

Index to the Statement of Accounts

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Explanatory Foreword

This is Great Aycliffe Town Council's statutory Statement of Accounts for the 2008/2009 financial year.

The Accounts and supporting financial statements and notes are set out in the following pages, and will be subject to an Independent Audit opinion.

This foreword provides a brief explanation of the financial statements that follow and the relationship between them, to assist the reader in understanding the statements.

In addition, immediately following this foreword, is an Executive Summary, which is designed to help the reader understand the overall financial position of the Council as at 31st March 2009 and the key issues from the Accounts.

The main purpose of the financial statements that make up the Statement of Accounts are detailed below:-

Executive Summary

A report from the Council's Finance Manager providing a summary of the overall financial position of the Council in 2008/2009, the key issues from the Accounts, and a graphical summary of the Council's finances is attached in Pages 3 to 9.

Statement of Responsibilities for the Statement of Accounts

Page 10 explains the responsibilities required of the Council and the Finance Manager in relation to the making of arrangements for the proper administration of the financial affairs of Great Aycliffe Town Council and the requirement to certify that the Statement of Accounts presents fairly the financial transactions of the Council.

Auditor's Report

Pages 11 to 13 gives the independent professional opinion by the Audit Commission that the Council's Accounts for the year ended 31st March 2009, present fairly and in accordance with applicable laws and regulations, the financial position of the Council.

Statement of Accounting Policies

Pages 14 to 30 explain the accounting policies adopted in recognising, measuring and disclosing transactions within the Statement of Accounts, to ensure compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008.

Annual Governance Statement

Pages 31 to 38 sets out the responsibilities of the Council, relating to good corporate governance and meeting the requirement to review annually and report on the effectiveness of the Council's governance arrangements and systems of internal control.

Income and Expenditure Account

Page 39 shows the Income and Expenditure Account which sets out all income receivable and expenditure incurred relating to the provision of Council services during 2008/2009.

Statement of Movement on the General Fund Balance

Pages 40 to 41 show the Statement of Movement on the Council's General Fund Balance during the financial year. This statement provides a reconciliation between the surplus or deficit on the Council's Income and Expenditure Account and the overall movement on the Council's balances in 2008/2009.

Statement of Total Recognised Gains and Losses

Page 42 shows the Statement of Total Recognised Gains and Losses applicable to the Council. Not all gains and losses are accounted for in the Income and Expenditure Account e.g. gains and losses on the revaluation of assets, and this statement provides a reconciliation of the movement in the overall net worth of the Council, as shown in the Balance Sheet.

Balance Sheet

Page 43 shows the Balance Sheet which sets out the overall financial standing of the Council in terms of the net worth of the Council's assets and liabilities as at the 31st March 2009.

Cash Flow Statement

Page 44 shows the Cash Flow Statement which summarises inflows and outflows of cash during the year arising from revenue and capital transactions with third parties. The Cash Flow Statement reflects the movement on the Council's bank accounts and other cash balances during the year.

Notes to the Core Financial Statements

Pages 45 to 65 detail notes to the main financial statements which provide further information and explanations on the more important items shown in the Income and Expenditure Account, Balance Sheet and Cash Flow Statement.

Glossary of Terms

Pages 66 to 76 provide explanation of the financial and accounting terms used within this document and provide a definition of each in order to assist the reader to understand the financial statements.

Executive Summary

Introduction

The following report aims to provide the reader with a summary of the financial performance of the Council during 2008/2009 and the overall financial standing of the Council as at 31st March 2009.

The purpose of the report is to help the reader understand the financial information detailed within the Statement of Accounts that follows and provide an interpretation of what that information actually means in terms of the financial performance of the Council during the financial year 2008/2009.

The report summarises 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 against the Council's approved Budget i.e. Precept for the year.

The report also provides an overview of the overall financial standing of the Council as at 31st March 2009 as set out in the Council's Balance Sheet.

Revenue and Capital Expenditure

The Council incurs both revenue and capital expenditure in providing its services during the year and it is important that the reader understands the distinction between the two.

Revenue expenditure relates to the **day to day running costs** of providing the Council's various services. Revenue costs are incurred on an ongoing basis throughout the year and include salaries, energy costs, purchases of supplies and services etc.

The Council's net revenue spending, after the deduction of any income due in respect of the services provided e.g. from fees and charges, is **funded from council tax via the Council Precept**. The Council does not currently receive any Government grant support.

Revenue expenditure and income is accounted for via the Income and Expenditure Account.

Capital expenditure is **major one off expenditure in relation to the Council's fixed assets e.g. buildings, plant and machinery etc.** Capital Expenditure should either create a new fixed asset that has a life of more than one year or significantly enhance the life or use of an existing fixed asset.

Capital expenditure is mainly **funded from Council balances** along with any with any external **capital grants** and contributions that can be secured towards specific projects.

Capital expenditure and its funding is accounted for via the Statement of Movement on the General Fund Balance and the Balance Sheet.

Revenue Spending 2008/2009

The Council set a **Precept of £1,576,775 for 2008/2009** which was based on the Net Revenue Budget Requirement in respect of the net cost of running all Council services. This represented **an increase** on the 2007/2008 Precept of 4.65% and **in Council Tax of 3%**.

Actual revenue spending in 2008/2009 totalled **£1,312,806**, which meant the Council achieved an overall **saving of £263,969** or 17% against the 2008/2009 Revenue Budget.

The outturn position is summarised below:-

Committee / Service Area	Budget £	Actual £	Saving £
Policy and Resources	747,950	663,185	(84,765)
Recreation	818,000	796,987	(21,013)
Environment	227,825	144,620	(83,205)
Contingency Sum	75,000	-	(75,000)
Removal of Depreciation	(292,000)	(291,986)	14
(Use of Balances) / Contribution to Balances	-	263,969	263,969
Precept	1,576,775	1,576,775	-

Significant savings were made across all Council services, but particularly in respect of the delayed filling of the new Environment Officer and Town Pride Team posts, the non use of the contingency sum and higher than budgeted funding for the Pre Schools due to numbers of children running at capacity.

Savings were also achieved in almost all other budget areas such as supplies and services costs, maintenance costs etc.

The underspend on the Revenue Budget was transferred to Council's General Fund Balance, at the year end and subsequently set aside in Earmarked Reserves to meet future capital spending commitments. Further details on Council Balances are provided later in the report.

More detail on the outturn position is provided in Note 10 to the Income and Expenditure Account on page 48, and detailed information on the Council's Budgets and spending is available to view on the Council's website.

Income and Expenditure Account 2008/2009

It is important to note that the Budget to actual spending comparison described above does not reflect the specific accounting requirements of the Income and Expenditure Account and therefore the figures described above will be different to those shown in the Accounts.

The Income and Expenditure Account requires the inclusion of capital accounting entries such as depreciation and impairment charges in respect of fixed assets, capital expenditure charged to revenue accounts that was non enhancing to the value of fixed assets, losses on the disposal of fixed assets and the release of deferred capital grants to revenue accounts, while the annual repayment of outstanding debt is excluded.

As a result of the inclusion of depreciation charges, non enhancing capital expenditure and losses on disposals relating to fixed assets, the Income and Expenditure Account, actually shows a **loss in 2008/2009 of £25,501, reflecting the reduction in value of the Council's fixed assets and therefore the net worth of the Council** during 2008/2009.

The Statement of Movement on the General Fund Balance (SMGFB), provides the reconciliation between the Income and Expenditure Account and the actual year end savings and subsequent transfer to balances and reserves described above.

Capital Investment 2008/2009

The Council set a **Capital Programme Budget of £282,000 for 2008/2009**, which was **subsequently increased to £509,500** during the year to account for the carry forward of outstanding commitments from 2007/2008, the approval of match funding towards projects approved by the Borough Council's Local Improvement Fund (LIP) and Neighbourhood Enhancement Fund (NEP), and a number of additional projects during the year.

The Budget provided for a significant number of projects including the Council Offices and St Oswald's Pre School building works, Sports Complex bar refurbishment and disabled lift, replacement vehicles, play areas and games areas at St Oswald's, Woodham, Simpasture and Horndale Parks and the Moore Lane Environmental Centre.

Actual spending on the Capital Programme during the year totalled **£727,637**, of which **£363,062 was funded from capital grants and contributions and £364,575 from Council Balances, representing an underspend of £145,000 on the Council Budget.**

However, the St Oswald's Park formal garden works commenced late in the financial year and were carried forward to 2009/2010, along with a number of other commitments including the Sports Complex entrance works and Stephenson Way Cemetery works which did not take place and are due to be undertaken early in 2009/2010.

Total capital commitments carried forward to 2009/2010 were £127,500.

In addition, the Great Aycliffe Way Extension and Nature Park projects were completed during 2008/2009, however these projects were managed on behalf of the Council by Sedgfield Borough Council and were funded from the Local Improvement Programme Fund.

Impact of the Economic Climate on the Council during 2008/2009

There is no doubt it has been a difficult year financially. The onset of the recession has had a negative impact on the Council's finances.

The Council has faced significant inflationary pressures adding to the running costs of its services, particularly in relation to energy and fuel costs, while falling demand has significantly hit income levels, particularly in relation to the Sports Complex and Golf Complex. The interest receivable on the Council's Balances is also now minimal.

However, despite this, the Council is still in a relatively strong financial position.

Efficient procurement and management of services resulted in savings in many budget areas, while the delayed filling of new posts achieved a significant saving. Pre School usage exceeded expectations and the Revenue Budget contingency sum did not need to be used.

In addition, the Council secured substantial external capital funding during the year totalling over £350,000 which allowed significant investment in community assets during the year.

Finally, the Council continues to hold prudent levels of balances and reserves to support future year's spending and protect against unforeseen spending pressures.

All of these benefits combined to ensure that the Town Council is well placed to meet the challenges that the ongoing recession will bring and help the Council to maintain the relatively healthy state of its finances over the medium term.

Reserves and Balances

The favourable outturn position on the Council's Revenue Budget, allowed the Council to **contribute £263,969 to balances** during the year. Even after the financing of the Capital Programme detailed above, the Council was still able to carry forward a significantly higher level of balances than originally anticipated.

The Council carried forward **balances and reserves** totalling **£757,569 at the end of the financial year** which have been set aside to help the Council meet future capital spending commitments as set out in the Council's 2009/2010 Budget, Medium Term Financial Plan and Asset Management Plan.

The Council's year end Balances and Reserves were as follows:-

	£
General Fund Balance	99,429
Earmarked Capital Reserves	
<i>Asset Management Reserve</i>	400,000
<i>Vehicle and Machinery Reserve</i>	100,000
<i>Play Equipment Reserve</i>	50,000
<i>Sports Complex Reserve</i>	25,000
<i>Golf Complex Reserve</i>	25,000
<i>Insurance Reserve</i>	25,000
<i>E-Government Reserve</i>	15,000
Capital Receipts and Contributions	18,140
Total Balances and Reserves	757,569

This level of balances and reserves is considered to be a more than adequate level of balances to support future spending and investment by the Council and to protect against unforeseen spending pressures and liabilities.

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, buildings, vehicles, machinery etc, and current assets such as debtors, stocks, bank balances and investments etc, less the value of its liabilities such as its outstanding loans, creditors etc.

The net worth of the Council **increased slightly** over the course of the year **from £6,168,572 to £6,183,209**, mainly as a result of the significant capital investment during 2008/2009, particularly on play equipment as described in the Capital Programme section of the report.

However the depreciation of the Council's existing fixed assets significantly offset the impact of this capital investment on the Council's overall net worth.

The Council did not incur any significant liabilities during the year.

Borrowing

The Council had **outstanding loans of £296,849 as at 31st March 2009.**

Principal repayments totalling £22,253 were made during the year, with interest payments in respect of the outstanding loans totalling £19,843.

There are currently no plans to take out any new borrowing or restructure or repay early any existing borrowing.

Investments

As at **31st March 2009**, the Council had **£500,000** invested on a short term deposit in a bank treasury account. Interest earned in respect of the Council's investments and other high interest bank accounts totalled £32,688 during 2008/2009.

Fixed Assets

The Council held fixed assets in the way of its land, operational buildings, plant, machinery, vehicles and equipment to a value of **£6.3 million as at 31st March 2009.**

Future Plans

The Council's plans, aims and targets for 2009/2010 are set out in the Parish Performance Plan and the resourcing of these plans is set out in the 2009/2010 Revenue and Capital Budget. Both documents are available to view at the Council Offices or on the Council website.

The Council also has in place a Medium Term Financial Plan, which puts in place a financial strategy for the next three years, and an Asset Management Plan which sets out capital investment priorities for the next ten years.

The Council's Revenue Budget plans for next year are based around existing levels of service and there are no plans for additional or new investment in services, as this is not affordable in the current financial climate without increasing Precept levels significantly.

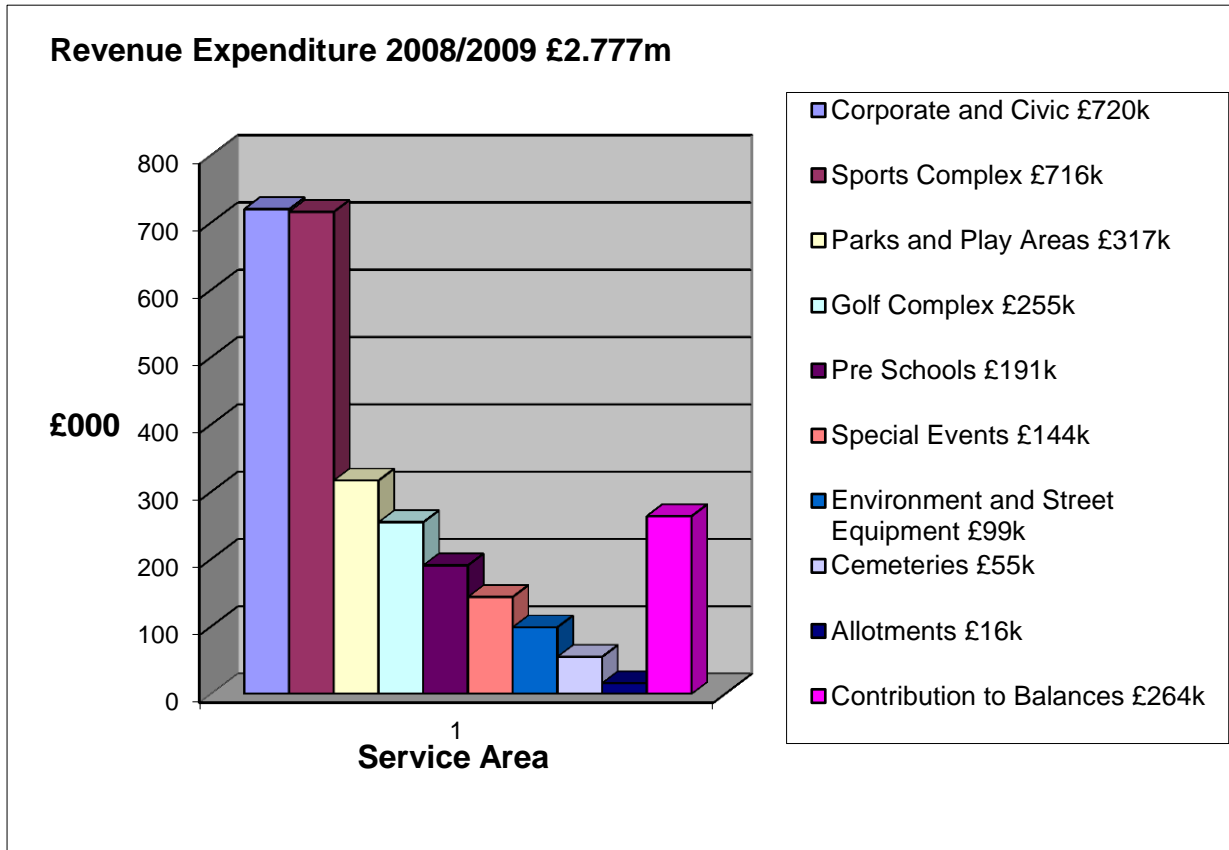
Capital Programme plans are based around the delivery of the Asset Management Plan and include planned works to the Sports Complex, Stephenson Way Cemetery and the Golf Complex, the completion of St Oswald's Park Formal Garden and replacement vehicles and machinery.

