the value of £9,276.

- **Other Town and Parish Councils**

The Council made recharges for training totalling £300.

## 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 and non-operational fixed assets, as detailed in the Balance Sheet, in respect of additions, disposals, revaluations, impairment and depreciation is summarised in the tables below:-

#### i) Operational Assets

	<b>Land and Buildings £</b>	<b>Vehicles, Plant and Machinery £</b>	<b>Community Assets £</b>	<b>Total Operational Fixed Assets £</b>
<b>Gross Book Value at 1/4/2015</b>	<b>5,521,219</b>	<b>2,563,955</b>	<b>293,733</b>	<b>8,378,907</b>
<i>Add capital expenditure</i>	41,273	160,215	-	201,488
<i>Less non enhancing expenditure</i>	(24,760)	(18,688)	-	(43,448)
<i>Less disposals and sales</i>	-	(47,278)	-	(47,278)
<i>Add revaluation gains</i>	1,530,955	-	-	1,530,955
<i>Less revaluation losses</i>	(796,880)	-	-	(796,880)
<b>Gross Book Value 31/3/2016</b>	<b>6,271,807</b>	<b>2,658,204</b>	<b>293,733</b>	<b>9,223,744</b>
<b>Depreciation at 1/4/2015</b>	<b>(1,534,824)</b>	<b>(1,725,296)</b>	<b>-</b>	<b>(3,260,120)</b>
<i>Write off historic cost depreciation</i>	1,534,824	-	-	1,534,824
<i>Less depreciation for year</i>	(223,225)	(159,192)	-	(382,417)
<i>Write off disposal depreciation</i>	-	45,729	-	45,729
<b>Depreciation at 31/3/2016</b>	<b>(223,225)</b>	<b>(1,838,759)</b>	<b>-</b>	<b>(2,061,984)</b>
<b>Net Book Value at 1/4/2015</b>	<b>3,986,395</b>	<b>838,659</b>	<b>293,733</b>	<b>5,118,787</b>
<b>Net Book Value at 31/3/2016</b>	<b>6,048,582</b>	<b>819,445</b>	<b>293,733</b>	<b>7,161,760</b>

The value of the Council's operational assets increased by more than £2 million from £5.12 million to £7.16 million between 2014/15 and 2015 largely as a result of the revaluation of the Council's operational land and building assets.

All fixed assets other than land and community assets have all been depreciated using the straight line method over their revised estimated useful lives.

The accumulated historic cost depreciation for all land and buildings has been eliminated from the Depreciation Account via the Capital Financing Account following their revaluation, while the incorrectly charged depreciation on the golf complex has also been removed via the prior period adjustment described in Note 1.

Accounting Policies 3.2 and 3.4 provide further details on the revaluation and depreciation methodology used and the accounting entries undertaken.

## ii) Non Operational Assets

The Council held one non-operational asset on the Balance Sheet at the end of the year relating to a plot of land at Travellers Green that the Council has agreed to sell to the housing provider, 'Livin', for the construction of social housing. This development has recently received planning permission, but the land sale is not due to take place until early in the 2016/17 financial year.

	<b>Surplus Assets £</b>	<b>Intangible Assets £</b>	<b>Total Non- Operational Fixed Assets £</b>
<b>Gross Book Value at 1/4/2015</b>	<b>110,000</b>	<b>-</b>	<b>110,000</b>
<i>Add capital expenditure</i>	-	-	-
<i>Less non enhancing expenditure</i>	-	-	-
<i>Less disposals and sales</i>	-	-	-
<i>Add revaluations</i>	-	-	-
<i>Less impairment losses</i>	-	-	-
<b>Gross Book Value 31/3/2016</b>	<b>110,000</b>	<b>-</b>	<b>110,000</b>

## b) Fixed Asset Valuations

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

A revaluation of the Council's operational land and buildings has been undertaken in 2015/16, with a valuation date of 1<sup>st</sup> April 2015. The revaluation was undertaken by an M.R.I.C.S. qualified valuer from the District Valuation Service.

