

## 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 financial year ended 31st March 2010.

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

### **Annual Report**

The Annual Report set out in pages 3 to 11 is a report from the Council's Finance Manager setting out a summary of the Council's activities during the financial year and providing background to the overall financial position of the Council, its financial performance in 2009/10, highlighting the key issues from the Accounts and providing graphical analysis of the Council's revenue and capital spending during the year.

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

The Statement of Responsibilities for the Statement of Accounts on page 12 explains the responsibilities of the Council and Finance Manager in relation to the making of arrangements for the proper administration of the financial affairs of the Council and meeting the statutory requirement to certify that the Statement of Accounts presents a true and fair view of the financial position of the Council.

### **Auditor's Report**

The Auditor's Report on pages 13 to 15 provides the independent audit opinion from the Audit Commission that the Council's Statement of Accounts has been prepared in accordance with applicable laws and regulations, and presents a true and fair view of the financial position of the Council.

### **Statement of Accounting Policies**

The Statement of Accounting Policies set out in pages 16 to 30 explains the various accounting policies adopted in recognising, measuring and disclosing the transactions included within the Statement of Accounts to ensure compliance with the Financial Reporting Standard for Smaller Entities 2008 (FRSSE).

### **Annual Governance Statement**

The Annual Governance Statement set out in pages 31 to 37 explains the responsibilities of the Council relating to good corporate governance and meeting the requirement to review annually and report on the effectiveness of the Council's governance arrangements and systems of internal control.

## **Income and Expenditure Account**

The Income and Expenditure Account on page 38 is a primary financial statement which sets out all income receivable and expenditure incurred relating to the provision of the Council's services during 2009/10.

## **Statement of Movement on Reserves**

The Statement of Movement on Reserves set out on page 39 provides a summary of the overall change in the level of the Council's Balances and Earmarked Reserves during the year, including the transfer of the year end surplus or deficit from the Income and Expenditure Account, use of reserves to fund capital expenditure and any transfers made between reserves.

## **Balance Sheet**

The Balance Sheet on page 40 is a primary financial statement which sets out the overall financial standing of the Council in terms of the net worth of the Council's assets and liabilities as at the 31st March 2010.

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

The Notes to the Core Financial Statements detailed in pages 41 to 59 provide further information and explanations on the more important items shown in the Income and Expenditure Account and Balance Sheet.

## **Glossary of Terms**

The Glossary of Terms set out in pages 60 to 72 provides explanation of the financial and accounting terms used within the Statement of Accounts and provides a definition of each in order to assist the reader in understanding the financial statements.

# Annual Report

## Introduction

The purpose of this report is to present a summary of the Council's activities and financial performance during the year and provide supporting information to help the reader in understanding the financial information detailed within the Statement of Accounts that follows.

The Annual Report will help the reader to understand the principal activities of the Council, its financial needs, resources and influences, provide detailed analysis of its spending and financial performance during the year and the overall financial position, the impact of the current economic climate on the Council, as well as providing a summary of its future plans

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

The report also provides further details on the overall financial standing of the Council as at 31st March 2010 as set out in the Balance Sheet.

It is important to note that this Statement of Accounts represents the first year under the new accounting arrangements introduced for larger town councils with effect from 1st April 2009, which have been based around the Financial Reporting Standard for Smaller Entities.

This has resulted in some changes to the structure and format of the Accounts and detailed explanation of these changes is included in the Statement of Accounting Policies.

Where the structure or format of the Accounts has changed, the 2008/09 comparative figures have also been updated and restated to reflect the new requirements.

## Principal Activities of the Council

Great Aycliffe Town Council provides a wide range of services and facilities within the Parish, The main services and activities are detailed in the list below:-

Three pre school learning centres

Oak Leaf Sports Complex providing indoor bowls, sports hall, squash courts and bar facilities

Oak Leaf Golf Complex comprising an eighteen hole golf course, golf shop and driving range

Eight football pitches including mini football and six a side pitches

Eight parks all with play equipment, two multi use games areas and four play areas

Stephenson Way and West Cemeteries and the provision of burial services

Community events including Aycliffe Show, senior citizens trips and fireworks display

Five allotments sites some with pigeon and poultry facilities

Grounds maintenance of Council owned land and facilities

Environment Officer and the Environment Centre at Moore Lane

Environmental management of a number of nature areas and open space

CCTV cameras

Civic events

Administration of the town market

Provision and maintenance of public seating, litter and dog bins and bus shelters

Park Patrol Service

The Council is managed under the policy direction of 30 Elected Members / Councillors, each representing a Ward within the Parish.

Services are provided by a workforce of around 75 staff of which 44 are full time posts and 31 part time, supported by a pool of casual or seasonal staff.

## Financial Needs and Resources

### Revenue Spending

The provision of the various services, facilities and activities by the Council incurs **day to day running costs** such as staffing costs, building and vehicle running costs, and the purchase and procurement of various supplies and services.

Sometimes, external funding is available towards the running costs of specific services e.g. the pre school learning centres, and in other service areas fees and charges may be levied for the various services provided e.g. sports and golf complex, cemeteries and allotments.

This is known as **revenue expenditure and income** and is accounted for via the **Income and Expenditure Account**.

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

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

### Capital Investment

In addition to its day to day revenue spending, the Council also needs to incur one off **capital expenditure** in relation to investment in the various fixed assets supporting front line service provision, such as buildings, vehicles and machinery. Capital expenditure either creates a material new fixed asset or significantly enhances the life or use of an existing fixed asset.

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

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

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

### Influences on Council Income and Expenditure

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

**Income from fees and charges is largely driven by demand** for the services in question, and while this can be managed to a lesser extent by marketing etc, it is significantly influenced by economic, demographic and social factors.

There are also many **influences on Council expenditure** which again are **largely driven by economic, demographic and social factors**.

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

## Revenue Spending 2009/10

The Council set a **Precept of £1,625,500 for 2009/10** which was based on the Net Revenue Budget Requirement or the estimated net cost of running all Council services. This represented **an increase** on the 2008/09 Precept of 3.1% and **in Council Tax of 2.9%**.

**Actual revenue spending** in 2009/10 totalled **£1,361,913**, which meant the Council achieved an overall **saving of £263,587 or 16%** against the 2009/10 Revenue Budget.