Details of specific aims and targets and budgets can be found within the documents referred to above, which are available to view at the Council Offices or on the website.

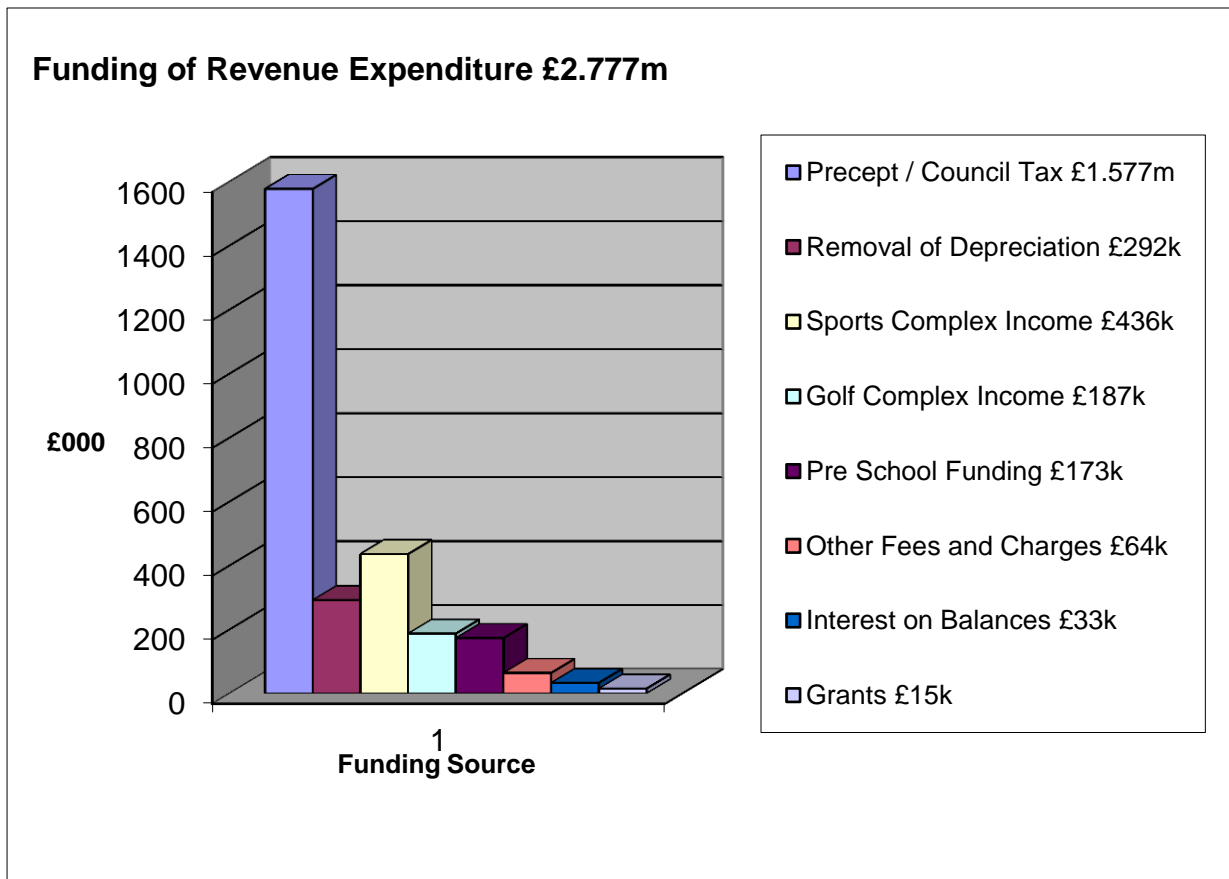
Dan Austin
Finance Manager

Date **17th June 2009.**

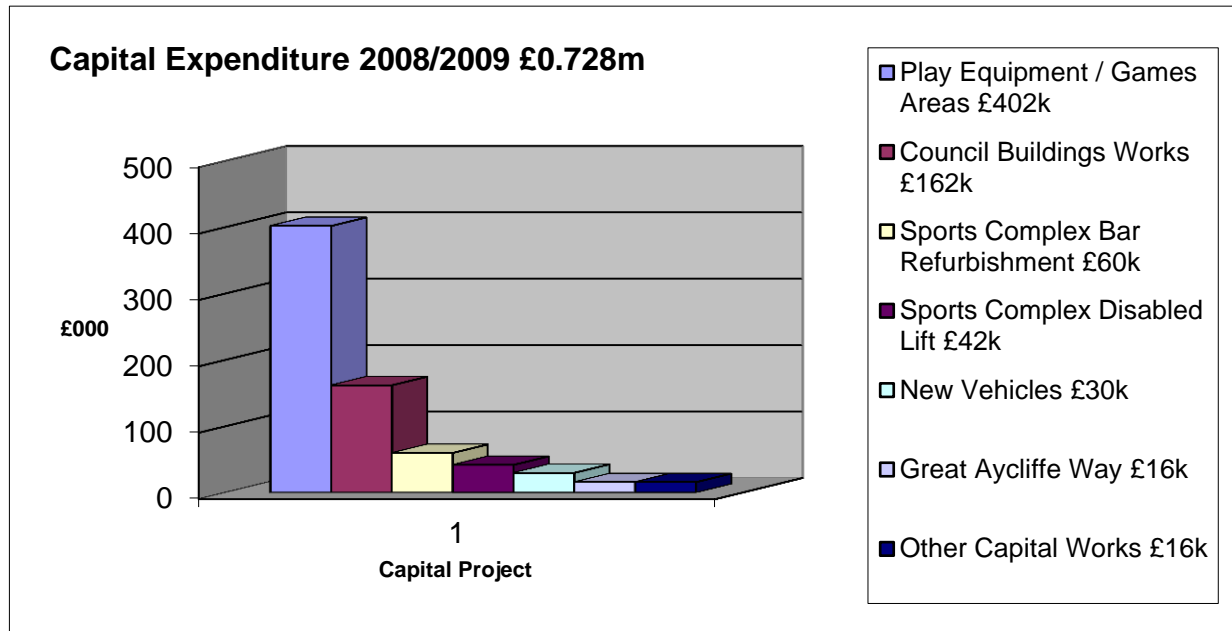
Summary of Gross Revenue Expenditure in 2008/2009 i.e. The Total Cost of Running the Council's Services



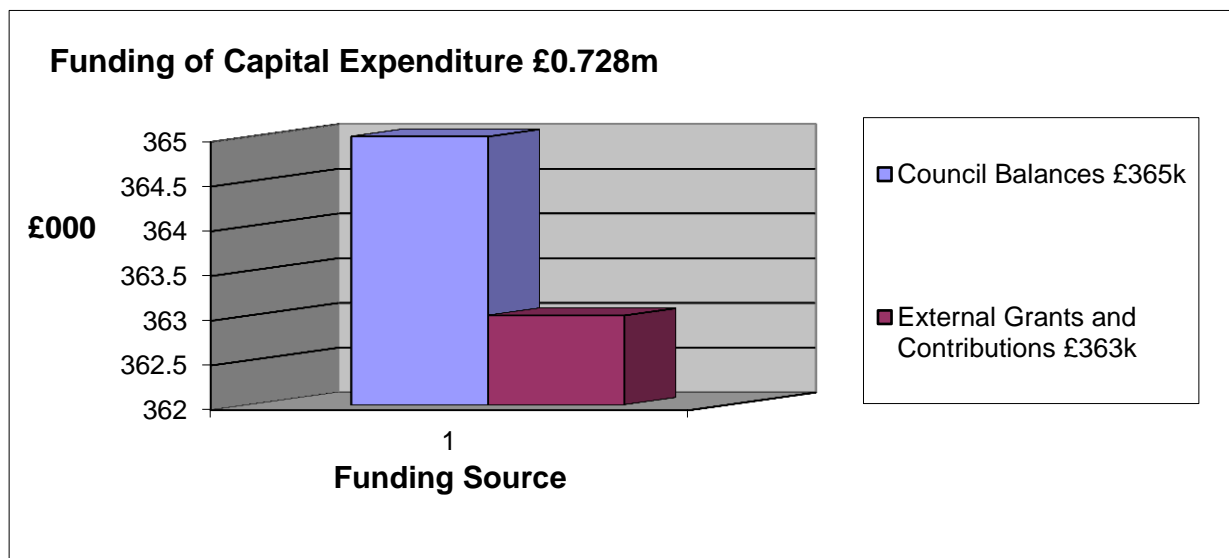
How this Revenue Expenditure was Funded



Summary of Capital Spending in 2008/2009 i.e. Investment in Council and Community Assets



How this Capital Investment was Funded



Statement of Responsibilities for the Statement of Accounts

Responsibilities of the Council

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

Under the Accounts and Audit Regulations 2003 there is a requirement for the Statement of Accounts to be signed and dated by the presiding officer of the Council meeting at which the Accounts are approved

Certification of the Presiding Officer of the Council

Mayor of the Council **Date**

Responsibilities of the Finance Manager

The Finance Manager is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

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 the Code of Practice

The Finance Manager has also:

- 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 for the year ended 31st March 2009 presents fairly the financial position of Great Aycliffe Town Council as at 31st March 2009 and its income and expenditure for the year ended 31st March 2009.

Finance Manager **Date**

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

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Great Aycliffe Town Council for the year ended 31st March 2009, under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Great Aycliffe Town Council in accordance with Part II the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Finance Manager and auditor

The Finance Manager's responsibilities for preparing the financial statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion, the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31st March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditors responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency, and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Great Aycliffe Town Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March 2009.

Certificate

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

Signed

Date

**Gavin Barker
Senior Audit Manager
Audit Commission
Nickalls House
Gateshead
Tyne and Wear
NE11 9NH**

Statement of Accounting Policies

The Council's Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - 'A Statement of Recommended Practice' (the SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The purpose of this Statement of Accounting Policies is to explain the basis for the recognition, measurement and disclosure of transactions in the Accounts.

Key regard has been given to the following accounting principles and concepts in preparing the Statement of Accounts and in the selection and application of the Accounting Policies that follow:-

- Relevance
- Reliability
- Comparability
- Understand ability
- Materiality
- Accruals
- Going Concern
- Primacy of Legislative Requirements

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

Changes to Accounting Practice and / or Accounting Policies

2008 Code of Practice / SORP

In June 2008, CIPFA published the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - A Statement of Recommended Practice (SORP).

The SORP contains some minor changes to local authority accounting practices that must be applied for the accounting year commencing 1st April 2008.

All changes have been incorporated into the Council's Statement of Accounts for 2008/2009, where applicable, but in no case have the opening balances needed to be restated or any prior period adjustments processed.

The main or new or changed requirements arising from the 2008 SORP relating to the Statement of Accounts have been summarised below:-

- Deferred Charges replaced by Revenue Expenditure Funded from Capital Under Statute;
- Costs associated with abortive capital projects must be charged to the appropriate service revenue account;
- Cash Flow Statement can now be prepared using either the direct or indirect method;
- Accounting requirements for the impairment of investments;
- Remodelled Notes to the Accounts regarding Fixed Assets;
- Accounting rules regarding the revaluation on disposal of Fixed Assets;
- Clarification on the use of Depreciated Replacement Cost for the valuation of specialised assets;
- Guidance on the Statement of Accounts authorised for issue date;
- Clarification on the accounting arrangements for Financial Instruments

1. Revenue Accounts

1.1 Income and Expenditure

The Council's Revenue Accounts are maintained on an income and expenditure basis, i.e. an accruals basis, in accordance with the Code of Accounting Practice and FRS18. This means that sums due to or from the Council are included in the accounts on the date that the goods or services are actually provided or received, whether or not the cash has actually been received or paid in the year.

Revenue is only recognised when the contractual obligation has taken place.

At the year end, provisions are 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. Where exact amounts are unknown, estimates are used.

A de-minimus limit of £100 is applied for the inclusion of these adjustments which include debtors and creditors, accruals and prepayments, receipts in advance and provisions.

The exception to this rule is expenditure on salaries and wages which is accounted for in whole weeks and months.

1.2 Support Service Recharges

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

- Complete Recharging of Overheads
- Correct Recipients
- Transparency
- Flexibility
- Reality
- Predictability / Stability
- Materiality

Recharges or apportionment of costs in respect of support services and also the Council's Works Section are made to all front line services during the year based on a budgeted cost, which has been set based on prior year information.

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

However, those costs which fall under the BVACOP definition of Corporate and Democratic Core and Non Distributed Costs, are not rechargeable, and are specifically identified in the Income and Expenditure Account, as part of Net Cost of Services. These are costs relating to the Council's status as a multi functional, democratic organisation e.g. civic costs, corporate management etc.

1.3 Interest Payable and Receivable

Interest receivable on the Council's short term investment and bank accounts and payable on the Council's outstanding borrowing is credited or charged to the Income and Expenditure Account on an accruals basis, for the period to which they relate, based on the effective rate of interest. This is in line with the accounting requirements for financial instruments as set out in Accounting Policy 5.

1.4 Pensions

The Council is required to comply with the requirements of FRS17 'Accounting for Retirement Benefits'.

The employees of the Council are participants in the Durham County Pension Fund, a defined benefit scheme that is also a multi-employer scheme. The fund actuaries, Hewitt, Bacon and Woodrow have previously indicated that it is not possible to identify on a consistent basis, the assets and liabilities relating to those smaller bodies within the Fund. The Council is classified within the fund as a 'smaller body'.