As highlighted in Accounting Policy 3.2, open market value has been used as the valuation basis for all those assets for which there is considered to be an external market, while depreciated replacement cost has been used as the valuation basis for specialised assets for which there is a very limited market due to the nature of the services of local councils.

All revaluation gains have been accounted for via the Revaluation Reserve, as in no case does a revaluation gain reverse a historic revaluation loss charged to the Income and Expenditure Account in previous years.

The revaluation gains have been accounted for net of historic cost depreciation, which has been written off via the Capital Financing Account.

All revaluation losses have initially been written down against any previous balance of revaluation gains for the asset held in the Capital Financing Account, and thereafter charged as an exceptional item in the Income and Expenditure Account.

Where an accounting policy of revaluation of operational fixed assets has been adopted, the FRSSSE requires the disclosure of the comparable amounts, as would have been determined under the historic cost valuation model, had this been retained, reflecting any subsequent write downs to recoverable amount under that valuation model.



**b) Fixed Asset Valuations (continued)**

This note should disclose the differences between these historic cost asset values and the revalued amounts actually shown in the Balance Sheet, and provide a reconciliation of the increase in the Council's operational land and building asset values in 2015/16:-

	£
<b>Historic Cost Land and Buildings Net Book Value as at 1<sup>st</sup> April 2015</b>	<b>3,986,395</b>
<b>Revalued Land and Buildings Gross Book Value as at 1<sup>st</sup> April 2015</b>	<b>6,271,807</b>
<b>Total Increase in Land and Building Valuations in 2015/16</b>	<b>2,285,412</b>
<b>Represented By:</b>	
Revaluation Gains credited to the Revaluation Reserve	1,530,955
Revaluation Losses Written Off to the Capital Financing Account	(680,281)
Revaluation Losses to Income and Expenditure Account	(116,599)
Historic Cost Depreciation Written Off to the Capital Financing Account	1,534,824
Enhancing Capital Expenditure in 2015/16	16,513
<b>Total Increase in Land and Building Valuations in 2015/16</b>	<b>2,285,412</b>

The total increase in land and building valuation in 2015/16 was £2,285,412.

This is represented by revaluation gains credited to the Revaluation Reserve totalling £1,530,955, net of the revaluation losses of £796,880 written off via debits to the Capital Financing Account and Income and Expenditure Account, and the total of historic cost depreciation written off via a credit to the Capital Financing Account of £1,534,824, whilst accounting for the £16,513 enhancing capital expenditure on buildings during 2015/16.

**c) Impairment of Fixed Assets**

The Financial Reporting Standard for Smaller Entities (effective January 2015) requires the Council to undertake an annual review of impairment of fixed assets as set out in Accounting Policy 3.3.

As highlighted above, the Council has undertaken a revaluation of its operational land and building assets in 2015/16 and this revaluation has identified a number of falls in the value of these assets. A separate impairment review is not therefore required in 2015/16.

All revaluation losses have initially been written down against any previous balance of revaluation gains for each asset held in the Capital Financing Account, and thereafter charged as an exceptional item in the Income and Expenditure Account.

In subsequent years, the value at which land and buildings are included in the Balance Sheet will be reviewed at the end of the financial year by a team of senior officers via a desk top review, with a view to identifying any possible future impairment, prior to the next revaluation in five years.