The outturn position is summarised below:-

<b>Committee / Budget</b>	<b>2008/09 Actual Spend £</b>	<b>2009/10 Budget Spend £</b>	<b>2009/10 Actual Spend £</b>	<b>2009/10 (Saving) / Overspend £</b>
<b>Policy and Resources</b>				
Members and Civic Expenses	72,361	80,800	67,744	(13,056)
Finance Service	66,719	67,100	60,267	(6,833)
Administration Service	112,976	118,900	117,211	(1,689)
Corporate Service	247,213	266,750	250,376	(16,374)
Pre School Learning Centres	18,310	71,400	9,317	(62,083)
Works Section	108,901	124,650	113,263	(11,387)
Depot	22,799	26,150	25,083	(1,067)
Capital Financing Charges	13,906	29,050	41,779	12,729
<b>Total</b>	<b>663,185</b>	<b>784,800</b>	<b>685,040</b>	<b>(99,760)</b>
<b>Recreation</b>				
Special Events	135,960	141,450	128,868	(12,582)
Sports Complex	279,877	324,050	291,685	(32,365)
Sports Pitches	19,074	20,150	19,538	(612)
Golf Course	40,861	35,800	61,802	26,002
Driving Range	26,400	23,050	29,107	6,057
Parks	248,981	266,600	260,937	(5,663)
Play Areas	45,834	52,600	56,807	4,207
<b>Total</b>	<b>796,987</b>	<b>863,700</b>	<b>848,744</b>	<b>(14,956)</b>
<b>Environment</b>				
Environment and Open Spaces	76,300	149,450	107,833	(41,617)
Public Conveniences	2,276	2,350	2,395	45
Street Equipment	20,640	23,000	17,578	(5,422)
Allotments	12,138	13,550	1,136	(12,414)
Cemeteries	28,166	32,450	7,278	(25,172)
Church Works	5,100	6,500	6,376	(124)
<b>Total</b>	<b>144,620</b>	<b>227,300</b>	<b>142,596</b>	<b>(84,704)</b>
<b>Gross Budget</b>	<b>1,604,792</b>	<b>1,875,800</b>	<b>1,676,380</b>	<b>(199,420)</b>
Removal of Depreciation	(291,986)	(315,300)	(324,467)	(9,167)
Contingency Sum	-	65,000	10,000	(55,000)
<b>Net Budget / Spending</b>	<b>1,312,806</b>	<b>1,625,500</b>	<b>1,361,913</b>	<b>(263,587)</b>

## Reasons for the Revenue Budget Savings

The main reasons for the saving on the Revenue Budget were as follows:-	£
- Unbudgeted Double Taxation Grant for cemeteries and allotments	38,500
- Limited use of the Contingency Sum / Contribution to Capital Reserves	55,000
- Lower than expected officer pay award	20,000
- Savings on staff turnover, cover and overtime	35,000
- Increased pre school funding arising from increased funding rates and numbers of children running at capacity levels	30,000
- Renegotiated gas and electricity contracts	15,000
- Environmental waste disposal charges not implemented	10,000
- Savings on corporate related costs	10,000
- Savings on the Sports Complex Budget	15,000
- Savings on the Special Events Budget	10,000
- Savings on bank charges	5,000
- Savings on IT costs	5,000
- General efficiency savings on supplies and maintenance costs	15,000
	<hr/>
	<b>263,500</b>

The **saving 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 detail on Council Balances is provided later in the report.

More detailed information on the Council's Budgets and spending is available to view on the Council's website.

## Income and Expenditure Account 2009/10

It should be noted there is a small difference between the Revenue Budget saving shown above and the surplus shown on the Income and Expenditure Account.

The difference relates to the inclusion in the Income and Expenditure Account of capital expenditure that was not enhancing to the value of the fixed assets in question or that was below the Council's de-minimus capital expenditure limit i.e. not material.

Such expenditure must be charged to the Income and Expenditure Account.

Non enhancing and de-minimus capital expenditure totalled £35,131 in 2009/10 and this accounts for the difference between the Income and Expenditure Account surplus and the Revenue Budget saving detailed above.

It should also be noted that the statutory accounting requirements of the Income and Expenditure Account requires the inclusion of a number of notional accounting entries relating to the Balance Sheet that are not included in the above Revenue Budget analysis.

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

## Capital Investment 2009/10

The Council set an initial **Capital Programme Budget for 2009/10** of £140,000.

However this was subsequently increased to **£347,150** to account for the approved carry forward of £127,500 from 2008/09 regarding ongoing and committed projects and some additional projects, emergency works and brought forward projects approved during the the year totalling £79,650.

The budget provided for a significant number of projects including building works to the Council Offices, Stephenson Way Cemetery and Simpasture changing rooms, automatic doors and indoor bowls hall works at the Sports Complex, the completion of Sheila's Garden and the picnic area at St Oswald's Park, golf course access improvements, a youth shelter at Horndale and various replacement vehicles, machinery, office equipment and IT hardware.

**Actual spending** on the Capital Programme during the year **totalled £301,207**, of which **£44,418** was **funded from external grants and contributions**, **£221,658** from **Council Reserves**, while **£35,131** was **recharged to revenue accounts** relating to expenditure that was non enhancing to the value of fixed assets or under the de-minimus threshold.

A number of projects were ongoing or due to start at the end of financial year, and were required to be carried forward to 2010/11. These projects included the public toilets works at St Oswald's Park, the Sports Complex heating system replacement, the completion of the building works at Stephenson Way and West Cemeteries and the St Oswald's Allotments access road.

**Total capital commitments carried forward to 2010/11 were £67,500.**

## Fixed Asset Disposals

The only material assets disposed of during the year were four pieces of land at High Barn Road in School Aycliffe for a net capital receipt of £16,726, after deducting the claw back due to the Homes and Communities Agency from whom the land originally transferred.

## Impact of the Recession on the Council during 2009/10

There is no doubt that the recession during 2009 and the ongoing uncertainty in the economy have had an impact on the Council's finances and in a number of service areas.

In particular, falling demand for leisure services has significantly hit income levels in relation to the sports complex and golf complex, while the interest receivable on the Council's invested balances is now minimal.

However, despite this, the Council is still in a relatively strong financial position largely due to the savings achieved on the Revenue Budget last year, the reasons for which were described in detail earlier in the Report.