In these circumstances FRS 17 requires that the disclosure in the financial statements in respect of retirement benefits be made on the basis of a defined contribution scheme i.e. actual contributions paid.

Further information about the scheme can be found in the Pension Fund's Annual Report, which is available upon request from the County Treasurer, Durham County Council, County Hall, Durham, DH1 5UE.

The pension costs that are included in the Council's Accounts in respect of its employees are therefore equal to the employer's contributions paid to the funded pension scheme for these employees during the year.

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

The last actuarial valuation in 2008 set the contribution rates for the financial years 2008/2009 to 2010/2011 and contribution rates are now based upon a % of the pensionable payroll costs. The Council's rate for 2009/2010 will be 19.4% which represents a 1.6% increase on the 2008/2009 pension contribution rate of 19.1%.

1.5 External Loan Repayments

The Council has a number of outstanding annuity loans from the Public Works Loan Board (PWLB), and these are accounted for in line with the accounting requirements for financial instruments as set out in Accounting Policy 5.

The Council makes provision for all scheduled debt repayments and this is based on the type of loan. At the present time the Council has only fixed rate annuity loans which are calculated on the basis of a sinking fund where a proportion of the principal in relation to the payment increases throughout the term of the loan.

1.6 Early Redemption or Restructuring of Debt

The Council has in place an approved Treasury Management Code of Practice which provides the framework for the management of the Council's borrowing activities and will inform any future decisions around any future restructuring or premature redemption of its outstanding debt.

Any early redemption or restructuring of debt would be accounted for in line with the accounting requirements for financial instruments as set out in Accounting Policy 5.

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

1.7 Insurances

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

The Council also holds an Insurance Reserve to provide cover for any unfunded risks and to provide self insurance where relevant to limit future premium increases.

1.8 Value Added Tax

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

1.9 Acquired and Discontinued Operations

Income and expenditure relating to an acquired or discontinued operation would be shown separately on the Income and Expenditure Account. Any liabilities in respect of discontinued operations would be disclosed separately as a note to the Balance Sheet. There were no acquired or discontinued operations in 2008/2009.

1.10 Contingent Assets

Any contingent assets are not accrued in the accounting statements, but disclosed by way of notes if the inflow of a receipt or economic benefit is probable. The disclosures would indicate the nature of the contingent asset and an estimate of its financial effect. The Council does not currently hold any contingent assets.

1.11 Contingent Liabilities

Any contingent liabilities are not accrued in the accounting statements, but disclosed in Note 9 to the Balance Sheet on page 59, if there is a possible obligation, which may require a payment transfer of economic benefits. For each class of contingent liability, the Council will disclose the nature of the contingency, a brief description, an estimate of its financial effect (where possible), an indication of the uncertainties relating to the amount or timing of the outflow and the possibility of reimbursement.

1.12 Exceptional Items, Extraordinary Items and Prior Year Adjustments

Any exceptional items will be included in the cost of service to which they relate, or on the face of the Income and Expenditure Account, if that degree of prominence was required to give a fair representation in the accounts. An adequate description of each exceptional item would be given in the notes to the accounts.

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

Any extraordinary items will be disclosed on the face of the Income and Expenditure Account and will be fully explained in a note to the accounts.

Prior year 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 Notes to the Accounts and adjusting the opening balance of reserves and other Balance Sheet items for the cumulative effect.

1.13 Foreign Currency Translation

Any income and expenditure arising from a transaction denominated in a foreign currency is translated into £ Sterling at the exchange rate in operation on the date on which the transaction occurred.

1.14 Revenue Government Grants

In line with the requirements of SSAP4, any grants received in respect of revenue expenditure are matched against the appropriate expenditure to which they relate in the same accounting period.

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

1.15 Leases

The Council has no 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, and some land at the Depot site to a telecommunications provider regarding a telephone mast, and also has in place some machine rental agreements in place regarding vending machines etc.

Machine rentals payable and income receivable under these operating leases are charged or credited to revenue accounts during the year on an accruals basis in accordance with the SORP and SSAP21.

2. Balance Sheet Accounts

2.1 Stocks

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

This is a departure from the requirements of SSAP9, which requires stocks to be shown at actual cost or net realisable value, whichever is lower. However, the effect of this accounting treatment has not been quantified and the opinion is held that the difference in value would be immaterial.

2.2 Investments

Investments are shown in the Balance Sheet at their fair value, in accordance with the accounting requirements for financial instruments set out in Accounting Policy 5.

During the accounting period the Council invested its surplus balances in a bank treasury deposit on one months notice. The Council has no interests of any sort in associated or subsidiary companies.

2.3 Debtors and Creditors

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice. That is, sums due to or from the Council are accounted for in the year in which they arise, including estimates where appropriate.

Debtors are included in the accounts to represent the value of goods supplied or services rendered by the Council during the financial year, for which payment has not yet been received.

In addition, any payments already made in respect of goods and services relating to 2009/2010 have been carried forward and accounted for as a prepayment.

Creditors and accruals are included in the accounts to represent the value of goods supplied or services provided to the Council during that period, for which payment has not yet been made.

In addition, any income already received in respect of 2009/2010 has been identified and carried forward to 2009/2010 as a receipt in advance.

2.4 Provision for Bad and Doubtful Debt

All outstanding debts are reviewed on an ongoing basis and known uncollectable debts are written off. A separate provision would be charged to the revenue accounts on an annual basis, if material, to reflect the fact that some debts will become uncollectable at a future date. The provision would be calculated in accordance with BVACOP guidance and based on the age of the debt outstanding.

The Council does not currently require a provision for bad and doubtful debts as levels of outstanding debt are very low and no write offs have been required.

2.5 Revenue Provisions

In accordance with FRS12 provisions are required to be included in the Accounts for any liabilities of uncertain timing or amount that exists at the Balance Sheet date, that will require a transfer of economic benefits to settle them.

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

In previous year's two types of revenue provision have been included in the Council's Accounts:-

- Carry forward of unspent revenue grants and contributions, where this meets the terms of the grant;
- Carry forward of unspent revenue resources, where there is a proven commitment and no budget provision exists in the following year.

Provisions were charged to the appropriate service revenue account and when the payments were actually incurred, they were charged direct to the provision.

However, it has been highlighted by the Audit Commission that the above two examples, would not constitute a provision under the requirements of FRS 12.

Unspent revenue resources should be transferred to reserves at the end of the year, and any carry forward accounted for via a transfer from earmarked reserves.

The Council have now set up a "Revenue Budget Support Reserve" and all carry forward of revenue resources are now accounted for by a transfer to and from this reserve. The 2008/2009 Accounts have been prepared on this basis and the 2007/2008 opening balances have been adjusted accordingly.

This constitutes a change in Accounting Policy.

2.6 Reserves

In accordance with the Code of Practice, amounts set aside for purposes falling outside of the definition of provisions are considered to be revenue reserves and transfers to and from these reserves must be distinguished from service expenditure in the Statement of Accounts.

No expenditure to be financed from a reserve is charged directly to the reserve but to the appropriate service revenue account or capital account.

Transfers to and from reserves are accounted for by appropriating amounts through the Statement of Movement on the General Fund Balance so that there is no impact on the Precept / Council Tax.

2.6 Reserves (continued)

The Council currently holds the following reserves:-

- **General Fund Reserve** which represents the funds available to meet any shortfall between expenditure incurred in running the Council's services and the income available to fund them. Any surplus or deficit on the Council's Revenue Budgets would be transferred to or met from here. This Reserve will be used to provide future support to the Revenue Budget to maintain services and / or meet unexpected costs.
- Earmarked Reserves** were also in place as at 31st March 2009, and were set aside for specific capital expenditure purposes as follows:-
- **Revenue Budget Support Reserve** which is set aside to provide for the carry forward of unspent revenue resources to support future spending;
 - **Buildings Asset Management Reserve** which is set aside to meet the cost of works required to Council buildings over the next ten years as set out in the Council's Asset Management Plan;
 - **Vehicle and Machinery Renewals Reserve** which is set aside to meet the cost of the future replacement of Council vehicles and machinery;
 - **Play Equipment Renewals Reserve** which is set aside to meet the cost of replacement of play equipment and upgrade of play areas;
 - **Sports / Golf Complex Reserves** which are held to meet unforeseen costs, and equipment and machinery replacement in respect of the Sports Complex and Golf Complex;
 - **E-Government Reserve** which is set aside to meet the costs of any major information technology commitments e.g. new computer systems;
 - **Insurance Reserve** which is set aside to meet the costs of claims made against the Council for which insurance cover is not applicable or where the Council wishes to self insure to protect future premiums.

The reserves maintained to manage the capital accounting processes for fixed assets do not represent usable resources for the Council and are explained separately in Accounting Policy 3.9.

2.7 Post Balance Sheet Events

Where a material post balance sheet event occurs which:

- Provides additional evidence relating to conditions existing at the Balance Sheet date; or
- Indicates that application of the going concern concept to a material part of the Council is not appropriate;

Changes are made in the amounts to be included in the Statement of Accounts.

Any occurrence of a material post balance sheet event which concerns conditions which did not exist at the balance sheet date, are disclosed in the notes to the accounts, detailing the nature of the event and, where possible, an estimate of the financial effect of the event.

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

3. Capital Accounts

3.1 Fixed Asset Recognition and Measurement

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis.

Expenditure on new fixed assets is capitalised, provided that the fixed asset yields benefits to the authority and the services it provides, for a period of more than one year and is material i.e. above the Council's de-minimus limit.

The enhancement of fixed assets is restricted to works which lengthen substantially an assets useful 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.

Expenditure on repairs and maintenance and on initial set up costs not directly attributable to the project such as overhead recharges and feasibility studies, are charged to the appropriate revenue account in the year they are incurred.

Capital expenditure that is non enhancing to the value of a fixed asset or below the deminimus limit is also charged direct to the appropriate revenue account in the year in which it is incurred.

All fixed assets additions are initially included in the Balance Sheet at capitalised cost, comprising 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 requirements of enhancing capital expenditure.

Fixed assets should subsequently be carried in the Balance Sheet using the following measurement bases:-

- Land and buildings, vehicles, plant, machinery and equipment at the lower of net current replacement cost and net realisable value in existing use.
- Infrastructure and community assets at historic cost.

Net current replacement cost is assessed as:-

- Non specialised operational properties at existing use value.
- Specialised operational properties at depreciated replacement cost
- Investment properties and surplus assets at market value

Any ongoing capital works uncompleted at the end of the year, would be carried as work in progress on the Balance Sheet, if the expenditure had been incurred.

3.2 Fixed Asset Valuation

Fixed assets are valued on the basis recommended by CIPFA, as outlined in the SORP and in accordance with the statements of asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors (RICS).

At the 1st April 2005 a full revaluation of the Council's land and buildings was carried out by the District Valuer and the gross asset balances reflect these new values.

Revaluations of fixed assets must be carried out at a maximum of five yearly intervals and the next full revaluation is due to take place in 2010/2011.

The basis of the valuations of the fixed assets currently held on the Balance Sheet is shown below:-

- Specialised Operational Land and Buildings are included at Depreciated Replacement Cost;
- Non Specialised Operational Land and Buildings are included at Existing Use Value
- Non Operational Assets are included at Open Market Value.
- Community Assets are included in the Balance Sheet at Historical Cost.
- Vehicles, Plant and Equipment are held at Historical Cost, net of depreciation

It should be noted that although Depreciated Replacement Cost is no longer recognised as a valuation basis, it is still allowed to be used, as a valuation method, for specialised assets, where there is insufficient evidence of market transactions to support a valuation on the Existing Use Value basis.

During the 2005 revaluation of the Council's land and buildings, the District Valuer was of the opinion that the vast majority of the Council's land and buildings were of a specialised nature and would rarely, if ever, be sold on the open market, except by way of the sale of the entity of which it is part. This situation arises because of the specialised nature of Local Councils.

Depreciated Replacement Cost is defined as the current cost of reproduction or replacement of an asset less deductions for physical deterioration and obsolescence.

Any surplus or deficit arising on the revaluation of fixed assets during the year is accounted for via the Revaluation Reserve and Capital Adjustment Account which are described in detail in Accounting Policy 3.9.

3.3 Depreciation

All fixed assets, other than land, work in progress, surplus assets and community assets are depreciated, by allocating the value of the asset over the period expected to benefit from their use, in accordance with Financial Reporting Standard 15.

Where depreciation is provided for, assets are being depreciated using the straight line method over the following periods or useful lives:-

Asset Type	Years	Estimation Basis
Buildings	10 - 45	As provided by District Valuer.
Vehicles and Machinery	3 - 10	As estimated by Service Managers.
Plant and Equipment	3 - 25	As estimated by Service Managers.

Depreciation is charged on the original cost of the fixed asset, less any residual value. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation and the depreciation that would have been charged based on historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where an asset has major component parts, with different estimated useful lives, the component parts would be depreciated separately.

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

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.

3.4 Impairment

The value at which each category of assets is included in the Balance Sheet is reviewed at the end of each financial year, and where there is reason to believe that its value has decreased materially in the period, the valuation is adjusted as follows:-

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

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

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

3.4 Impairment (continued)

Impairment losses are generally identified when an asset is revalued.

The Council's fixed assets are currently revalued every five years in line with the requirements of the SORP, and are not due to be revalued until 2010/2011.

However every year, a 'desk top' review of impairment is carried out by a multi disciplined Council team to review possible impairment of the Council's fixed assets. This approach whilst cost effective, does not comply with the provisions of FRS11, which requires the annual review to be carried out by a qualified valuer.

A more detailed review of impairment was undertaken during 2008/2009 to take account of the potential impact of the current economic climate and the associated downturn in land and property prices.

3.5 Fixed Asset Disposals

When an 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 would be credited to the Income and Expenditure Account.

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

Any gains or losses on disposal of fixed assets would then be reversed out on the Statement of Movement on the General Fund Balance by crediting the Usable Capital Receipts Reserve with the disposal proceeds and debiting the Capital Adjustment Account with the carrying amount of the fixed asset disposal.

3.6 Capital Charges to Revenue

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

The depreciation charge is based upon the current valuation of the fixed asset, net of depreciation charged in previous years, and is calculated using the straight line method (see Accounting Policy 3.3).

The Council is not required to raise council tax to cover depreciation or impairment of fixed assets, and therefore these charges are transferred out of the Income and Expenditure Account via the Statement of Movement on the General Fund Balance to the Capital Adjustment Account.

All expenditure on repairs and maintenance of fixed assets, deminimus capital spend and any capital expenditure non enhancing to the value of the fixed asset in question is also charged directly to the appropriate service revenue account.

Amounts set aside from revenue for the repayment of external loans and to finance capital investment are disclosed separately on the Statement of Movement on the General Fund Balance (SMGFB).