## d) Capital Expenditure and Financing

A summary of capital expenditure during 2015/16 and how this was financed is detailed below (the 2014/15 figures are shown for comparison):-

Capital Expenditure by Asset Type	2014/15 £	2015/16 £
<b>Council Land and Buildings:</b>		
Oak Leaf Sports Complex	75,817	3,230
Oak Leaf Golf Complex	-	7,175
Council Offices	5,326	-
St Oswald's Pre-school Office	-	9,982
Depot	-	3,629
Town Park Pavilion	1,935	-
<b>Vehicles, Plant, Machinery and Equipment:</b>		
Replacement works vehicles	30,190	31,867
Golf and driving range machinery	-	13,254
Golf irrigation system repairs	-	8,571
Golf course safety fencing and netting	-	10,413
Multi-use games areas	41,906	38,879
Replacement play equipment	13,520	15,000
Play area safety surfacing repairs	-	3,907
Skate park repairs	-	1,967
Servers, computers and website	2,000	31,973
Financial management system	8,745	-
West Park bins and seating	-	4,385
<b>Infrastructure Assets:</b>		
New footpath at West Park	-	8,827
Drainage repairs	-	1,719
Footpath repairs	11,896	6,710
<b>Total Capital Expenditure</b>	<b>191,335</b>	<b>201,488</b>
<b>Financed by:</b>		
Use of earmarked reserves	103,782	139,040
Use of capital contributions	39,307	29,042
Non-enhancing expenditure to I&E Account	48,246	33,406
<b>Total Capital Financing</b>	<b>191,335</b>	<b>201,488</b>

## e) Analysis of Fixed Asset Portfolio

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

	31/03/2015	31/03/2016
<b>Operational Buildings</b>		
Council Offices	1	1
Sports Complex	1	1
Golf Complex and Driving Range	1	1
Park pavilions*	6	6
Cemeteries	2	2
Depots	2	2
<b>Operational Land</b>		
Village greens and green open space	Various	Various
Nature parks and conservation areas	Various	Various
Football pitches and playing fields	Various	Various
Golf course	1	1
Lorry park	1	1
<b>Vehicles, Machinery and Equipment</b>		
Civic car	1	1
Works vehicles	10	10
Tractors	7	8
Ride on mowers	9	9
Golf course buggies	6	6
Utility vehicles	4	3
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	3	4
Outdoor fitness equipment	1	1
Skate parks and BMX tracks	2	2
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
<b>Community Assets</b>		
Allotments sites	5	5
Park land and grounds	Various	Various
Cemeteries land and grounds	2	2
Memorial gardens	2	2
Sculptures and public art	Various	Various
Civic regalia	1	1
<b>Non Operational Land</b>		
Land for sale at Travellers Green	1	1

\* The park pavilions have various uses including a pre-school, environment centre, office, changing rooms, storage facility and public toilets

**f) 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:-

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

All of this land was included on the Balance Sheet at nil value as at 31<sup>st</sup> March 2016.

**g) Fixed Asset Disposals**

The Council disposed of the following fixed assets during 2015/16 and the table below details the net book value, any sales proceeds, and the gain or loss on disposal:-

<b>Asset Description</b>	<b>Net Book Value £</b>	<b>Sales Proceeds £</b>	<b>Gain / (Loss) on Disposal £</b>
<b>Machinery and Equipment:</b>			
Works van	-	-	-
2 x utility vehicles	-	-	-
Driving range ball dispenser	739	-	(739)
Server and computer equipment	810	-	(810)
	<b>1,549</b>	-	<b>(1,549)</b>

A number of assets were disposed of during the year but there were no sales proceeds in respect of any of the disposed assets.

The loss on disposal of fixed assets in 2015/16 related to the write off of the remaining book value of the server equipment and driving range ball dispenser machine. The works vehicle, utility vehicles and computers that were disposed of were all at the end of their useful life with no net book value, and did not therefore result in any loss on disposal.

**h) 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 28% for land transferred in 1980 to 46% for land transferred in 1989, as at 31<sup>st</sup> March 2016. The percentage reduces by 2% each year.

The Council currently has one piece of land at Travellers Green identified for sale next year. This land is currently held as a non-operational asset on the Balance Sheet.

There are some areas of land identified in the Local Development Framework for possible future development. However these areas of land will not be reclassified as non-operational assets on the Balance Sheet, and revalued, until there is a likelihood of sale.