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

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



## Balances and Reserves

The favourable outturn position on the Council's Revenue Budget, allowed the Council to **contribute £263,587 to balances** during the year. Even after accounting for the financing of the 2009/10 Capital Programme, the Council was still able to carry forward a higher level of balances than originally anticipated.

The Council carried forward **balances and reserves** totalling **£782,730 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 2010/11 Budget, Medium Term Financial Plan and Asset Management Plan.

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

	£
<b>General Fund Balance</b>	106,977
<b>Earmarked Revenue Reserves</b>	25,753
<b>Earmarked Capital Reserves</b>	
<i>Buildings Works Reserve</i>	300,000
<i>Vehicle and Machinery Reserve</i>	150,000
<i>Parks and Play Equipment Reserve</i>	100,000
<i>Street Equipment Reserve</i>	20,000
<i>ICT Reserve</i>	20,000
<i>Sports Complex Reserve</i>	20,000
<i>Golf Complex Reserve</i>	20,000
<i>Insurance Reserve</i>	20,000
<b>Total Balances and Reserves</b>	<b>782,730</b>

This level of balances and reserves is considered to be a **prudent level of balances** to support the **future capital investment requirements of the Council and to protect against unforeseen revenue 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, current assets such as debtors, stocks, bank balances and investments etc, less the value of its outstanding liabilities such as its loans, creditors etc.

The net worth of the Council **decreased slightly** over the course of the year **from £6,242,339 to £6,224,724**, mainly as a result of the depreciation, or loss in value, of the Council's fixed assets over the course of the year, although the capital investment undertaken during the year as described in the Capital Programme section of the report did largely offset these losses.

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

## Borrowing

The Council had **outstanding loans of £272,693 as at 31st March 2010.**

Principal repayments totalling £24,150 were made during the year, with interest payments in respect of the outstanding loans totalling £17,869.

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

## Investments

As at **31st March 2010**, the Council had **£600,000** 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 was minimal and totalled £2,921 during 2009/10.

## Fixed Assets

The Council held fixed assets in the way of its land, operational buildings, plant, machinery, vehicles and equipment to a **value of £6.2 million as at 31st March 2010**.

## Future Plans

The Council's future plans including specific **aims and targets for 2010/11** are **set out in the Parish Performance Plan** and the **resourcing of these plans is set out in the 2010/11 Revenue and Capital Budgets**.

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

The Council's **Revenue Budget plans for 2010/11** are broadly **based around existing levels of service** and there are no plans for significant additional or new investment in services as this was not considered appropriate in the current financial climate.

Some small provision for investment in existing services has been provided for such as three apprentice posts, an additional Fun In The Parks event, environmental projects and initiatives, additional planting of flower and shrub beds and a Golf Course Warden.

In addition, the Town Park Warden Service has been ceased and replaced with an enhanced Park Patrol Service covering all Council parks, play areas and other facilities.

However, in overall terms, as a result of the incorporation of Double Taxation Grant into the Revenue Budget as well as the identification of efficiency savings, **the Council reduced its Precept in 2010/11, resulting in a reduction in the Town Council Tax of 1%**.

**Future Capital Programme plans are based around the delivery of the Asset Management Plan** and include planned works to replace the Sports Complex bar roof and heating system, bringing the former bowls pavilion at St Oswald's Park back into Council use, replacement vehicles, machinery and computer hardware, a new play area at School Aycliffe and providing additional plots at St Oswald's Allotments.

**Future Capital Programme plans will be largely funded from Council Balances and any external capital grants and contributions that may become available.**