3.7 Intangible Assets and Revenue Expenditure Funded From Capital Under Statute

Revenue Expenditure Funded From Capital Under Statute is a new classification set out in the 2008 SORP, which effectively replaces Deferred Charges.

It represents revenue expenditure which may by statute be properly capitalised, but which does not represent a tangible fixed asset e.g. grants to other bodies for capital expenditure purposes, expenditure on fixed assets that have been sold etc.

Any such expenditure would be written off to the appropriate service revenue account in the year in which it was incurred, and reversed out on the Statement of Movement on the General Fund Balance via the Capital Adjustment Account to achieve the appropriate use of capital resources within the Accounts.

There was one capital contribution during the year falling under the definition of Revenue Expenditure Funded From Capital Under Statute.

Intangible Assets are defined in FRS 10 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 e.g. IT software. Any Intangible Assets would be amortised to the appropriate service revenue account over the life of the asset, to reflect use of economic benefits.

The Council does not presently have any intangible assets.

3.8 Capital Grants

Grants received in respect of capital expenditure are credited initially to the Capital Contributions Unapplied Account and are then transferred to the Deferred Grants Account to fund the fixed asset to which they relate.

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.

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

3.9 Capital Accounts / Reserves

With effect from the 2007 Code of Practice, the Council currently operates two Capital Accounts / Reserves:-

- Revaluation Reserve
- Capital Adjustment Account

The **Revaluation Reserve** records accumulated gains in the value of fixed assets held by the Council, to the extent that these have not been consumed by subsequent downward movements in value. The balance on the Reserve is net of depreciation incurred as a direct result of the revaluation, and on disposal of an asset, the Revaluation Reserve balance for the asset disposed is written out to the Capital Adjustment Account.

The overall balance on the Reserve represents the amount by which the current value of the Council's fixed assets is higher because they are carried at current value rather than depreciated historic cost.

The **Capital Adjustment Account** accumulates the write down in the historical cost of fixed assets from depreciation and impairments as they are consumed, and also the write off of the book value of fixed assets upon disposal.

It also records the resources that have been used finance capital expenditure on the Council's fixed assets such as capital grants, use of balances, repayment of debt etc.

Finally, this account includes accumulated revaluation gains and losses prior to 2007/2008, as transferred from the former Fixed Asset Restatement Account, when the new Accounts were put in place in 2007/2008.

3.10 Infrastructure Assets

Any expenditure incurred on infrastructure assets, will be written off as expenditure not enhancing to the value of the Council's asset register and charged direct to the appropriate service revenue account.

3.11 Capital Receipts

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

At this time they would be transferred to the Grants Deferred Account to fund the asset to which they had been applied.

4. Group Accounts

The Code of Practice requires Council's to prepare Group Accounts where they have an interest in subsidiary or associate companies or joint ventures with other organisations. The Council does not currently have any such interests.

5. Financial Instruments

The accounting treatment, presentation and disclosure of Financial Instruments are set out in FRS 26 - Financial Instruments Measurement, FRS 25 - Financial Instruments Presentation and Disclosure, and FRS 29 - Financial Instruments Disclosure.

A financial instrument is defined as any contract that gives rise to a financial asset in one entity and a financial liability in another. Financial instruments can be both financial assets and financial liabilities and can include the following:-

Liabilities

- Trade Payables i.e. Creditors
- Loans and Borrowings

Assets

- Trade Receivables i.e. Debtors
- Bank Deposits
- Loans Receivable
- Investments

A financial asset or a financial liability should be recognised on the Balance Sheet when, the holder becomes party to the contractual provisions of the instrument. Trade payables and receivables are the exception as these are recognised when the ordered goods or services have been delivered, received or rendered.

The SORP recommends an annual review of the Council's financial instruments is carried out, to ensure compliance with the requirements as follows:-

1. Consider Recognition and De-recognition of Instruments.
2. Classify Financial Instruments.
3. Identify Measurement Basis for Assets and Liabilities.
4. Establish the Valuation of all Assets and Liabilities.
5. Assess Impairment Write Downs and Provisions.

A review of all of the Council's financial instruments has therefore been carried out on the above basis to help identify which assets and liabilities need to be recognised classify these instruments and subsequently measure and value the instruments.

An impairment review in respect of each financial instrument group has also been undertaken to determine any requirement to write down values where there has been evidence of a past event that would cause the recoverable amount to fall below the carrying amount of the financial instrument.

These reviews have not resulted in any changes to the values of the Council's financial instruments as currently held on the Balance Sheet, or identified any impairment losses and therefore there is no requirement to make any prior period adjustments.

The Council's financial instruments are summarised below and are also disclosed in Note 17 to the Balance Sheet.

5.1 Financial Liabilities

The Council's only material financial liabilities relate to its outstanding PWLB loans.

Outstanding loans are initially measured at fair value and carried at their amortised cost. Annual charges for interest payable are made to the Income and Expenditure Account and should be based on the carrying amount of the liability multiplied by the effective rate of interest.

However, the Council's outstanding loans are all PWLB annuity loans, with fixed rates of interest. An effective rate of interest calculation is therefore not required.

This means that the amounts shown in the Balance Sheet relate to the outstanding principal, while the interest charged to the Income and Expenditure Account is the amount payable in that year in the loan agreement.

Any gains and losses on the refinancing or early settlement of the Councils loans would be credited or debited to the Income and Expenditure Account in the year of refinancing / settlement.

However, if the repurchase or early settlement of borrowing takes place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing loans, the premium or discount due, would be deducted from or added to the amortised cost of the new loan, and written down to the Income and Expenditure Account over the life of the new loan.

This write down of the gain or loss to the Income and Expenditure Account would be made via the Financial Instruments Adjustment Account, via the Statement of Movement on the General Fund Balance.

The Council has not previously restructured or repaid early any borrowing and does not currently have any plans to do so.

The Council also records as at the Balance Sheet date, outstanding creditors or trade payables, relating to goods and services received but not yet paid, and these are measured at transaction price, adjusted for any impairment.

5.2 Financial Assets

The Council's only material financial liabilities relate to the investment of its surplus balances in a bank treasury deposit, over specific periods of time, at specific fixed interest rates.

These investments are measured in the Balance Sheet at its fair value and credits are made to the Income and Expenditure Account for interest receivable based on the carrying amount of the investment multiplied by the effective interest rate.

All investments are taken out with a fixed rate of interest and therefore an effective rate of interest calculation is not required.

This means that the amounts shown in the Balance Sheet relate to the outstanding principal, due back to the Council at the end of the investment while the interest receivable to the Income and Expenditure is the amount receivable in that year from the investment.

The Council also records on the Balance Sheet date, outstanding debtors or trade receivables, relating to goods and services provided but the income has not yet been received. These are measured at transaction price adjusted for any impairment.

5.3 Management of Risk

The Council has adopted the CIPFA Treasury Management in the Public Services Code of Practice and has implemented practices to control key financial instrument risks in accordance with the Prudential Code.

Due to the Council's limited exposure to financial instruments, the fixed term and fixed interest rate nature of its loans and investments, and the low volume and value of its debtors, it is considered that the associated level of risk is low, even after taking into account the impact of the current economic climate.

5.4 Treasury Management Code of Practice

The Council has in place an approved Treasury Management Code of Practice, based around the principles set out in the CIPFA Code of Practice and this sets out in detail the Council's framework for the management of the Council's borrowing and investment activities.

It sets out formal objectives, strategies, policies and practices for the effective management and control of the Council's treasury management activities and has close links to the arrangements for accounting for and disclosing financial instruments, as set out in this Accounting Policy.

The Treasury Management Code of Practice is available to view on the Council's website.

Annual Governance Statement

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

1 Scope of Responsibility

- (a) Great Aycliffe Town Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to value for money via a combination of economy, efficiency and effectiveness.
- (b) In discharging this overall responsibility, Great Aycliffe Town Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- (c) This statement explains how Great Aycliffe Town Council has complied with the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government, and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) [England] Regulations 2006, in relation to the publication of a Statement of Internal Control.

2 The Purpose of the Governance Framework

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

- (b) The system of internal control is a significant part of that framework, and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically, and take action to mitigate the risk.
- (c) The governance framework has been in place at Great Aycliffe Town Council for the year ended 31st March 2009, and up to the date of approval of the Annual Report and Statement of Accounts.

3 The Great Aycliffe Town Council Governance Framework

(a) The Great Aycliffe Town Council governance framework is based on the proper establishment of the Council's overall strategic vision, aims and targets, an effective performance management framework, the scheme of administration including the financial regulations and standing orders, and incorporating appropriate segregation of duties, officer and member relations and conduct, management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council and overseen by Members of the Council.

(b) In particular the framework includes:-

- Establishing the Council's vision, and strategic aims via the Parish Plan.
- Establishment and monitoring of annual aims and targets within the performance management framework, and reported via the Parish Performance Plan.
- Regular consultation and engagement with the community and service users via the quarterly newsletter, satisfaction surveys, open days, the customer panel and focus groups.
- Maintenance and review of the Council's Constitution including:-
 - 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
 - Council Policies
- Best Value Reviews via the Best Value Working Group, reviewing quality and cost effectiveness of the Council's various service areas.
- The work of the Internal Auditor via the completion of the Audit Plan.

- The operation of the Council's Audit Sub-Committee and reporting of the annual Internal Audit Plan, audit reports and recommendations to this Committee.
- Formal budget setting framework and timetable and the budgetary control framework, which includes the quarterly reporting of budgetary control and other financial information to Members.
- Effective implementation of risk management principles across the Council including the annual review of the Risk Management Strategy and quarterly review and update of the corporate risk register.
- Anti Fraud and Corruption Policy, Confidential Reporting Policy, and Comments and Complaints Policy which set out the procedures for whistle-blowing, reporting concerns of fraud and investigating complaints from the public.
- Maintaining Quality Town Council status.
- Effective and regularly reviewed insurance arrangements.
- Inclusion of policy, staffing, financial and risk implications of all decisions referred to Members for consideration.
- Annual production of the Medium Term Financial Plan.
- Formal ICT procedures for e-mail, internet and other computer use.
- Employment policies, plans and procedures.
- Investors in People accreditation and commitment to staff learning, development and training.
- Member and officer learning and development programmes.

4 Review of Effectiveness

- (a) 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 incorporating the Town Clerk, Finance Manager and Corporate and Policy Officer who have delegated responsibility for the development, maintenance and review of the governance environment.

Reliance is also placed upon the work of service managers within the Council, who have a responsibility for ensuring that the governance and internal control environment is maintained.

- (b) The review is also informed by the work of the Internal Auditor and the quarterly reports to the Council's Audit Sub Committee and also by reports and comments made by the Audit Commission and other review agencies and inspectorates such as OFSTED, who review the Pre Schools.

The Council currently employs one part time Internal Auditor, managed by the Finance Manager. An annual Internal Audit Plan has been established identifying the individual areas of audit activity planned, taking into account a risk assessment, and any policy and structural changes affecting the Council.

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.

- (c) The Council has also established the following processes to help maintain and review the effectiveness of the governance framework:-

- Inclusion of the policy, staffing, financial and risk implications of all decisions recommended to Committees of the Council for consideration to ensure that Members make informed decisions.
- Scrutiny of all decisions by Environment, Recreation and Policy and Resources Committee, by Full Council, prior to final approval.
- Regular meetings of the senior officer Performance Management Group who monitor performance against aims and targets, budgets, budgetary control, risk management and all other corporate issues.
- The work of the Best Value Working Group in reviewing quality and cost effectiveness of the various services that the Council provides.
- The work of the Audit Sub-Committee with responsibility for the review of internal financial controls and risk management.
- Annual review of the Internal Audit Service by the Audit Sub Committee.
- Review of all internal audit reports from the Council's Internal Auditor by the Audit Sub Committee.
- Review of quarterly Budgetary Control Reports which are reported to and considered by Policy and Resources Committee.
- Regular review and update of all strategies and policies.
- Effectively resolving any issues highlighted in the Annual Audit Letter from the Audit Commission.

- (d) We have been advised on the implications of the review of the effectiveness of the governance framework, by the corporate management team. The progress made during 2008/2009, and a plan to address any identified weaknesses and ensure continuous improvement of the framework is detailed in the following sections of the Statement.

5 Progress during 2008/2009

- (a) The governance issues were highlighted in the 2007/2008 Annual Governance Statement have all now been progressed with the exception of one. Details of the progress made during the year in respect of each issue are shown below:-

Overview and Scrutiny Arrangements

This is an ongoing issue that has not been reviewed during the year as stated in the 2007/2008 Annual Governance Statement. This is because the Council is currently awaiting further guidance on the issue of overview and scrutiny, as applicable to larger town councils, from the National Association of Local Councils (NALC) which is due to be released by during 2009/2010.

This governance issue has therefore been carried forward to 2009/2010 and further details are included under "Corporate Governance Issues 2008/2009".

Business Continuity Plan

A Business Continuity Plan has been developed, approved and implemented during 2008/2009. This issue has therefore been fully resolved.

Officers Code of Conduct

An Officers Code of Conduct was developed, approved and implemented during 2008/2009 and all officers have been issued with a copy and have signed up to its requirements. All new employees will also be issued with the Code of Conduct at the commencement of their employment. This issue has therefore been fully resolved.

Torex Computerised Till in Golf Shop

There had been some information technology problems encountered during 2007/2008, in relation to the wireless connection between the Sports Complex and the Golf Shop. This had caused problems for Golf Shop staff in terms of using the till and for Finance staff in terms of reconciling income. However, this issue was fully resolved following the installation of a fibre optic wire and the system is now operating as expected.

Works Department Asset Management and Stock Control

There were some minor issues of internal control identified during 2007/2008 relating to the control of equipment and consumables at the Council Depot. However this issue was fully resolved to the satisfaction of the Internal Auditor. The Works Manager agreed to extend the inventory to include all high value items held at the Depot, to implement a day stock system for all high risk consumables, and to add serial numbers to all tools and equipment.

(b) Other developments during the year in relation to the improvement of corporate governance and systems of internal control can be summarised as follows:-

- The CIPFA qualified Finance Manager and Corporate and Policy Officer have now been in post for two years and have progressed a number of improvements in corporate governance.
- The Medium Term Financial Plan has been updated and approved setting out the Council's financial strategy for the period 2009/2010 to 2011/2012.
- The Council's Scheme of Administration has been reviewed and updated and now brings all key documents, policies and procedures within a new Council Constitution.
- Continued development of the Council's Performance Management Framework, with the annual update of Aims and Targets via the Parish Performance Plan, regular monitoring of progress via the Action Plan, regular meetings of the Performance Monitoring Group of senior officers, and regular reporting of progress to Policy and Resources Committee.
- The Council has undertaken a second Customer Satisfaction Survey, which was issued to every household in the Parish. The results of this survey will be incorporated into the update of the Council's Strategic Aims and Targets and the budget setting process.
- The continued development of customer involvement arrangements including open days, the Customer Panel, focus groups and the development of the Youth Council.
- The Council has retained the Investors in People accreditation.
- The Council has retained Quality Council Status.
- Strong budgetary control arrangements have been maintained, with quarterly reporting to Policy and Resources Committee
- A Member Training Programme has been put into place and is in the process of being delivered.
- Maintenance of the Risk Management Strategy and regular monitoring and update of the corporate risk register.