## i) Capital Commitments into 2016/17

The Council did not have any outstanding capital commitments as at 31<sup>st</sup> March 2016 to which it was contractually committed.

However, there were a number of projects that had been planned to take place in the 2015/16 financial year but which had not commenced as at 31<sup>st</sup> March 2016. These projects are now due to take place early in 2016/17.

These projects include the Cobblers Hall park development project, the play area at West Park, St Oswald's pre-school office conversion works, council offices telephone system and photocopier replacement, replacement heating systems for Oak Leaf Golf Complex and Moore Lane Environment Centre and football changing rooms, replacement kitchen equipment, a replacement office photocopier, play area safety surfacing repairs and footpath repairs.

A total of **£197,000** has been **carried forward from the 2015/16 Capital Programme Budget** underspend to meet the cost of these requirements.

The Council's Capital Programme requirements for 2016/17 and beyond are set out in more detail in the 2016/17 Capital Programme Budget, the Medium Term Financial Plan and the Asset Management Plan.

## j) 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:-

	2014/15 £	2015/16 £
<b>Net assets employed</b>	<b>5,764,618</b>	<b>7,783,091</b>

The increase of £2,018,473 is largely as a result of the revaluation of the Council's operational land and building fixed assets in 2015/16.

## 2. Investments

The Council invests its balances and reserves in a 100 day notice bank account and the Public Sector Deposit Fund. An analysis of the Council's investments at the end of the year is detailed below (the 2014/15 figures are shown for comparison):-

	31/03/2015 £	31/03/2016 £
<i>100 Day Notice Account</i>	760,632	765,035
<i>Public Sector Deposit Fund</i>	250,000	200,000
<b>Total</b>	<b>1,010,632</b>	<b>965,035</b>

Interest receivable from these investments is credited to the Income and Expenditure Account and totalled £6,644 in 2015/16.

### 3. 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 2014/15 figures are shown for comparison):-

	31/03/2015 £	31/03/2016 £
<i>Current Account</i>	129,457	135,650
<i>Business Premium Interest Account</i>	327	265
<i>Cash in transit</i>	22,263	13,760
<i>Floats and cash held</i>	2,186	2,172
<b>Total</b>	<b>154,233</b>	<b>151,847</b>

### 4. Debtors

An analysis of the Council's outstanding debtors at the end of the year is detailed below (the 2014/15 figures are shown for comparison):-

	31/3/2015 £	31/3/2016 £
<b>Amounts falling due within one year</b>		
<i>Government departments</i>	48	5,485
<i>Other local authorities</i>	95	-
<i>Sundry debtors</i>	5,356	7,350
<b>Amounts falling due after one year</b>	-	-
<b>Total</b>	<b>5,499</b>	<b>12,835</b>

The level of outstanding debt as at 31<sup>st</sup> March 2016 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. However, outstanding debtors are reviewed regularly during the year and any irrecoverable debts would be written off following approval by the Council.

### 5. Prepayments

The Council had made payments in its revenue accounts as at 31<sup>st</sup> March 2016 where some or all of the expenditure related to the 2016/17 financial year.

These payments included the Council insurance and information technology 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 2016/17 and totalled **£45,107**. For comparison purposes, year-end prepayments in 2014/15 totalled £45,961.