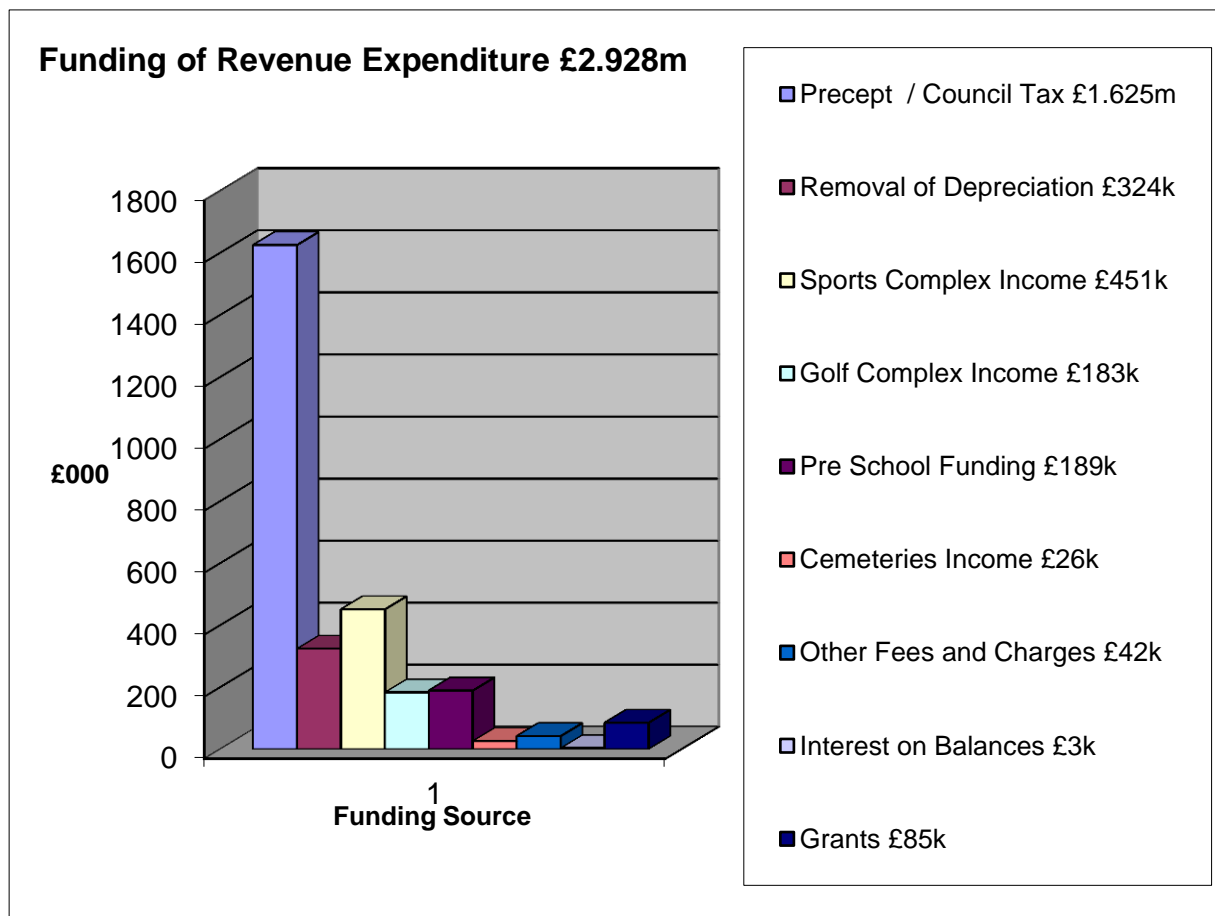
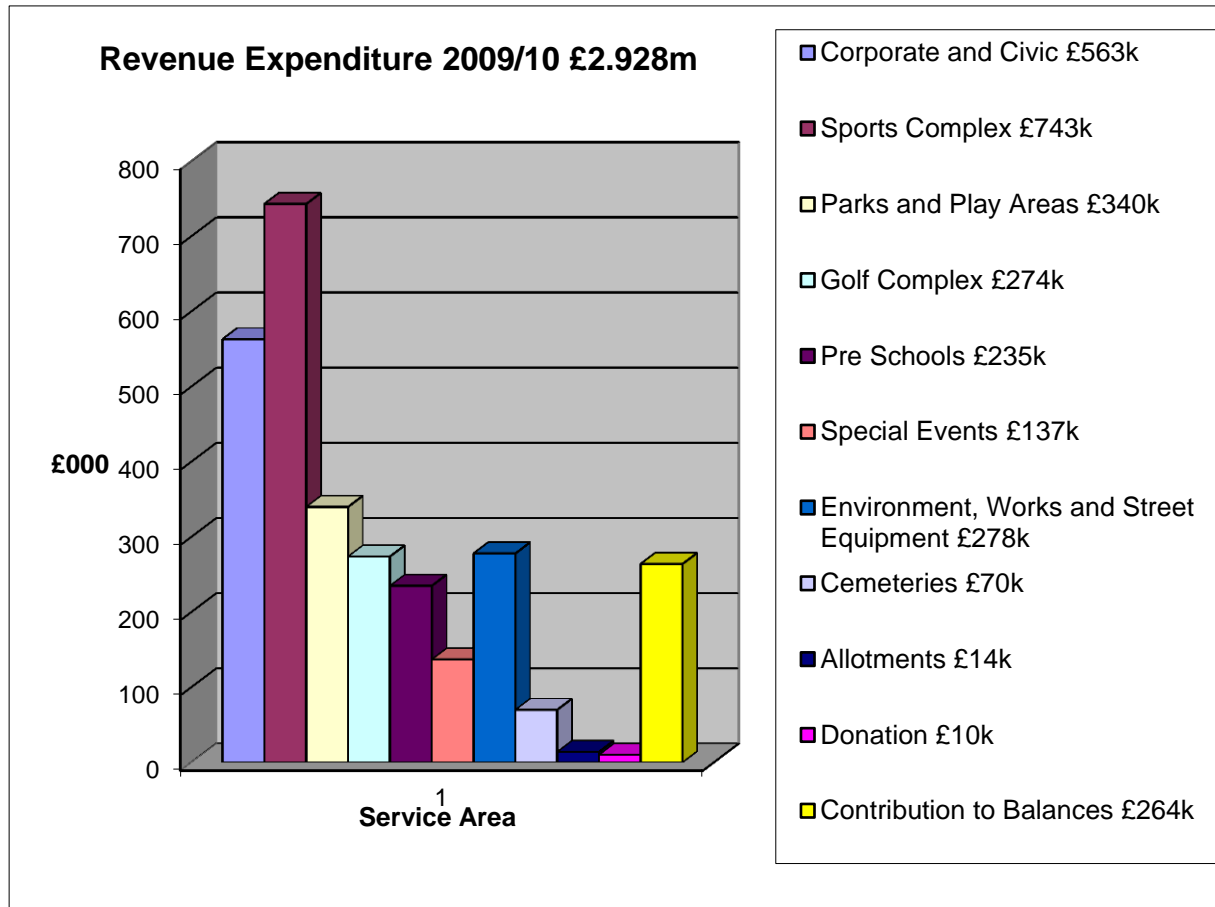
In addition, the Council is also currently looking into the feasibility of a major scheme in the Horndale area of the town with a view to developing an urban park. The costs of this project are still being investigated but could be significant and the Council may need to consider additional borrowing to meet the costs, should the project go ahead.

Details of the Council's future plans can be found within the various documents referred to above, which are available to view at the Council Offices or on the Council website.