6 Corporate Governance Issues 2008/2009

There were two issues identified during the annual review of effectiveness relating to the possible improvement of the Council's corporate governance arrangements. These are issues highlighted in the Framework for Delivering Good Governance as being key to the achievement of good governance.

These issues will be monitored and developed during 2009/2010:-

(a) **Overview and Scrutiny Arrangements**

As stated earlier, this ongoing issue has been carried forward from the 2007/2008 Annual Governance Statement.

The Governance Framework states that "taking informed and transparent decisions which are subject to effective scrutiny" is a fundamental principle of good governance and that the Council should "develop and maintain an effective scrutiny function".

It is considered that the Council's current Committee structure provides limited scope for effective scrutiny of decisions, as all Council Members currently sit on all Committees, and there is no specific Overview and Scrutiny Committee.

With the exception of the Audit Sub Committee, and the arrangements for public questions at all Committees and meetings of the Council, the current structure does not allow for the effective overview and scrutiny of decisions.

The Council is currently awaiting further guidance on the issue of overview and scrutiny as applicable to larger town councils, from the National Association of Local Councils (NALC) which is due to be released by during 2009/2010.

The Council's Scheme of Administration has been reviewed during 2008/2009, and all relevant Standing Orders, Codes of Conduct, Policies etc have now been brought under a new Council Constitution.

This the first step towards a full review of the Constitution during 2009/2010.

It is recommended that the issue of Committee structure and overview and scrutiny of decisions forms part of this review following receipt of further guidance from NALC.

(b) **Golf Professional**

Significant problems were experienced during 2008/2009, relating to the operation of the Golf Professional Contract. These problems included health and safety concerns, security of assets, procedural and operational issues, late opening and early closing, deterioration in customer service levels etc.

These problems resulted in a review of the contract during the year, which resulted in an action plan being drawn up and implemented. However, service levels did not improve and the contract was subsequently terminated in February 2009.

The Council has recently appointed a new Golf Professional, who commenced work in June 2009. The contract has been reviewed and amended, and improved management and supervision arrangements will be implemented to ensure that the problems encountered do not happen again.

In addition, the Council has committed to investing both revenue and capital resources into the Golf Complex with a view to improving internal controls, operational performance and quality of service.

These investments include the employment of a seasonal golf warden, the introduction of bag tags, internal and external CCTV, improved course access, and alterations to the Golf Shop building.

This issue will be monitored closely during 2009/2010 and progress reported in next year's Annual Governance Statement.

7 Approval Statement

- (a) This Statement was approved at a meeting of the Council's Policy and Resources Committee on the 24th June 2009 when authority was given for the Chairman of the Council and the Town Clerk to sign the statement.
- (b) On the basis of the review of effectiveness and the information supplied to us, we are satisfied that the Council's corporate governance arrangements are sound and operating effectively, subject to the observations made in Section 6.

Signed by the Chairman of the Council

Signed by the Town Clerk

**Income and Expenditure Account
for the Year Ended 31st March 2009**

2007/2008		2008/2009		
Restated Net Cost £		Gross Cost £	Income £	Net Cost £
	Central Services			
	Corporate & Democratic Core			
65,324	Democratic Representation & Management	73,068	2,557	70,511
537,403	Corporate Management	610,184	19,124	591,060
	Central Services to the Public			
21,053	Elections	2,228	0	2,228
2,088	General Grants, Bequests & Donations	2,691	0	2,691
0	Non-Distributed Costs			0
	Cultural, Environmental & Planning			
	Cultural Services			
250,345	Sports Complex	723,232	430,987	292,245
20,582	Golf Course and Driving Range	253,825	187,314	66,511
260,006	Parks, Play Areas and Sports Pitches	327,414	55,157	272,257
141,915	Community and Recreational Events	143,854	7,894	135,960
6,254	Allotments	15,978	3,840	12,138
	Environmental Services			
24,842	Cemeteries	55,127	21,861	33,266
389	Public Conveniences	2,276	0	2,276
73,860	Environmental and Street Works	98,880	11,743	87,137
	Planning Services			
(6,842)	Markets	14,839	20,439	(5,600)
	Pre School Education			
29,747	Early Learning Centres	200,829	172,527	28,302
	Exceptional Item			
422,210	Impairment Loss - Council Depot	0	0	0
1,849,176	Net Cost of Services	2,524,425	933,443	1,590,982
	Other Operating Income & Expenditure			
0	(Gain) or Loss on Disposal of Fixed Assets			27,709
0	(Surplus) or Deficit on Trading Operations			0
21,874	Interest Payable on Borrowing			19,843
0	(Gains) or Losses on Repurchase of Borrowing			0
(37,469)	Interest Receivable and Investment Income			(32,688)
1,833,581	Net Operating Expenditure			1,605,846
(1,506,763)	Precept on Borough Council			(1,576,775)
326,818	(Surplus)/Deficit for the Year			29,071

Statement of Movement on the General Fund Balance

The Income and Expenditure Accounts shows the Council's actual financial performance for the year measured in terms of the resources consumed and generated over the last twelve months.

However, the Council is required to set its Precept on a different accounting basis, the main differences being:-

- Capital investment is accounted for as it is financed, rather than when the benefits are consumed i.e. over the useful life of the fixed asset.
- Retirement benefits are charged as amounts payable to the Pension Fund, rather than as future benefits are earned.

The General Fund balance compares the Council's spending against the Precept set for the year taking into account the use of reserves built up in the past and contributions made to reserves earmarked for future expenditure.

The following reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the movement on the General Fund Balance:-

<i>Restated 2007/2008 £</i>		<i>2008/2009 £</i>
326,818	(Surplus) / Deficit for the year on Income and Expenditure Account	29,071
(326,426)	Net additional amount required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year	(33,645)
392	(Increase) / Decrease in General Fund Balance for the year	(4,574)
(95,247)	General Fund Balance Brought Forward	(94,855)
(94,855)	General Fund Balance Carried Forward	(99,429)

Note to Statement of Movement on the General Fund Balance

The following statement provides a detailed analysis of the net additional amount required by statute and non statutory proper practices to be debited to the General Fund Balance as highlighted in the statement above.

This includes all of the amounts that make up the difference between the outturn on the Income and Expenditure Account and the actual General Fund Balance:-

Restated 2007/2008 £		2008/2009 £
	Amounts included in Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
0	Amortisation of Intangible Fixed Assets	0
(281,201)	Depreciation of Fixed Assets	(291,986)
(422,210)	Impairment of Fixed Assets	0
34,745	Government Grants Deferred Amortisation	63,278
0	Revenue Expenditure Funded From Capital Under Statute	0
0	Net Loss on the Sale of Fixed Assets	(27,709)
(668,666)		(256,417)
	Amounts not included in Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year	
26,830	Repayment of Debt	22,253
0	Capital Expenditure funded from Revenue	5,113
26,830		27,366
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
0	Voluntary revenue provision for capital financing	0
315,410	Net transfer to or (from) Earmarked Reserves	195,406
315,410		195,406
(326,426)	Net additional amount required to be debited or credited to the General Fund Balance for the year	(33,645)

Statement of Total Recognised Gains and Losses

Not all gains and losses experienced by the Council are recorded in the Income and Expenditure Account. The Statement of Total Recognised Gains and Losses measures the increase in the net worth of the Council over the financial year.

This Statement therefore provides a reconciliation of the movement on the Council's Balance Sheet between financial years:-

Restated 2007/2008 £		2008/2009 £
326,818	(Surplus) or Deficit on the Income and Expenditure Account	29,071
(14,555)	(Surplus) or Deficit arising from revaluation of fixed assets	(40,138)
0	Any other (Gains) or Losses	0
312,263	Total recognised (Gains) and Losses	(11,067)

The surplus arising from the revaluation of fixed assets arises from the reclassification on the Balance Sheet of the four plots of land awaiting sale at High Barn Road in School Aycliffe at a total value of £40,138.

Balance Sheet as at 31st March 2009

<i>Restated 31st March 2008 £</i>		31st March 2009		
		Notes	£	£
	Operational Fixed Assets			
4,881,608	Land and Buildings	1	4,834,665	
797,070	Vehicles, Plant Machinery and Equipment	1	1,185,859	
234,490	Community Assets	1	244,489	
	Non Operational Fixed Assets			
0	Surplus Assets	1	32,404	
0	Assets under Construction	1	5,112	
5,913,168	Total Tangible Fixed Assets			6,302,529
	Current Assets			
600,000	Short Term Investments	2	500,000	
20,230	Debtors	3	90,044	
50,688	Payments in Advance		43,659	
18,205	Stocks	4	19,195	
363,941	Bank and Cash in Hand	5	457,827	
1,053,064	Total Current Assets			1,110,725
	Total Assets			7,413,254
	Current Liabilities			
(78,863)	Creditors	6	(156,663)	
(60,473)	Accruals	6	(132,561)	
(30,887)	Receipts in Advance		(31,287)	
0	Provisions	7	0	
(22,253)	Borrowing Repayable within 12 Months	8	(24,155)	
(192,476)				(344,666)
860,588	Total Assets less Current Liabilities			7,068,588
	Long Term Liabilities			
(296,848)	Long Term Loans Outstanding	11		(272,694)
(247,116)	Grants Deferred Account	10		(546,900)
(6,770)	Capital Contributions Unapplied	16		(14,905)
6,223,022	Total Assets less Total Liabilities			6,234,089
	Financed By:			
0	Revaluation Reserve	12		32,404
5,328,717	Capital Adjustment Account	13		5,408,141
799,450	Earmarked Reserves	15		690,880
94,855	Revenue Account Balance	15		99,429
0	Useable Capital Receipts Reserve	14		3,235
6,223,022				6,234,089

The Statement of Accounts for the year ended 31st March 2009 was authorised for issue and publication by the Responsible Financial Officer (Dan Austin) on 23rd September 2009 and any balance sheet events up to this date have been considered in the Accounts.

Cash Flow Statement for the Year Ended 31st March 2009

2007/2008		2008/2009	
£		£	
	Revenue Activities		
	Cash Outflows:		
(1,235,172)	- Cash Paid to or on Behalf of Employees	(1,260,130)	
(909,363)	- Other Operating Cash Payments	(848,832)	
(2,144,535)		(2,108,962)	
	Cash Inflows:		
1,506,763	- Precept Receipts	1,576,775	
30,000	- Government Grants	10,000	
926,268	- Cash Received for Goods and Services	803,785	
10,861	- Other Operating Cash Receipts	14,377	
2,473,892		2,404,937	
329,357	Revenue Activities Net Cash Flow		295,975
	Returns on Investments and Servicing of Finance		
	Cash Outflows:		
(21,874)	- Interest Paid	(20,707)	
	Cash Inflows:		
37,469	- Interest Received	34,824	
15,595	Servicing of Finance Net Cash Flow		14,117
	Capital Activities		
	Cash Outflows:		
(54,078)	- Purchase of Fixed Assets	(629,661)	
0	- Deferred Charges	0	
(54,078)		(629,661)	
	Cash Inflows:		
0	- Disposal of Fixed Assets	7,735	
0	- Capital Grants Received	327,973	
0	- Other Capital Cash Receipts	0	
0		335,708	
(54,078)	Capital Activities Net Cash Flow		(293,953)
290,874	Net Cash Flows before Financing		16,139
	Management of Liquid Resources		
(100,000)	Net (Increase) / Decrease in Short Term Deposits		100,000
(26,830)	Repayments of Amounts Borrowed		(22,253)
0	New Loans Raised		0
(126,830)	Financing Net Cash Flow		77,747
164,044	Net Increase / (Decrease) in Cash		93,886

Notes to the Accounts

Notes to the Income and Expenditure Account

1. Prior Period Adjustments

There were no prior year adjustments during 2008/2009.

2. Exceptional and Extraordinary Items

There were no exceptional or extraordinary items during 2008/2009.

3. Expenditure under Section 137 of the Local Government Act 1972

Under Section 137 of the Local Government Act 1972, the Council is permitted to incur expenditure up to a specified limit for the benefit of the people in its area. This power allows expenditure on activities or projects which are not specifically authorised by other powers.

The sum appropriate to the Council for the financial year 2008/2009 and allowed under the these powers is up to £5.86 per head on the electoral roll for Great Aycliffe.

The Local Government Act 2000 repealed the majority of Section 137 powers with the exception of the power to make contributions to charities in the United Kingdom, other not for profit bodies and mayoral appeals.

The Council was permitted to spend £119,796 under this power in 2008/2009.

Actual expenditure in the year was as follows :-

	2007/2008	2008/2009
	£	£
<i>Grants to Local Voluntary Bodies</i>	2,088	2,691
<i>Maintenance of Church Property</i>	7,950	5,850
Total	10,038	8,541

4. Publicity Expenditure

Section 5 of the Local Government Act 1986 requires the Council to disclose separately its expenditure on publicity. The amounts incurred by the Council in 2008/2009 are set out below:-

	2007/2008	2008/2009
	£	£
<i>Recruitment Advertising</i>	221	6,089
<i>General Advertising</i>	7,278	7,468
Total	7,499	13,557

5. Interest Payable and Investment Income

The interest payable figure totalling **£19,843** shown in the Income and Expenditure Account relates to interest payments due in respect of the Council's long term borrowings as detailed in the Balance Sheet.

The interest receivable figure totalling **£32,688** shown in the Income and Expenditure Account mainly arises from the investment of the Council's surplus revenue balances in a bank treasury deposit and also interest on the Council's bank accounts.

6. Retirement Benefits

The employees of the council are participants in the Durham County Pension Fund, a defined benefit scheme that is also a multi-employer scheme. The fund actuaries, Hewitt, Bacon and Woodrow have previously indicated that it is not possible to identify on a consistent basis the assets and liabilities relating to those smaller bodies within the Fund.

The Council is classified within the Fund as a smaller body. In this circumstance FRS 17 requires that the disclosure in the financial statements be made on the basis of a defined contribution scheme i.e. actual contributions paid during the year.

The contributions to the Fund for the year ended 31st March 2009 were as follows:-

Employees	£47,920	representing 5.5% to 7.5% of pensionable pay
Employers	£148,648	representing 19.1% of pensionable pay

At the 31st March 2009 there was a total of £18,050 due to the Pension Fund in outstanding contributions relating to the month of March.

7. Staffing

As at 31st March 2009 the Council employed 73 staff represented by 41 full time staff and 32 part time staff, both on a permanent and temporary basis.

All employees are paid in accordance with nationally agreed pay scales.