## 6. 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 2014/15 figures are shown for comparison):-

	<b>31/03/2015</b>	<b>31/03/2016</b>
	<b>£</b>	<b>£</b>
<b>Sports Complex</b>		
Bar supplies	5,191	5,117
Catering supplies	1,502	1,909
Vending machine stocks	1,052	566
Cleaning materials	368	405
Resale items	338	492
<b>Works and Depot</b>		
Tools and equipment	5,309	4,026
Golf complex materials and equipment	1,989	1,260
Parks and play equipment	2,383	1,705
Cleaning and consumables	186	125
Petrol and oil	2,068	550
<b>Total</b>	<b>20,386</b>	<b>16,155</b>

## 7. Creditors

An analysis of the Council's outstanding creditors at the end of the year is detailed below (the 2014/15 figures are shown for comparison):-

	<b>31/03/2015</b>	<b>31/03/2016</b>
	<b>£</b>	<b>£</b>
HM Revenues and Customs	23,549	20,218
Other local authorities	21,111	30,659
Sundry creditors	45,175	57,704
<b>Total</b>	<b>89,835</b>	<b>108,581</b>

## 8. Accruals

A number of provisions needed to be made in the revenue accounts as at the 31<sup>st</sup> March 2016 to provide for amounts relating to goods and services already received but which had not been billed at the end of the year.

These payments, totalling **£20,303**, included loan interest, golf union subscriptions, and outstanding gas and electricity costs and are shown as accruals in the Balance Sheet. For comparison purposes, year-end accruals in 2014/15 totalled £33,644.

## 9. Receipts in Advance

The Council had received income in its revenue accounts as at the 31<sup>st</sup> March 2016, where some or all of the income related to the 2016/17 financial year.

This income, totalling **£33,003**, 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 2014/15 totalled £31,652.

## 10. Borrowing Repayable Within 12 Months

The following table shows the repayments due to be made in the next year in respect of the Council's outstanding borrowing (the 2014/15 figure is shown for comparison):-

	<b>2014/15</b> <b>£</b>	<b>2015/16</b> <b>£</b>
<i>Public Works Loan Board</i>	14,668	15,674
<b>Total</b>	<b>14,668</b>	<b>15,674</b>

## 11. Long Term Borrowing

The following table sets out a breakdown of the Council's outstanding loan balance that will be repayable after a period of twelve months i.e. from 2016/17 onwards:-

<b>Source of Loan</b>	<b>Interest Rate %</b>	<b>31/03/2015</b> <b>£</b>	<b>31/03/2016</b> <b>£</b>
<i>Public Works Loans Board</i>	8.1	43,604	35,217
<i>Public Works Loans Board</i>	5.2	138,314	131,028
		<b>181,918</b>	<b>166,245</b>

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

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

	<b>Years</b>	<b>31/03/2015</b> <b>£</b>	<b>31/03/2016</b> <b>£</b>
	1 - 2	15,674	16,753
	2 - 5	53,815	51,661
	5 - 10	55,363	52,332
	10 +	57,066	45,499
		<b>181,918</b>	<b>166,245</b>



## 12. Contingent Liabilities

### Capital Receipt Claw Back in respect of the Land Sale at Travellers Green

If the proposed land sale at Travellers Green goes ahead next year, 46% of the sales proceeds would be due to the Homes and Communities Agency in line with the restrictive covenant attached to the land when it originally transferred to the Council. More details on this capital receipt 'claw back' is set out in Note 1 h). This land has been valued at £110,000 and therefore the contingent liability for the claw back amounts to £50,600.

### Outstanding Insurance Claims

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

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

## 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 2.6.

The movement on the Capital Grants Deferred Account during the year is set out below (the 2014/15 figures are shown for comparison):-

	2014/15 £	2015/16 £
<b>Balance brought forward at 1st April</b>	<b>367,668</b>	<b>336,120</b>
Contributions received during the year	39,307	29,042
Less amounts released to I&E Account	(70,855)	(66,864)
<b>Balance carried forward at 31st March</b>	<b>336,120</b>	<b>298,298</b>

Capital contributions totalling £29,042 were used to finance capital expenditure in relation to the multi-use games area at Moore Lane and improvements at West Park during 2015/16, while a total of £66,864 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 2014/15 figures are shown for comparison):-

	2014/15 £	2015/16 £
<b>Balance brought forward at 1st April</b>	<b>13,043</b>	<b>13,043</b>
Capital contributions received	39,307	53,542
Transferred to Grants Deferred Account	(39,307)	(29,042)
<b>Balance carried forward at 31st March</b>	<b>13,043</b>	<b>37,543</b>

The balance brought forward on the account relates to the unused balance of contributions received in previous years, from County Durham Environmental Trust and Great Aycliffe and Middridge Area Partnership 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.