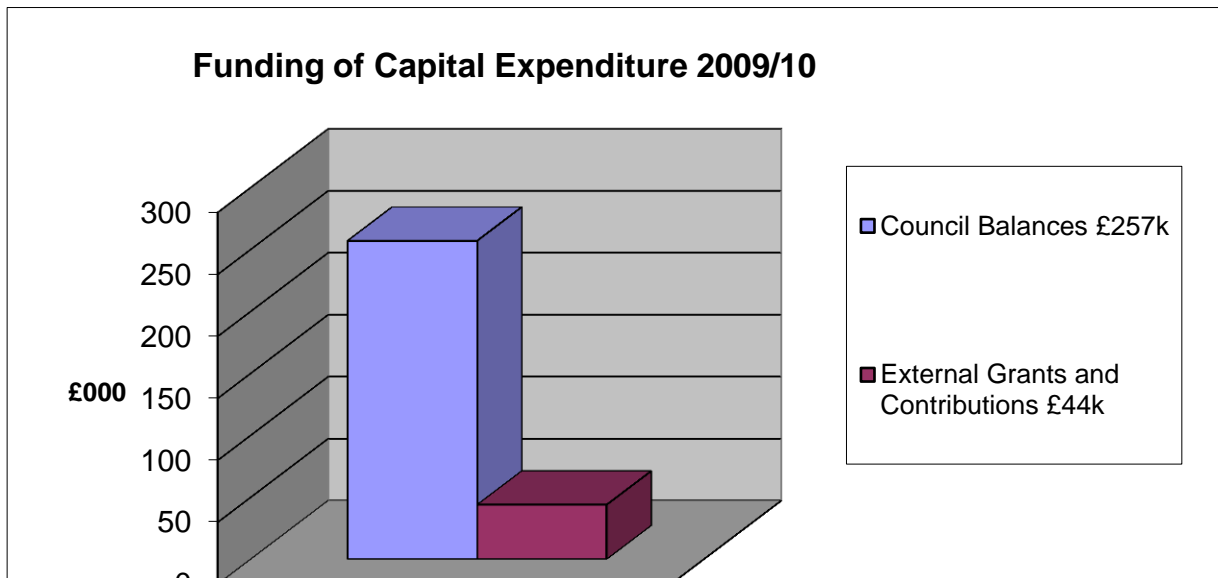
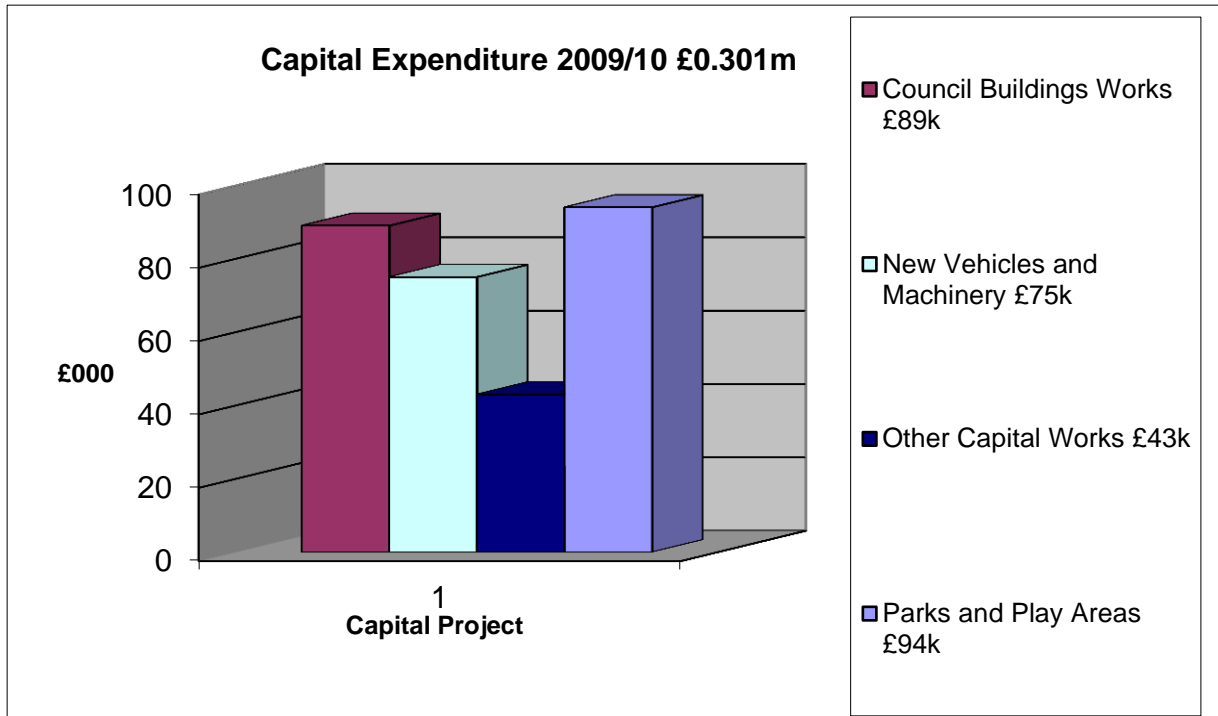
**Dan Austin**  
**Finance Manager**

**Date**            **16th June 2010.**

## Summary of Gross Revenue Expenditure in 2009/10 i.e. The Total Cost of Running the Council's Services



## Summary of Capital Spending in 2009/10 i.e. Investment in Council and Community Assets



# 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 the Financial Reporting Standard for Smaller Entities (FRSSE), effective 2008.

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

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with proper accounting practices as set out in the FRSSE.

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 presents a true and fair view of the financial position of Great Aycliffe Town Council for the year ended 31st March 2010 and of its income and expenditure for that year.

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

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

## **Opinion on the financial statements**

I have audited the accounting statements and related notes of Great Aycliffe Town Council for the year ended 31st March 2010, under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement of Reserves, the Balance Sheet and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Great Aycliffe Town Council in accordance with Part II 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 published by the Audit Commission in April 2008.

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

The Finance Manager's responsibilities for preparing the accounting statements, in accordance with relevant legal and regulatory requirements and the Financial Reporting Standard for Smaller Entities (Effective April 2008), are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Financial Reporting Standard for Smaller Entities (Effective April 2008).

I review whether the governance statement reflects compliance with 'Governance and Accountability for Local Councils: A Practitioners' Guide (England) 2010' published by the National Association of Local Councils (NALC) in 2010. I report if it does not comply with proper practices specified by NALC or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting 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 and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

## **Basis of audit opinion**

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

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

## **Opinion**

In my opinion, the Council accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Financial Reporting Standard for Smaller Entities (Effective April 2008), of the financial position of the Authority as at 31st March 2010 and its income and expenditure for the year then ended.

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

### **Council's responsibilities**

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and 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 and published in January 2009. I report if significant matters have come to my attention which prevent me from concluding that the Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council'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 January 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 ended 31st March 2010.

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



## Statement of Accounting Policies

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

### Statutory Requirements

In previous years, the Council's Statement of Accounts was prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - 'A Statement of Recommended Practice' (the SORP) as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) each year.

With effect from 1st April 2009, the requirement for larger local councils to prepare their accounts in accordance with this Code of Practice has been removed by CIPFA.

However the statutory requirement set out in the Local Government Act 2003 and Accounts and Audit Regulations 2003 for all relevant bodies 'to prepare, in accordance with proper practices, a statement of accounts each year', remains in place.

For financial years commencing 1st April 2009 and thereafter, 'proper practices' in relation to the preparation of the accounts of larger local councils are now set out in Part 4 of 'Governance and Accountability for Local Councils - A Practitioners Guide 2010'.

This guidance was developed and issued by the Joint Practitioners Advisory Group which is made up of a number of stakeholders including the National Association of Local Councils (NALC), the Society for Local Council Clerks (SLCC), CIPFA, the Department for Communities and Local Government (CLG) and the Audit Commission.

The guidance has been based on the requirements of the Financial Reporting Standard for Smaller Entities (FRSSE), effective 2008. By following the provisions of FRSSE, larger local councils will meet the requirement to follow proper practices.