The Council must disclose in a note to the Accounts 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 2008/2009.

8. Members Allowances

During 2008/2009, Council Members were each allowed to claim a Parish Basic Allowance of £1,059.60 per year under the Local Authorities (Members' Allowances) (Amendment) Regulations 2004. During 2008/2009 the total sum paid to members in respect of basic allowances was as follows:-

	2007/2008	2008/2009
Total Allowances	31,144	31,651

9. Related Party Transactions

In accordance with Financial Reporting Standard No.8, issued by the Accounting Standards Board, the financial statements should contain a disclosure of any material transactions with related parties i.e. individuals or bodies that have the potential to control or influence the Council or 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 another parties ability to bargain freely with the Council.

Related parties include:-

- **Central Government**

Central Government has control over the general operations of the Council as it is responsible for setting the statutory framework within which the Council operates. In some cases, Central Government provide funding to local authorities. However, the Council does not currently receive any Government funding, but does make tax payments to Government departments e.g. income tax, national insurance, VAT etc.

- **Members of the Council**

Members have direct control over the formulation and implementation of the Council's strategies, standing orders, financial regulations, policies and operating procedures.

Related party transactions may exist if a Member serves on another body with which the Council has transactions e.g. if a Member also serves on Durham County Council.

Details of any related transactions, if they exist, are recorded in a Register of Members Interests, which is open to public inspection at the Council's offices. An annual declaration is also signed by all Members at the start of each civic year.

No declaration in respect of family or household members has been taken on the basis that there is no reasonable expectation of influence on the independent action of Members by a member of the family.

- **Officers of the Council**

Related party disclosures only need to be made in respect of officers where they have been involved in material transactions with a related party, and would be recorded in a Register of Officers Interests. During 2008/2009, no officers have been involved in any declarable transactions.

- **Other Public Bodies**

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

The Local Government Pension Scheme which is administered by Durham County Council on behalf of the employees of the Council.

A number of capital projects undertaken during the year that were funded by the Sedgefield Borough Council Local Improvement and Neighbourhood Enhancement Programme Funds. These included the Moore Lane Environment Centre, provision of play equipment and multi use games areas at various locations, and the completion of Great Aycliffe Way.

The management of a number of capital projects on behalf of the Council by officers of Sedgefield Borough Council, on a rechargeable professional fee basis.

Procurement of plants and shrubs from Darlington Borough Council nursery.

- **Joint Ventures**

The Council is not currently involved in any joint ventures.

10. Budget to Actual Outturn Comparison for the Year

The SORP requires Authorities to present Net Cost of Services in the Statement of Accounts based on the Service Expenditure Analysis set out in the Best Value Accounting Code of Practice (BVACOP). This helps enable inter authority comparison. However, the Council's services are structured in a different way, broken down into three Committee areas.

It is also important to note that the Income and Expenditure Account reflects the specific accounting requirements of the Code of Practice and shows the resources that have been generated and consumed in providing the Council's services. As a result, it requires the inclusion of nominal capital accounting entries such as depreciation and impairment of fixed assets, which are not included in the calculation of the Council Precept.

In order to provide the reader with an understanding of how actual spending in 2008/2009 compared against the money raised from Council Tax, the table below provides a comparison between the actual costs incurred and income received in respect of Council services and the Council Budget i.e. Precept. The Council achieved an overall saving of £263,969 last year, which was transferred to Council Balances to support future spending commitments:-

Committee / Budget	Budget Spend £	Actual Spend £	(Saving) / Overspend £
Policy and Resources			
Members and Civic Expenses	84,550	72,361	(12,189)
Finance Service	72,950	66,719	(6,231)
Administration Service	114,100	112,976	(1,124)
Corporate Service	259,100	247,213	(11,887)
Pre School Learning Centres	78,750	18,310	(60,440)
Works Section	89,100	108,901	19,801
Depot	25,350	22,799	(2,551)
Capital Financing Charges	24,050	13,906	(10,144)
Total	747,950	663,185	(84,765)
Recreation			
Special Events	149,650	135,960	(13,690)
Sports Complex	300,600	279,877	(20,723)
Sports Pitches	17,400	19,074	1,674
Golf Course	26,500	40,861	14,361
Driving Range	11,800	26,400	14,600
Parks	263,300	248,981	(14,319)
Play Areas	48,750	45,834	(2,916)
Total	818,000	796,987	(21,013)
Environment			
Environment and Open Spaces	141,650	76,300	(65,350)
Public Conveniences	1,250	2,276	1,026
Street Equipment	25,650	20,640	(5,010)
Allotments	13,200	12,138	(1,062)
Cemeteries	38,075	28,166	(9,909)
Section 137 Expenditure	8,000	5,100	(2,900)
Total	227,825	144,620	(83,205)
Gross Budget	1,793,775	1,604,792	(188,983)
Removal of Depreciation	(292,000)	(291,986)	14
Contingency Sum	75,000	-	(75,000)
Net Budget / Precept	1,576,775	1,312,806	(263,969)

11. Disclosure of Audit Costs

In 2008/2009 Great Aycliffe Town Council incurred the following fees relating to external audit services provided by the Audit Commission, regarding the annual inspection of the Council:-

Audit Fees Payable	2007/2008	2008/2009
	£	£
External Audit Services	13,500	14,000
Statutory Inspection	-	-
Certification of Grant Claims	-	-
Other Services Provided	-	953

The 2008/2009 fee for 'other services provided' relates to some additional work undertaken by the Audit Commission with regard to the Council's asset valuations.

12. Trading Operations

The Council facilitates a open air market which could be classified as a trading operation.

A decision has been taken to include the costs and income relating to this activity within net cost of services rather than as a separate line in the Income and Expenditure Account.

However, for information, the financial trading position of the market is summarised below:-

Expenditure	14,839
Income	<u>20,439</u>
Surplus	5,600

13. Finance and Operating Leases

The Council does not currently have any finance leases although it does have a number of machine rental agreements for various machines and equipment e.g. vending machines etc.

In terms of operating leases, the Council leases a building at Stephenson Way Cemetery to a funeral director at a rental of £4,200 per year, and land at the Depot site, regarding a telephone mast to a telecommunications provider at a rental of £2,259 per year.

Payments in respect of the machine rental agreements, and income in respect of the operating leases are charged or credited to the relevant revenue account in the year to which they relate.

14. Agency Services

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

15. Local Authority Goods and Services Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. However, the Council did not provide any goods or services under these powers during 2008/2009, other than officer support to other town and parish councils.

The Council procures bedding plants, shrubs and trees from the Darlington Borough Council and receives a number of services e.g. trade waste collection, professional services, from Sedgfield Borough Council (now Durham County Council).

Notes to the Balance Sheet

1. Fixed Assets

a) Movements in Fixed Assets

The movement on the values of the Council's fixed assets during the year in respect of additions, disposals, revaluations, impairment and depreciation were as follows:-

i) Operational Assets

	Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Total
	£	£	£	£
<i>Gross Book Value at 1/4/2008</i>	5,255,325	1,471,216	234,489	6,961,030
<i>Prior Year Adjustments</i>	0	0	0	0
Gross Book Value at 1/4/2008	5,255,325	1,471,216	234,489	6,961,030
<i>Additions</i>	146,898	553,219	16,407	716,524
<i>Disposals</i>	0	(89,364)	0	(89,364)
<i>Additions Not Enhancing Value</i>	(34,831)	(8,247)	(6,407)	(49,485)
<i>Work in Progress</i>	0	0	0	0
<i>Revaluations</i>	0	0	0	0
<i>Impairment Losses</i>	0	0	0	0
Gross Book Value at 31/3/2009	5,367,392	1,926,824	244,489	7,538,705
<i>Gross Depreciation at 1/4/2007</i>	373,716	674,145	0	1,047,861
<i>Prior Year Adjustments</i>	0	0	0	0
Gross Depreciation at 31/3/2008	373,716	674,145	0	1,047,861
<i>Depreciation for Year</i>	159,010	132,976	0	291,986
<i>Depreciation on Asset Disposal</i>	0	(66,155)	0	(66,155)
<i>Depreciation on Revaluations</i>	0	0	0	0
Gross Depreciation at 31/3/2009	532,726	740,966	0	1,273,692
Net Book Value at 1/4/2008	4,881,609	797,071	234,489	5,913,169
Net Book Value at 31/3/2009	4,834,666	1,185,858	244,489	6,265,013

ii) Non Operational Assets

	Surplus Assets	Assets Under Construction	Total
	£	£	£
Gross Book Value at 1/4/2008	0	0	0
<i>Work in Progress</i>	0	5,112	5,112
<i>Revaluations</i>	40,139	0	40,139
<i>Disposals</i>	(7,735)	0	(7,735)
Gross Book Value at 31/3/2009	32,404	5,112	37,516
Not Depreciated	0	0	0
Net Book Value at 1/4/2008	0	0	0
Net Book Value at 31/3/2009	32,404	5,112	37,516

iii) Depreciation

The Councils operational fixed assets, other than land and community assets, have been depreciated using the straight line method over their estimated useful lives. See Accounting Policy 3.3 for more details on depreciation methods and estimated useful life assumptions. Non operational assets are not subject to depreciation.

b) Analysis of Net Assets Employed

The net assets employed represents the aggregate of the reserves attributable (both revenue and capital) to the Council, and as such represent the value of the local taxpayers equity. This is shown below:-

	2007/2008 £	2008/2009 £
General Fund Net Assets Employed	6,223,022	6,234,089

c) Fixed Asset Valuations

i) Methodology

The methodology for all fixed asset valuations is detailed in Accounting Policy 3.2 and a summary of the valuation basis for each type of fixed asset is shown below:-

- Specialised Operational Land and Buildings are included at Depreciated Replacement Cost.
- Non Specialised Operational Land and Buildings are included at Existing Use Value
- Non Operational Assets are included at Open Market Value.
- Community Assets are included in the Balance Sheet at Historical Cost.
- Vehicles, Plant and Equipment are held at Historical Cost, net of depreciation

All of the Council's land and buildings were revalued by the District Valuer during 2005/2006, with a valuation date of 1st April 2005. The next full revaluation is due in 2010/2011.

ii) Adjustments to Fixed Asset Valuations during 2007/2008

Following a review of the valuations used in respect of the Council's land and buildings during 2007/2008, by the Finance Manager, in consultation with the District Valuer and the Audit Commission, a small number of discrepancies were identified in respect of the valuations used in respect of assets held on the Council's asset register.

These discrepancies related to the valuation basis used in respect of the Council Offices, Stephenson Way Cemetery and the Golf Complex, and some minor amendments in respect of the classification of Community Assets and Land which had zero impact on the Balance Sheet.

It was agreed with the Audit Commission to make prior year revaluation adjustments in the 2007/2008 Accounts, to correct these asset valuations. The adjustments were made to the closing 2006/2007 fixed asset valuations as a prior year adjustment, to restate the asset valuations to the correct valuation as per the District Valuers Certificate as at 1st April 2005.

iii) Changes to Fixed Asset Valuations during 2008/2009

The only changes to the valuations of the Council's land and buildings during 2008/2009, related to the addition to the Balance Sheet of four small plots of land at High Barn Road in School Aycliffe, which the Council agreed to sell to the adjacent home owners during the year.

These plots of land were formally valued by the District Valuer during the year and have therefore been re-classified on the Balance Sheet as surplus land awaiting disposal.

The Council is not aware of any further material changes in the value of any of its land and buildings during 2008/2009 and therefore the valuations from 2005/2006 have continued to be used adjusted for any capital expenditure enhancing the value of fixed assets and any asset disposals during the year.

d) Capital Expenditure and Financing

A summary of capital expenditure during 2008/2009 and how this was financed by the Council is detailed below:-

	2007/2008 £	2008/2009 £
Capital Expenditure:-		
Council Buildings:		
Council Offices	-	53,412
St Oswald's Pre School	5,192	24,273
Moore Lane Environment Centre	-	34,382
Vehicles, Plant, Machinery and Equipment:		
Vehicles	10,123	29,850
Machinery	3,450	-
Play Equipment / Multi Use Games Areas	-	415,271
CCTV Cameras	11,477	-
Office Equipment	18,837	5,065
Sports Complex Lift and Automatic Doors	-	44,650
Sports Complex Bar Refurbishment	-	50,135
Community Assets:		
St Oswald's Formal Garden	-	5,112
Great Aycliffe Way Sculpture	5,000	10,000
Not Enhancing Value of Fixed Assets	-	55,487
Total Capital Expenditure	54,079	727,637
Financed by:-		
Use of General Fund Balance	0	5,112
Use of Earmarked Reserves	49,079	303,976
Use of Capital Contributions	5,000	363,062
Use of Capital Receipts	0	0
Charged to Revenue Account	0	55,487
Total Capital Financing	54,079	727,637

e) Capital Commitments into 2009/2010

One project was underway towards the end of 2008/2009, that was not financially complete as at 31st March 2009. This was the St Oswald's Park Formal Garden Project.

In addition, there were a number of projects that had not commenced as at 31st March 2009, that will now take place early in 2009/2010 and for which a carry forward of unused Capital Programme Budget was required. These projects include the vehicle for the Town Pride Team, Stephenson Way Cemetery asset management works, Sports Complex automatic entrance, St Oswald's security fencing and the Golf Complex improvement works.

A total of £127,500, have been carried forward to 2009/2010 to meet these commitments.

The Council also has a number of other Capital Programme commitments as set out in the 2009/2010 Capital Programme, Asset Management Plan and Medium Term Financial Plan. However, none of these projects had been contractually committed to as at 31st March 2009.

f) Analysis of Fixed Asset Portfolio

A summary of the major fixed assets held by the Council is as follows:-

	31/03/2008 Numbers	31/03/2009 Numbers
Operational Buildings		
Council Offices	1	1
Sports Complex	1	1
Golf Shop, Changing Rooms and Driving Range	1	1
Boat House	1	1
Park Pavilions*	7	7
Cemeteries	2	2
Depot Buildings	2	2
Public Conveniences	2	2
Operational Land		
Plantations	2	2
Playing Fields	Various	Various
Golf Course	1	1
Nature Walk	1	1
Woodham Burn Footpath	1	1
Lorry Park	1	1
Conservation Areas	2	2
Village Greens and Open Space	Various	Various
Vehicles, Plant, Machinery and Equipment		
Civic Car	1	1
Vehicles	7	8
Tractors	6	7
Golf Course Buggies	6	6
Utility Vehicles (Gators)	3	3
Mowers, Trailers and Other Works Equipment	Various	Various
Excavators/ Diggers	2	2
Grave shoring Equipment	1	1
Sports Complex Lift	0	1
Golf Course Irrigation Plant	1	1
Driving Range Golf Ball Dispensing Machine	1	1
Driving Range Golf Ball Washing Machine	1	1
Driving Range Golf Ball Collector Vehicle	1	1
Play Areas and Play Equipment	20	22
Multi Use Games Areas	0	2
CCTV Cameras	7	7
Bus Shelters	55	55
Street Lighting	Various	Various
Park Lighting	Various	Various
Christmas Lighting	Various	Various
Park Benches	Various	Various
Community Assets		
Allotments	5	5
Park Land / Grounds	Various	Various
Cemeteries Land / Grounds	2	2
Memorial Garden	1	1
Great Aycliffe Way Orchid Sculpture	0	1
Civic Regalia	1	1

* The seven Park Pavilions Buildings are used for a broad range of purposes and include the St Oswald's Pre School, MIND Pavilion, Moore Lane Environment Centre, Football Changing Rooms, and Town Park Public Conveniences.

g) Intangible Fixed Assets

The Council does not currently hold any intangible assets on its Balance Sheet and there was no expenditure on intangible assets during 2008/2009. Any such expenditure would be amortised to the Income and Expenditure Account over the useful life of the intangible asset.

h) Revenue Expenditure Funded From Capital Under Statute

There was one capital contribution to Durham County Council during the year falling under the definition of Revenue Expenditure Funded From Capital Under Statute. This was a £6,000 match funding contribution towards the Great Aycliffe Way project.