The capital contributions received during 2015/16 relating to the multi-use games area at Moore Lane, and improvements at West Park totalling £29,042 were transferred to the Deferred Grants Account to fund the capital expenditure during the year. A further capital contribution of £24,500 was received towards a project to install a scoot track in the Horndale area, which is due to take place next year.

## 15. Revaluation Reserve

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

The balance brought forward on the Revaluation Reserve relates to the land awaiting sale at Travellers Green which was added to the Balance Sheet as a non-operational fixed asset during 2013/14.

The revaluation gains on the Council's operational land and building fixed assets following the revaluation in 2015/16 have been credited to the Revaluation Reserve, net of 2015/16 depreciation on the revaluation gains.

A summary of the movement on the Revaluation Reserve is detailed below:-

	2014/15 £	2015/16 £
<b>Balance brought forward at 1st April</b>	<b>110,000</b>	<b>110,000</b>
Revaluation of fixed assets	-	1,530,955
Revaluation Deprecation to Capital Financing Account	-	(63,845)
<b>Balance carried forward at 31st March</b>	<b>110,000</b>	<b>1,577,110</b>

## 16. Capital Financing Account

This account is a non-distributable reserve which is used to account for transactions relating to movements in the value of 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, impairment and revaluation losses, and also the write off of the book value of fixed assets upon disposal or sale.

The account 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.

This year the account includes a number of entries relating to the revaluation of the Council's land and building assets in 2015/16, including the write off of historic cost depreciation, the write off of revaluation losses arising from falls in the value of the fixed assets, and the in-year transfer of depreciation on the revaluation gains from the Revaluation Reserve.

A summary of the movement on the Capital Financing Account during the year is set out below (the 2014/15 figures are shown for comparison):-

	2014/15 £	2015/16 £
<b>Balance brought forward at 1st April</b>	<b>4,724,839</b>	<b>4,567,845</b>
<b>Add financing of fixed assets:</b>		
Use of earmarked reserves	103,782	139,040
Repayment of long term loans	13,728	14,667
Grants deferred release	70,855	56,822
<b>Less write down in the value of fixed assets:</b>		
Depreciation charges in year	(329,898)	(382,417)
Write off of falls in the value of fixed assets against the previous revaluation gains held in this account	-	(680,281)
Write off of falls in the value of fixed assets charged against the Income and Expenditure Account	-	(116,599)
Loss on disposal of fixed assets	(15,461)	(1,549)
<b>Adjustments relating to the revaluation of the Council's fixed assets in 2015/16</b>		
Write off of historic cost depreciation	-	1,534,824
Deprecation on revaluation gains transferred from the Revaluation Reserve	-	63,845
<b>Balance carried forward at 31st March</b>	<b>4,567,845</b>	<b>5,196,197</b>

## 17. Council Balance and Earmarked Reserves

The Statement of Movement on Reserves on page 43 provides a full breakdown of the Council's Balances and Earmarked Reserves as at 31<sup>st</sup> March 2016, including the movement on those balances and reserves during the year.

**In summary, the Council's Balances and Earmarked Reserves totalled £989,338 as at 31<sup>st</sup> March 2016.**

**Within this total, £120,796 was set aside in the General Fund Balance** and will be utilised to provide support to the Council's Revenue Budget in future years in the event of further funding cuts and budget pressures.

**The remaining £868,542 has been set aside in Earmarked Revenue and Capital Reserves** to meet specific future years' revenue and capital spending commitments.