### Accounting Principles and Concepts

Regard has been given to the following key accounting principles and concepts in the preparation of the Statement of Accounts and in the selection and application of the accounting policies and estimation techniques that follow:-

- Going Concern
- Prudence
- Accruals
- Relevance
- Consistency
- Reliability
- Comparability
- Understandability
- Materiality
- Primacy of Legislative Requirements

Explanation of these accounting principles and concepts is provided in the Glossary of Terms on pages 60 to 72.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets as was required under the Code of Practice for Local Authority Accounting in the United Kingdom up until 2009/10.

## Changes to Accounting Practice to meet FRSSE requirements

As set out earlier, for financial years commencing 1st April 2009 and thereafter, the Council's Statement of Accounts must be prepared in accordance with the Financial Reporting Standard for Smaller Entities (FRSSE), effective 2008.

The requirements of the FRSSE are quite different to those set out within the Code of Practice on Local Authority Accounting and on which the Statement of Accounts had been based up until the financial year ended 31st March 2009.

The structure of the Statement of Accounts and format of some of the financial statements has changed, as well as the accounting treatment of certain items within the Accounts. Accounting Policies have been updated and changed where necessary.

All relevant changes have been incorporated into the Council's Statement of Accounts for 2009/10, and in all cases where the format of the accounts has changed or where the accounting treatment is different, the 2008/09 comparative figures have been restated.

In some cases, statutory powers take precedence over FRSSE, and Part 4 of Governance and Accountability for Local Councils allows some deviations from the FRSSE in respect of specific circumstances e.g. accounting for deferred grants and fixed asset valuations.

In addition, in some cases a decision has been taken to include additional information, over and above the minimum disclosure requirements of FRSSE, in line with the size of the Council and the scope of its activities, in order to present a true and fair view.

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

- There is no mandatory requirement to prepare a Cash Flow Statement, although voluntary disclosure of cash flow information is permitted;
- An Annual Report must now be included in the Statement of Accounts;
- There is no mandatory requirement to operate a Grants Deferred Account, although the accounting guidance makes allowance for Councils to continue to operate the account subject to full disclosure in the Accounting Policies;
- There is no requirement to formally revalue fixed assets every five years;
- All fixed assets are required to be measured at historic cost, written down to recoverable amount under FRSSE. However, a transitional provision exists whereby under the first accounting period under FRSSE, councils are permitted to retain existing book amounts and carry these forward;
- There is no requirement to show sub division of fixed assets on the Balance Sheet e.g. land and buildings, vehicles, machinery etc;
- There is no requirement to include a Statement of Movement on the General Fund Balance due to all accounting entries that were previously made via this statement now being made directly to the Income and Expenditure Account;
- The Income and Expenditure Account must be charged with an 'appropriate' amount' equivalent to loan repayment and interest costs;
- A Statement of Movement on Reserves must be included in the Accounts;
- The Capital Financing Account replaces the Capital Adjustment Account;
- The format of the Income and Expenditure Account has changed significantly, particularly in relation to the analysis of net cost of services;
- A Statement of Total Recognised Gains and Losses is now only required if the Council undertakes a revaluation of its fixed assets.

# 1. Revenue Accounts

## 1.1 Income and Expenditure

The Council's revenue accounts are maintained on an income and expenditure basis, applying the accruals concept, in accordance with the FRSSE and FRS18.

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

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

At the year end, adjustments 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, and receipts in advance.

The exception to the above rules 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 service areas 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 then 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 Democratic, Management and Civic Costs. These are costs relating to the Council's status as a multi functional, democratic organisation and include all members, civic and corporate management costs.

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

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

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

### **1.4 External Loan Repayments**

The Council currently has four outstanding loans from the Public Works Loan Board (PWLB) and these are accounted for in accordance with the Schedule 1 of the Local Government Act 2003 and the guidance contained within Part 4 of Governance and Accountability for Local Councils 2010.

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 whereby the proportion of the principal in relation to the annual repayment increases throughout the term of the loan.

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

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

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

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

The effect of this statutory requirement is that the Income and Expenditure Account is debited each year with actual loan interest paid as well as the statutory 'appropriate amount', which also includes an element of loan interest paid. In order to ensure that local taxpayers are not affected by this double charge, an amount equivalent to actual loan interest paid is reversed out from the Income and Expenditure Account via the Capital Financing Account.

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

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

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

## **1.6 Pensions**

Section 10 of the FRSSE sets out the accounting requirements for entities operating either direct contribution or defined benefit pension schemes.

The employees of the Council are participants in the Durham County Local Government Pension Fund, which is a defined benefit scheme that is also a multi-employer scheme.

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

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

Where fair valuation is not possible, Part 4 of Governance and Accountability for Local Councils 2010 allows pension costs to be accounted for on a defined contribution basis 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 Pension Fund for these employees during the year.

Employer's contributions are determined by the Fund's actuary on a triennial basis and are 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 2008/09 to 2010/11 and contribution rates are now based upon a % of the Council's pensionable payroll costs. The Council's rate for 2010/11 will be 19.7% which is a 1.5% increase on the 2009/10 pension contribution rate of 19.4%.

## **1.7 Insurances**

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

The Council also holds an Insurance Reserve to protect against any unfunded risks and to provide self insurance where relevant to minimise 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 creditor or debtor.

## **1.9 Acquired and Discontinued Operations**

Income and expenditure relating to any 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 2009/10.

## **1.10 Contingent Assets**

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

## **1.11 Contingent Liabilities**

Contingent liabilities have not been accrued in the accounting statements, but disclosed in Note 9 to the Balance Sheet on page 55, if there is a possible obligation, which may require a payment or 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 will be given in the notes to the accounts.

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

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

Any extraordinary items will also 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.

A number of prior year adjustments have also been required to the 2008/09 comparative figures to account for changes in the format of the financial statements arising as a result of the transition to FRSSE in 2009/10.

Material adjustments applicable to prior years, are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and in the 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 the FRSSE, any grants received in respect of revenue expenditure are matched against the appropriate expenditure to which they relate in the same accounting period.

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, some land at the depot site to a telecommunications provider regarding a telephone mast, and also has in place a number of machine rental agreements regarding office equipment, vending machines etc.

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 FRSSE.