This contribution was written off to the appropriate revenue account at the end of the year.

i) Fixed Assets held under Finance Leases

The Council currently has the following fixed assets held on leases:-

- Aycliffe Village Playing Field from Durham County Council on a 99 year peppercorn lease
- Land at Scott Place Play Area from Durham County Council on a 125 year peppercorn lease
- Land at the Town Park from Durham County Council on a 125 year peppercorn lease.

All are included at nil value on the Balance Sheet at 31st March 2009.

j) Fixed Asset Disposals

The Council disposed of the following fixed assets during 2008/2009. The loss on disposal relates to the write off of the net book value, where the sales proceeds were less than the carrying value of the asset, and has been charged to the Income and Expenditure Account:-

Asset Description	Net Book Value £	Sales Proceeds £	Loss on Disposal £
Equipment:			
3 x Gang Mowers	-	-	-
St Oswald's Park Safety Surface	9,179	-	9,179
Woodham Park Play Equipment	11,000	-	11,000
West Park Play Equipment	2,500	-	2,500
Ball Dispenser Machine	530	-	530
Land :			
5 High Barn Road	7,735	3,235	4,500
	30,944	3,235	27,709

k) Claw Back of Land Sale Proceeds

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

The claw back percentage ranges from 42% for land transferred in 1980 to 60% for land transferred in 1989, as at 31st March 2009, and reduces by 2% each year.

The Council disposed of a plot of land at 5 High Barn Road, School Aycliffe during 2008/2009 at a value of £7,500. Under the claw back rules set out above, £4,500 was repayable to Homes and Communities Agency. Three further plots of land at High Barn Road are due to be sold during 2009/2010.

The Council does not currently have any land for sale, although there are three pieces of land currently identified in the Sedgfield Borough Local Development Framework for possible future development. These are at Woodham Village and adjacent to St Oswald's Park.

l) Impairment

To comply with FRS 11 (Impairment of Fixed Assets and Goodwill) an annual review should be carried out if events or changes in circumstances indicate that the carrying amount of a fixed asset may not be recoverable.

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

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

The value at which each fixed asset is included in the Balance Sheet should be reviewed at the end of each reporting period by a qualified valuer and where there is a reason to believe that its value has changed materially then the valuation should be adjusted accordingly.

If this is not done then an impairment test must be made on all material fixed assets.

In previous years, the Council has undertaken a 'desktop review' of impairment using its own officers, although this does not fully meet the requirements of FRS11. This approach has been allowed on the grounds of cost effectiveness and materiality due to the small size of the Council and its asset base.

The completion of an impairment review was particularly important this year following the economic downturn during 2008/2009 and the subsequent impact on land and property prices.

In order to meet this requirement, a more detailed review of impairment was carried out by a multi disciplined team of officers comprising of the Town Clerk, Finance Manager and Corporate and Policy Officer, supported by key service managers.

Following detailed review of the Council's land and building valuations, it was considered that that the impact of the downturn in land and property prices would not be material for the following reasons:-

- The specialised nature of the majority of the Council's land and buildings, in that they are very unlikely to be sold on the open market;
- The Council's land and buildings were last revalued four years ago in 2005/2006, and it is considered that the value of the assets in question may have increased over this period, helping to negate the extent of any impairment;
- The most commonly reported falls in property value relate to the housing market, and the vast majority of the Council's land and buildings are valued at Depreciated Replacement Cost and Existing Use Value, and would therefore not be as liable as assets valued at Open Market Value, to be affected by the economic downturn.

For the reasons set out above, it was recommended that no adjustments were required to the asset valuations held on the Council's Balance Sheet, arising from events or changes in circumstances that would indicate the material impairment of any of the Council's fixed assets.

2. Investments

The Council held one investment at the 31st March 2009, which was a rolling treasury deposit account with the Council's bank, at a fixed interest rate and held at 1 months notice. The value invested as at 31st March 2009 was £500,000.

This investment represents the investment of the Council's surplus balances and interest receivable from the investment is credited to the Council's Income and Expenditure Account.

3. Debtors

An analysis of the Council's outstanding debtors at the year end is detailed below:-

	31/03/2008 £	31/03/2009 £
Amounts Falling Due in One Year		
Government Departments	0	43,847
Other Local Authorities	1,268	25,089
Sundry Debtors	18,962	21,108
Amounts Falling Due after One Year	0	0
Total Debtors	20,230	90,044

The Council does not currently include a provision for bad debts within the Accounts.

Outstanding debtors are reviewed regularly during the year and any irrecoverable debts would be written off. The outstanding debt as at 31st March 2009 included £43,847 due from the Government regarding reclaimable VAT and a £25,089 capital contribution due from Durham County Council and an £18,135 outstanding capital grant claim from County Durham Environmental Trust.

Excluding the above, the current level of outstanding debt is therefore considered to be low risk and of low value and a bad debt provision is not considered necessary at the present time.

4. Stocks

The Council holds a number of stocks at its Sports Complex and Depot and they are all included in the Balance Sheet at latest price paid. A summary of the stocks is detailed below:-

	31/03/2008 £	31/03/2009 £
Sports Complex		
Bar Supplies	4,757	5,158
Catering Supplies	2,197	2,071
Resale Items	1,579	1,994
Works and Depot		
Tools and Equipment	2,110	1,842
Golf Course Materials and Equipment	1,912	1,525
Parks and Play Equipment	3,390	3,277
Cleaning and Consumables	1,870	2,108
Petrol and Oil	390	1,220
Total Stocks	18,205	19,195

5. Bank and Cash in Hand

An analysis of the Council's bank and cash balances at the year end is detailed below:-

	31/03/2008 £	31/03/2009 £
Current Account	15,256	110,449
High Interest Account	321,611	321,091
Cash in Transit	25,337	24,685
Floats and Cash Held	1,737	1,602
Total Bank and Cash	363,941	457,827

6. Creditors

An analysis of the Council's outstanding creditors at the year end is detailed below:-

	31/03/2008	31/03/2009
	£	£
<i>Government Departments</i>	25,375	29,334
<i>Other Local Authorities</i>	4,773	11,078
<i>Sundry Creditors</i>	48,715	116,251
Total Creditors	78,863	156,663

The increase in the level of creditors relates mainly to outstanding invoices relating to the Sports Complex bar refurbishment capital project which was ongoing at the end of the financial year totalling nearly £50,000 and some outstanding capital contributions due to the Homes and Communities Agency and Durham County Council.

7. Provisions

The Council does not currently hold any provisions on the Balance Sheet.

8. Borrowing Repayable Within 12 Months

The following table shows the repayments made in the current year and due to be made within the next twelve months in respect of the Council's outstanding loans:-

	2008/2009	2009/2010
	£	£
<i>Public Works Loan Board</i>	22,253	24,155
<i>Other Lenders</i>	0	0
	22,253	24,155

9. Contingent Liabilities

Outstanding Insurance Claims

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

Equal Pay Claims

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

10. Grants Deferred Account

Any grants or contributions received towards the financing of capital expenditure are credited to the Grants Deferred Account and released to the appropriate service revenue account over the life of the fixed assets to which they relate, to match the depreciation charge.

The movement of the Grants Deferred Account during 2008/2009 is detailed below:-

	2007/2008 £	2008/2009 £
Balance Brought Forward at 1st April	276,861	247,116
Contributions Received During the Year	5,000	363,062
Less Amounts Released to I&E Account	(34,745)	(63,278)
Less Amounts to Capital Adjustment Account	0	0
Balance Carried Forward at 31st March	247,116	546,900

The significant capital contributions received during 2008/2009 relate to the funding received from the Sedgfield Borough Council Local Improvement Programme and Neighbourhood Enhancement Programme Funds towards various play areas and multi use games areas installed during the year and the refurbishment of Moore Lane Environment Centre.

11. Long Term Borrowing

The following table shows a breakdown of the Council's outstanding loans and the amounts repayable in excess of twelve months i.e. from 2010/2011 onwards:-

Source of Loan	Interest Rates %	31/03/2008 £	31/03/2009 £
<i>Public Works Loans Board</i>	5.2 to 9.6	296,848	272,694
		296,848	272,694

Maturity Period	Years	31/03/2008 £	31/03/2009 £
	1 - 2	24,155	26,224
	2 - 5	49,527	49,883
	5 -10	73,675	84,156
	10 +	149,491	112,431
		296,848	272,694

12. Revaluation Reserve

This Reserve replaced the Fixed Asset Restatement Account (FARA) in 2007/2008.

This Reserve records 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 i.e. impairment, and depreciation incurred as a result of these increases in fixed asset values.

During 2008/2009 there have been no revaluations of fixed assets, resulting in an increase in value, however four plots of land at High Barn Road, School Aycliffe have been added to the Balance Sheet as Surplus Land Awaiting Disposal, following a Council decision to dispose of this land.

The land was formally valued by the District Valuer during 2008/2009 and has been brought onto the Balance Sheet at the total valuation provided.

One plot of land was subsequently sold during 2008/2009 and has been written back out of the Revaluation Reserve via the Capital Adjustment Account.

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

	2007/2008 £	2008/2009 £
Balance Brought Forward at 1st April	4,757,172	0
<i>Transfer to Capital Adjustment Account</i>	(4,757,172)	0
<i>Disposal of Fixed Assets</i>	0	(7,735)
<i>Revaluation of Assets</i>	0	40,139
Balance Carried Forward at 31st March	0	32,404

13. Capital Adjustment Account

This Account replaced the Capital Financing Account in 2007/2008.

The Account accumulates previous years revaluation gains and losses from the old Fixed Asset Restatement Account up to 1st April 2007, as well as accounting for the future write down of the historical cost of fixed assets as they are consumed by depreciation and impairments, or written off upon disposal.

It also accounts for the resources applied in financing the Council's fixed assets, including use of balances and reserves, revenue financing, release of deferred government grants and repayment of debt.

A summary of the movement on this Account during the year is detailed overleaf:-

Capital Adjustment Account (continued)

	2007/2008 £	2008/2009 £
Balance Brought Forward at 1st April	1,149,747	5,328,717
Transfer from Fixed Asset Restatement A/c	4,757,172	0
Prior Year Revaluation Adjustments	0	0
Write off of Depreciation on Revaluation	0	0
Adjusted Balance Brought Forward	5,906,919	5,328,717
Add Financing of Fixed Assets:		
Revenue Contributions	0	5,112
Use of Earmarked Reserves	49,079	303,976
Repayment of Long Term Loans	26,830	22,253
Grants Deferred Release	34,745	63,278
Grants Deferred Written Off	0	0
Capital Receipt / Clawback	0	4,500
Less Write Down of Fixed Assets:		
Impairment of Depot	(422,210)	0
Write off Depreciation on Impairment of Depot	14,555	0
Depreciation Charges in Year	(281,201)	(291,986)
Loss on Disposal of Fixed Assets	0	(27,709)
Deferred Charges / Intangible Assets	0	0
Balance Carried Forward at 31st March	5,328,717	5,408,141

14. Useable Capital Receipts Reserve

An analysis of the Council's usable capital receipts is shown below:-

	2007/2008 £	2008/2009 £
Balance Brought Forward at 1st April	0	0
Capital Receipts in Year	0	7,735
Due to Homes and Communities Agency		(4,500)
Capital Receipts Used for Financing	0	0
Balance Carried Forward at 31st March	0	3,235

The current balance represents the net sale proceeds from the sale of land at 5 High Barn Road, after accounting from the claw back due to the Homes and Communities Agency.

15. Movement on Reserves

The following table provides an analysis of the movement on the Council's reserves and balances during the year, including the transfer of the revenue budget underspend in 2008/2009 to the General Fund Balance, the subsequent transfers to earmarked reserves and the use of reserves to fund capital expenditure during 2008/2009:-

	31/03/2008	Transfers to / (from) Reserves	Use of Reserves in year	31/03/2009
	£	£	£	£
General Fund Balance	94,855	9,687	(5,113)	99,429
Earmarked Revenue Reserves	54,450	35,880	(39,450)	50,880
Earmarked Capital Reserves				
<i>Asset Management Reserve</i>	500,000	81,763	(181,763)	400,000
<i>Vehicle and Machinery Reserve</i>	100,000	29,850	(29,850)	100,000
<i>Play Equipment Reserve</i>	75,000	62,298	(87,298)	50,000
<i>E-Government Reserve</i>	20,000	65	(5,065)	15,000
<i>Sports Complex Reserve</i>	25,000	-	-	25,000
<i>Golf Complex Reserve</i>	-	25,000	-	25,000
<i>Insurance Reserve</i>	25,000	-	-	25,000
Total Balances and Reserves	894,305	244,543	(348,539)	790,309

The underspend on the Council's Revenue Budget, net of non enhancing capital spend, totalling £244,543 was initially transferred to the General Fund Balance at the end of the year. However, transfers have subsequently been made between the General Fund Balance and Earmarked Reserves to ensure that sufficient resources have been set aside to meet future year spending commitments as set out in the Medium Term Financial Plan and Asset Management Plan.

After accounting for the Revenue Budget underspend and the net financing of the Capital Programme, Council Balances and Reserves fell by around £100,000 over the year.

16. Capital Contributions Unapplied

Movement on the Council's capital contributions unapplied during the year was as follows:-

	2007/2008	2008/2009
	£	£
Balance Brought Forward at 1st April	11,770	6,770
<i>Capital Contributions Received</i>	-	371,197
<i>Capital Contributions Used</i>	-	-
<i>Transfers to Grants Deferred Account</i>	(5,000)	(363,062)
Balance Carried Forward at 31st March	6,770	14,905

The capital contributions from the Local Improvement Programme and Neighbourhood Enhancement Programme Funds were initially credited to this account before being transferred to the Grants Deferred Account to fund the fixed assets to which they relate.