## 18. Useable Capital Receipts Reserve

A summary of the movement on the Useable Capital Receipts Reserve is shown below (the 2014/15 figures are shown for comparison):-

	2014/15 £	2015/16 £
<b>Balance as at 1<sup>st</sup> April</b>	<b>20,446</b>	<b>20,446</b>
Capital receipts received during the year	-	-
Capital receipts used during the year	-	-
Due to / from Homes and Community Agency	-	-
<b>Balance as at 31<sup>st</sup> March</b>	<b>20,446</b>	<b>20,446</b>

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

## 19. Post Balance Sheet Events

Events after the Balance Sheet date have been considered up until the date when the Statement of Accounts was 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 2015**

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 removed from the Income and Expenditure Account and excluded from the calculation of the Council Precept and setting of the Council Tax.

### **Asset 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 was 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 Mazars LLP.

### **Bad Debts Provision**

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., the liabilities owed e.g. outstanding loans, creditors etc., and funds held e.g. reserves and balances etc.

### **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 twelve months will be shown as a current liability in the Balance Sheet, whilst all repayments due after a period of twelve 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 expected income due from grants, fees and charges and any other funding. 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 is an unusable reserve which is used to account for transactions relating to changes in the value fixed assets and the financing of capital expenditure. It therefore accounts for the write down in the historical cost of fixed assets via depreciation and impairment losses, and gains and losses when assets are sold or disposed of as well as the resources used to finance the Council's fixed assets, including use of balances and reserves, release of deferred grants and repayment of debt.

**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 and 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 by the Council 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.



### **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 management 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 records 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 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 specific one-off revenue spending commitments such as elections.

### **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 of 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 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.

### **Financial Reporting Standard 102 (FRS 102)**

FRS 102 is the Financial Reporting Standard applicable in the UK and Republic of Ireland and replaces existing FRSs, SSAPs and UITFs. Together with FRS 100 Application of Financial Reporting Requirements and FRS 101 Reduced Disclosure Framework, it sets out the accounting standards and financial reporting requirements for all public and private sector organisations. All extant FRSs, SSAPs and UITF Abstracts have now been withdrawn and the new standards are effective for accounting periods beginning on or after 1 January 2015. Currently the FRSSE (the Financial Reporting Standard for Smaller Entities) remains effective until 2016 after which it will be replaced with a new standard for micro-entities and a new Section 1A in FRS 102 applicable to eligible small entities.

### **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 revenue spending commitments.

### **General Power of Competence**

The general power of competence was provided for in the Localism Act 2011 and gives a local authority 'the power to do anything that individuals generally may do'. Having met the prescribed conditions as required by the Parish Councils (General Power of Competence) (Prescribed Conditions) Order 2012, the Council adopted the General Power of Competence at its Annual General Meeting in May 2013. This power effectively removes the need for the Council to rely on other legislation in order to take a particular action, providing that action complies with statutory duties and the law. This power has now superseded the Power of Well Being.

### **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 represent 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.

### **Local Audit and Accountability Act 2014**

The Local Audit and Accountability Act 2014 instigated the closure of the Audit Commission, and established new arrangements for the accountability and audit of local authorities in England. The new legislation replaced the Audit Commission Act 1998

### **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 period's 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 could 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 allowed 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. This power has now been superseded by the General Power of Competence.

### **Precept**

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

**Prepayments**

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

**Prior Year Adjustments**

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

**Provisions**

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

**Prudence Concept**

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

**Public Works Loan Board (PWLB)**

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

**Receipts in Advance**

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

**Related Parties**

Two or more parties are related when, at any time during the accounting period, one party has direct or indirect control of the other party, 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 is an unusable reserve that accounts for accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation and other factors, to the extent that these gains have not been consumed by subsequent downward movements in value and depreciation incurred as a result of these increases in values.

### **Revenue Expenditure**

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

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

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

### **Reserves and Balances**

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

### **Statement of Internal Control**

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.

### **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.

### **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.