## **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 the FRSSE, which requires stocks to be shown at the lower of actual cost or net realisable value. The effect of this accounting treatment has not been quantified. However, the opinion is held that the difference in value would not be material.

### **2.2 Investments**

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

During the accounting period the Council invested its surplus balances in a short term bank treasury deposit usually 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 FRSSE. This means that sums due to or from the Council are included in the accounts on the date on which the goods or services were actually provided or received, irrespective of whether or not the cash has actually been received or paid in the year.

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

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, prepayments are included for any payments already made in respect of goods and services relating to the following year that are required to be carried forward and receipts in advance are included for any income already received in respect of the following year that is required to be carried forward to that year.

### **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 best practice 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 in recent years.

### **2.5 Provisions**

In accordance with FRSSE, provisions are required to be included in the Accounts for any liabilities of uncertain timing or amount that exist at the Balance Sheet date, 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. The Council does not currently hold any provisions.

### **2.6 Deferred Capital Grants**

In accordance with the previous requirements under the Code of Practice on Local Authority Accounting, the Council accounted for capital grants on a deferred basis, amortising the grants over the useful life of the fixed asset to which they related by making an annual credit to the appropriate revenue account to match the depreciation charge.

This accounting treatment is not required under the FRSSE, but Part 4 of Governance and Accountability for Local Councils allows larger local councils to continue with this policy.

The Council has decided to continue with its accounting policy of deferring capital grants.



## 2.7 Balances and Reserves

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

Expenditure cannot be financed directly from a reserve and must instead be charged to the appropriate service revenue account or capital account and funded by an transfer from the appropriate reserve.

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

The Council currently holds the following balances and reserves:-

- **General Fund Balance** which represents the funds available to meet any shortfall between expenditure incurred in running the Council's services and the income available to fund them. Any surplus on the Council's Revenue Budget would initially be transferred here and any deficit would be met from here. This Balance will be used to provide future support to the Revenue Budget to maintain services and / or meet unexpected costs and liabilities.
- **Revenue Budget Support Reserve** which is set aside to provide for the carry forward of unspent revenue resources from one year to the next to meet ongoing revenue spending commitments;

**Earmarked Capital Reserves** were also in place as at 31st March 2010, and were set aside for specific capital expenditure purposes as follows:-

- **Buildings and 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;
- **Parks and Play Equipment Renewals Reserve** which is set aside to fund parks related capital investment and the cost of replacing play equipment;
- **Street Equipment Renewals Reserve** which is set aside to meet the cost of replacing street equipment such as bus shelters, lighting, seating and bins;
- **Sports and Golf Complex Reserves** which are held to fund non building related capital investment specific to the Sports and Golf Complex including replacement of machinery and equipment relating to these facilities;
- **ICT Reserve** which is set aside to meet the costs of any major computer related investment e.g. new systems, pc replacement, servers etc;
- **Insurance Reserve** which is set aide 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 minimise future premiums.

The reserves maintained to manage the capital accounting processes for fixed assets i.e. the Revaluation Reserve and Capital Financing Account, do not represent usable resources for the Council. These are explained in Accounting Policies 3.11 and 3.12.

## 2.8 Post Balance Sheet Events

This is a material event which occurs after the date of the Balance Sheet which:-

- provides 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.

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

Any occurrence of a material post balance sheet event which concerns conditions which *did not* exist at the balance sheet date, will be disclosed in the notes to the accounts, detailing the nature of the event and, 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

All expenditure on the acquisition, creation or enhancement of tangible fixed assets, above the Council's de minimus limit, is recognised on a consistent basis and capitalised in the Balance Sheet, at cost, and on an accruals basis.

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

Expenditure on new fixed assets is capitalised, provided that the new fixed asset yields benefits to the Council 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 existing 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 a capital project such as overhead recharges and feasibility studies, will be charged to the appropriate revenue account in the year they are incurred.

Capital expenditure that is non enhancing to the value of an existing fixed asset or below the Council's de-minimus limit is also recharged direct to the appropriate revenue account in the year in which it is incurred.

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 Measurement

The FRSSE requires that all expenditure on tangible fixed assets is measured at cost and then written down to its recoverable amount if necessary.

All fixed asset expenditure will be 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 definition of enhancing capital expenditure.

However, it is important to note that some of the Council's existing land and buildings are measured on a different basis, as they have been revalued under the requirements of the Code of Practice on Local Authority Accounting in 2005/06.

However, a transitional provision exists within the FRSSE, that allows existing book values to be carried forward to the first accounting period under FRSSE, if the Council chooses not to adopt an accounting policy of restating existing fixed asset valuations to historic cost.

The Council has chosen *not* to adopt a policy of restating asset values and will therefore retain the existing book amounts under the transitional provision set out in paragraph 19.3 of the FRSSE.

More detail on the valuation basis of the Council's fixed assets is set out in the following Accounting Policy.

### 3.3 Fixed Asset Valuation

As highlighted in Accounting Policy 3.2, the Council's fixed assets have previously been valued on the basis recommended by CIPFA, as outlined in the Code of Practice on Local Authority Accounting and in accordance with the statements of asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors.

At the 1st April 2005 a full revaluation of the Council's land and buildings was carried out by the District Valuer in accordance with the above and the current fixed asset balances reflect these valuations, net of depreciation charged since this date.

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

- Specialised operational land and buildings at depreciated replacement cost
- Non specialised operational land and buildings at existing use value
- Non operational assets at open market value.
- Community assets at historic cost.
- Vehicles, plant, machinery and equipment at depreciated historic cost

However, as already set out in Accounting Policy 3.2, for the first accounting period under FRSSE, a transitional provision is available that allows the Council to retain the existing book amounts, subject to full disclosure in the Accounting Policies.

### 3.3 Fixed Asset Valuation (Continued)

The Council has taken advantage of this transitional provision and all closing fixed asset valuations as at 31st March 2009 have been carried forward to the first accounting period under the FRSSE, beginning on 1st April 2010.

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

Fixed assets now no longer need to be revalued every five years, as was the case under the Code of Practice, and while the FRSSE allows revaluation, Part 4 of Accountability and Governance for Local Councils 2010 does not recommend this.

Any surplus or deficit arising from the future revaluation of fixed assets would need to be accounted for via the Revaluation Reserve and Capital Financing Account which are described in detail in Accounting Policies 3.11 and 3.12.