The year end balance on the Capital Contributions Unapplied Account relates to the grant due from County Durham Environment Trust regarding Aycliffe Nature Park project which has only been partly applied to fund capital expenditure, via the Grants Deferred Account.

17. Financial Instruments

The only financial instruments currently held by the Council relate to the outstanding PWLB loans and the bank treasury deposit investment, as well as day to day trade payables and receivables i.e. creditors and debtors.

The values and types of financial instruments held have therefore already been disclosed in other notes to the Balance Sheet. Detailed interpretation of the requirements of the Code of Practice in relation to financial instruments and the relevance to the Council's accounting arrangements are set out in the Accounting Policies on pages 28 to 30.

The Council's borrowings and investments are held at fixed interest rates and payments, with no material transaction costs, and are not held for trading. Under the requirements of the Code of Practice, borrowings and investments are therefore held on the Balance Sheet at amortised cost, represented by the outstanding principal amount.

The Council does not hold any other borrowings or investments or derivatives and has not made any loans to external bodies.

18. Post Balance Sheet Events

There have been no material post balance sheet events that the Council is aware of, either providing additional evidence of conditions existing at the Balance Sheet date, or of conditions that did not exist at the Balance Sheet date.

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

Notes to the Cash Flow Statement

1. Reconciliation of Net Surplus on Income and Expenditure Account to Net Cash Flow

The following statement provides a reconciliation of the surplus or deficit on the Income and Expenditure Account and the Net Cash Flow from the Cash Flow Statement. The difference between the two relates to non cash items e.g. capital accounting entries such as depreciation, impairment and deferred grants and movements in non cash balances i.e. Balance Sheet items that have an impact on the Income and Expenditure Account such as debtors, creditors, stocks, prepayments etc.

	2007/2008	2008/2009
	£	£
<i>Income and Expenditure Account Surplus / (Deficit)</i>	(348,149)	(29,071)
<i>Non Cash Items</i>		
<i>Add back Depreciation</i>	281,201	291,986
<i>Add back Impairment Losses</i>	422,210	-
<i>Less Government Grants Deferred</i>	(34,745)	(63,278)
<i>Add Losses on Sale of Fixed Assets</i>	-	27,709
<i>Less Capital Programme financed from GF Balance</i>		(5,113)
<i>Add Other Non Cash Flow Transactions</i>	-	74
<i>Movement on the General Fund Balance</i>	320,517	222,307
<i>Items included elsewhere on Cash Flow Statement</i>		
<i>Add Interest Payable</i>	21,874	19,843
<i>Less Interest Receivable</i>	(37,469)	(32,688)
<i>Movement on Non Cash Balances</i>		
<i>Add / (less) decrease / (increase) in Stock</i>	(1,701)	(990)
<i>Add / (less) decrease / (increase) in Debtors</i>	(9,228)	(69,814)
<i>Add / (less) decrease / (increase) in Prepayments</i>	(17,432)	7,029
<i>Add / (less) increase / (decrease) in Creditors</i>	10,219	77,800
<i>Add / (less) increase / (decrease) in Accruals</i>	14,295	72,088
<i>Add / (less) increase / (decrease) in Receipts in Advance</i>	6,950	400
<i>Add / (less) increase / (decrease) in Provisions</i>	21,331	(3,570)
<i>Net Cash Flow from Revenue Activities</i>	329,356	292,405

2. Reconciliation of Financing and Management of Liquid Resources

This note discloses the movement on the Council's liquid resources and how these reconcile to the movement on the Council's Balance Sheet. The movement in the year related to the Council's short term investment in a bank treasury deposit account which decreased from £600,000 to £500,000, and the repayment of loans which reduced the Council's outstanding borrowing.

	2007/2008 £	2008/2009 £	Cash Flow £
<i>Short Term Investments</i>	600,000	500,000	100,000
<i>New Loans Raised</i>	0	0	0
<i>Repayments of Amounts Borrowed</i>	(26,830)	(22,253)	(22,253)
	573,170	477,747	77,747

3. Analysis of Government Grants

	2007/2008 £	2008/2009 £
<i>Best Value Grant</i>	30,000	0
<i>Environment Grants</i>	0	10,000
Total Government Grants	30,000	10,000

4. Movement in Cash Balances

An analysis of the movement on the Council's bank and cash balances at the year end is detailed below. This reconciles to the Net Increase in Cash on the Cash Flow Statement.

	31/03/2008 £	31/03/2009 £	Cash Flow £
<i>Current Accounts</i>	15,256	110,449	95,193
<i>High Interest Accounts</i>	321,611	321,091	(520)
<i>Cash in Transit</i>	25,337	24,685	(652)
<i>Floats and Cash Held</i>	1,737	1,602	(135)
Total Bank and Cash	363,941	457,827	93,886

Glossary of Terms Used in the Statement of Accounts

Accounts and Audit Regulations 2003

These Regulations provide the statutory framework for the preparation of local authority accounts and the management of local authority financial affairs, including 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 electors and the conduct of the annual statutory audit.

Accounting Concepts

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

Accounting Period

The period to which the Accounts relate. This is the Council's financial year which runs from 1st April to 31st March.

Accounting Policies

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

Accruals

Accruals are provisions in the Revenue Accounts for expenditure relating to goods or services that have already been received at the end of the accounting period but for which an invoice has not yet been received e.g. most commonly gas and electricity costs.

Annual Governance Statement

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

Appropriations

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

Asset Charges/ Capital Charges

These are appropriations made to service revenue accounts as a measure of the benefits that have been consumed from the use of the fixed assets e.g. buildings, vehicles, machinery etc used in the provision of those services. Also known as capital charges.

Audit Commission

The statutory body which oversees the conduct of the Council's Statutory Annual Audit, including the Audit of the Statement of Accounts.

Bad (and Doubtful) Debts

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

Balance Sheet

The Balance Sheet is a primary accounting statement which shows the overall financial position or net worth of the Council. This is made up of all of the assets e.g. land and buildings, investments, bank balances etc, liabilities e.g. outstanding loans, debtors etc and funds e.g. reserves and balances etc, of the Council at the end of the year.

Best Value

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

Best Value Accounting Code of Practice (BVACOP)

This Code implemented a modernisation of local authority accounting and reporting to ensure that it met the changing needs of modern local government and particularly the duty to secure and demonstrate best value in service provision. Also put in place a standard format for all financial statements to help comparability between different local authorities.

Borrowing

This represents the Council's outstanding loans. Some of these loans will be due to be repaid within the next 12 months, and will therefore be shown as a current liability in the Balance Sheet, while the majority will be repayable after a period of 12 months and are therefore shown as long term borrowing.

Budget Requirement

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

Capital Adjustment Account

This is a new account which replaced the Capital Financing Account with effect from 2007/2008. It accounts for the resources used to finance the Council's fixed assets, including use of balances and reserves, revenue financing, release of deferred grants and repayment of debt, and also incorporates the balance of revaluation gains and losses prior to 2007/2008, as transferred from the Fixed Asset Restatement Account, and provides for the future write down in the historical cost of fixed assets as they are consumed by depreciation and impairment losses, or future disposal.

Capital Expenditure

Capital expenditure relates to the acquisition of new fixed assets e.g. land, buildings, vehicles, machinery etc provided that the expenditure provides benefits to the Council for a period of more than one year and is material. Capital expenditure also includes expenditure on existing fixed assets that either substantially adds to the value of the asset, increases its useful life, or increases the extent to which the asset can be used.

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 transferred to the Council. The remaining proceeds are known as usable capital receipts and are set aside and can be used to finance future capital expenditure.

Cash Flow Statement

This financial statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The movement on the cash flow statement reflects the movement on the Council's bank and cash balances during the year.

CIPFA

The Chartered Institute of Public Finance and Accountancy. This is a professional accountancy body that specialise in public sector accounting. They are responsible for the education of training of professional accountants and regulation through the setting and monitoring of professional standards. CIPFA has responsibility for setting accounting standards for local government via the Code of Practice on Local Authority Accounting and the annual Statement of Recommended Practice (SORP).

CIPFA/LASAAC Code of Practice on Local Authority Accounting

The Code of Practice sets out the statutory requirements and recommended best practice that need to be complied with and considered in preparing the annual Accounts. The Code of Practice is supplemented by an annual Statement of Recommended Practice (SORP) that provides guidance to Council's on the interpretation and implementation of the various accounting requirements in force for that particular financial year.

Community Assets

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

Consistency

The accounting concept or principle that the accounting treatment of like items within an accounting period and from one period to the next is the same. Consistent accounting policies should be applied both within the accounts 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.

Corporate and Democratic Core

This is a service area on the Income and Expenditure Account, as prescribed by the BVACOP that relates to the costs of the democratic and corporate management of the Council as an elected multi purpose authority. These costs are those that are over and above the costs that would be incurred by an independent body managing the same services that the Council does. There is therefore no logical basis for apportioning these costs to front line services.

Council Tax

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

Creditors

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

Current Asset

An asset, which is expected to be disposed of, utilised or realised within twelve months of the balance sheet date. Examples include stocks, debtors and bank accounts.

Current Liability

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

Amounts due to the Council, for goods or services provided, which relate to the accounting period, but which have not been received by 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 exceeds income

Deferred Charges

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

Deferred Benefit Pension Scheme

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.

Deferred Contribution Pension Scheme

This is a pension or retirement benefit scheme into which an 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.

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.

Depreciation

This is a measure of the cost of the benefits of fixed assets that have been consumed during the period and are charged against the service area benefiting from the use of the asset in question. Depreciation is basically a measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, time, obsolescence through technological or market changes or demand for the goods and services produced by the asset. It is an appropriation required to show the true cost of a service rather than a real cost.

Earmarked Reserves

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

Estimation Techniques

The methods used by the Council 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

Those 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.

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 to give fair presentation of the accounts.

Extraordinary Items

Material items, possessing a high degree of abnormality which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arms length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

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

Financial Reporting Standards (FRS's)

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

Fixed Assets

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

General Fund Balance

This is the Council's accumulated surplus balance arising from income in excess of expenditure, which is used to support future spending or is set aside for specific spending commitments in earmarked reserves.

Going Concern

The concept that the Council's services will continue to operate in the foreseeable future.

Government Grants

Assistance from the Government and 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 has been received in relation to the funding of a fixed asset, recommended accounting practice requires that the grant is deferred and released to fund the asset over the course of its useful life in order to match the depreciation charge. Grants are therefore held in the Grants Deferred Account and released to the Revenue Accounts each year over the course of the life of the asset that the grant is funding.

Group Accounts

These are required where a local authority has material interests in subsidiary and associate companies and/or joint ventures with other organisations. The Council does not currently have any such interests.

Impairment

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 accounting statement 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 from the Council Precept.

Infrastructure Assets

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

Investment Properties

These are a class of fixed asset and relate to an interest in land and or buildings which is held for investment potential.

Leases

Leases and hire purchase contracts are the means by which Council's can obtain the right to use or purchase assets without purchasing the asset outright. A finance lease is a lease that transfers substantially all the risks and rewards and ownership of an asset to the lessee. An operating lease is a lease other than a finance lease.

Liquid Resources

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

Long Term Contracts

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

Long Term Investments

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

Matching

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

Materiality

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

Minimum Revenue Provision

The minimum amount, which must be charged to an Council's Income and Expenditure Account and set aside as a provision to repay external debt. However, Town Council's are not required to set aside a Minimum Revenue Provision and actual loan repayments made each year are instead charged to the Income and Expenditure Account.

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.

Net Current Replacement Cost

The cost of replacing or recreating a fixed asset in its existing condition and existing use.

Net Realisable Value

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

Non Operational assets

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

Operational Assets

These are fixed assets which are held, occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory responsibility or discretionary responsibility or for the strategic objectives of the Council. 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 i.e. outturn, and budgeted spending.

Overheads Recharges

Overheads recharges relate to the reallocation of costs from one service area to another and usually relate to support services such as finance, administration and other centralised services.

Precept

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

Prepayments

Prepayments are payments made during the accounting period, where a proportion of the cost relates to the following accounting period e.g. subscriptions. An adjustment is made in the Accounts to transfer the prepayment forward into the following accounting period.

Prior Year Adjustments

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

Provisions

These are amounts set aside to meet any liabilities, commitments or losses arising from contractual obligations, where the amount or date is uncertain at the time the Accounts are prepared. Provisions can include the carry forward of unspent grants or contributions, as well as carry forward of underspends on the Revenue Accounts to meet known commitments where no budget provision exists in the following year.

Prudence

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

Public Works Loan Board (PWLB)

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

Receipts in Advance

This is income received during the accounting period, where a proportion of the income relates to the following accounting period e.g. rents and leases. An adjustment is made in the Accounts to transfer the receipt in advance forward to the following accounting period.

Related Parties

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

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

Fixed assets must be subject to a full revaluation at least every five years in accordance with the Code of Practice. Fixed assets are revalued to ensure that the valuations shown in the Balance Sheet are accurate, up to date and reflect changes in market values.

Revaluation Reserve

This new Reserve replaced the Fixed Asset Restatement Account with effect from 2007/2008. The Reserve accounts for accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation and other factors, to the extent that these gains have not been consumed by subsequent downward movements in value and depreciation incurred as a result of these increases in values .

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statute

Revenue expenditure funded from capital under statute is the replacement for deferred charges and is expenditure which may be capitalised under statute, but which does not create a tangible fixed asset e.g. a capital contribution made to another organisation. Any such expenditure must be 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 Earmarked Reserves.

Section 137 Expenditure

This is the sum of money that the Council is permitted to spend under the Local Government Act for the benefit of the people in its area, on activities and services not specifically authorised under any other powers.

Statement of Internal Control (SIC)

This statement is included within the 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 subsumed by the Annual Governance Statement.

Statements of Standard Accounting Practice (SSAP's)

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

Stocks

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

Statement of Movement on the General Fund Balance (SMGFB)

The Council's Income and Expenditure Account shows the Council's actual financial performance for the year, in terms of the resources consumed and generated during the year. However, the Council sets its Budget / Precept on a different accounting basis, excluding nominal accounting entries and appropriations and taking into account use of General Fund Balances and Earmarked Reserves. This statement provides a reconciliation between the actual surplus or deficit for the year as shown in the Income and Expenditure Account and the Movement on the Council's General Fund Balance during the year.

Statement of Total Recognised Gains and Losses (STRGL)

This statement brings together all the recognised gains and losses of the authority that have not been recognised in the Income and Expenditure Account. The Statement reflects the change in the net worth of the Council over an accounting period i.e. the movement on the Council's Balance Sheet.

Substance over Form

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

Surplus

A surplus occurs when income exceeds expenditure.

Tangible Fixed Assets

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

Urgent Issues Task Force (UITF)

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

Useful (Economic) Life

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

Work in Progress

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