### 3.4 Depreciation

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

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

<b>Asset Type</b>	<b>Years</b>	<b>Estimation Basis</b>
Buildings	10 - 45	As provided previously by the District Valuer.
Vehicles and machinery	5 - 10	As estimated by Service Managers.
Plant and equipment	5 - 25	As estimated by Service Managers.

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

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

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

Where the 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.

### **3.5 Impairment**

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

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 will be adjusted as follows:-

- where attributable to clear consumption of economic benefits, the loss is charged to the relevant service revenue account; or otherwise
- the loss is written off first against any previous revaluation gains in the Revaluation Reserve and then against the 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; or
- a commitment by the authority to undertake significant reorganisation.

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

However every year, a 'desk top' review of impairment is carried out by a multi disciplined team of officers to review possible impairment of the Council's fixed assets.

### **3.6 Fixed Asset Disposals**

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

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

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

### **3.7 Capital Charges to Revenue**

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

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

All expenditure on repairs and maintenance of fixed assets, de-minimus 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.

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

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

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

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

There has been no Revenue Expenditure Funded From Capital Under Statute in the year.

### **3.9 Intangible Assets**

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

The Council does not currently have any intangible assets.

### **3.10 Capital Grants and Contributions**

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

Capital grants and contributions are then transferred to the Deferred Capital Grants Account to fund the capital expenditure or 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.

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

Accounting Policy 2.6 on Deferred Capital Grants provides further details.

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.

### **3.11 Revaluation Reserve**

The Revaluation Reserve is an account that would record 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.

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

### **3.12 Capital Financing Account**

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

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

### **3.13 Infrastructure Assets**

Any expenditure incurred on infrastructure assets, will be written off as expenditure non enhancing to the value of the Council's fixed assets in the year it was incurred and charged direct to the appropriate service revenue account.

### **3.14 Capital Receipts**

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

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

## **4. Group Accounts**

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

The Council does not currently have any such interests.

## **5. Financial Instruments**

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

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

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

The FRSSE does not require such disclosures to be made, and as such all disclosures relating to financial instruments have been removed from the Statement of Accounting Policies.

The Council has adopted the CIPFA Treasury Management in the Public Services Code of Practice and if the reader should require any further information about the Council's borrowings and investments, they should refer to the Council's Treasury Management Code of Practice which is available to view on the Council 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, as applicable to the parish and town council sector, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council is also required to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to value for money via a combination of economy, efficiency and effectiveness.
- (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 and ensuring a sound system of internal control.
- (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 strategic aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, 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 2010, 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
  - Service Reviews via the Service Review Working Group which review the quality and cost effectiveness of Council 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.
- The Budget Framework and annual budget setting 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.
- The 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 annually reviewed insurance arrangements.
- Inclusion of the 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 which identifies 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 recommendations by Environment, Recreation and Policy and Resources Committees, 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 Service Review Working Group in reviewing the quality and cost effectiveness of the various services provided by the Council.
- The work of the Audit Sub-Committee with responsibility for the review of internal financial controls and risk management.
- The 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 2009/10, 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 2009/10**

- (a) The governance issues that were highlighted in the 2008/09 Annual Governance Statement have all now been progressed. Details of the progress made during the year in respect of each issue are shown below:-

### **Overview and Scrutiny Arrangements**

This was an ongoing issue that had been carried forward from the 2007/08 and 2008/09 Annual Governance Statements.

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 had been considered that the Council's Constitution and particularly the Committee structure provided limited scope for effective scrutiny of decisions, due to all Members sitting on all Committees and in the absence of a formal Overview and Scrutiny Committee.

The Council had been awaiting new guidance from the National Association of Local Councils (NALC) on Local Council Standing Orders, before undertaking a full review of the Council's Constitution, fully taking into account the issue of overview and scrutiny as applicable to larger town councils.

However, it has since been confirmed that the 'effective scrutiny function' referred to in the Governance Framework, is only relevant to the executive arrangements introduced for principal councils under the Local Government Act 2000, namely:-

- i) Elected Mayor and Cabinet
- ii) Leader and Cabinet
- iii) Elected Mayor and Council Manager

These arrangements require delegation to individual Councillors and a formal Overview and Scrutiny Committee.

These arrangements are not applicable or appropriate to local councils and the Town Council is not required to have a formal scrutiny function in place.

It is therefore clear that the present system of undertaking Council business through a committee system and appropriate delegation arrangements and standing orders, as required under the Local Government Act 1972 and various applicable Sections, is the basis for the Council Constitution.

The Council's Scheme of Administration has been fully reviewed and re-written during 2009/10 and all relevant information including Standing Orders, Financial Regulations, Codes of Conduct etc have been brought together under a new Council Constitution.

## **Overview and Scrutiny Arrangements (continued)**

The issue of Committee structure and overview and scrutiny of decisions was a key part of this review and various changes have been made to the Council's Committee structure and to the powers and responsibilities of Committees in order to resolve these issues as follows:-

- Wider scope and additional responsibilities have been given to the Audit Sub Committee;
- The numbers of Members on the Policy and Resources, Recreation and Environment Committees have been reduced to 26;
- The position of 'Leader' is re-affirmed as fulfilling a lobbying role and as a conduit to the Town Clerk from the largest party political majority of the Council, although it is recognised and understood the 'Leader' has no greater authority than any other local councillor;
- The decision making process remains vested with the Council, however a clear scheme of delegation to Officers and Committees is included in the Council's Constitution and Standing Orders;
- The powers and duties of committees and sub-committees have been considered at the Council's AGM and amended accordingly in the powers and duties section of the Constitution to reflect the needs of the Council and its business;

A full copy of the Council's Constitution is available to Councillors in the Council Chamber. Individual Councillor information books have also been issued which contains the following documents:-

- Committee Structure
- Powers and Duties of Committees
- Standing Orders (Business)
- Standing Orders (Contracts and Procurement)
- Financial Regulations
- Members Allowance Scheme
- Member and Officer Relations Protocol
- List of Council Policies

## **Golf Professional Issues**

Significant problems were experienced during 2008/09 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, and deterioration in customer satisfaction levels.

These problems led to 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 as a result the contract was subsequently terminated in February 2009.

## **Golf Professional Issues (continued)**

The Council appointed a new Golf Professional, who commenced work in June 2009. The Golf Professional Contract has been comprehensively reviewed and updated where necessary, while enhanced management and supervision arrangements have been implemented to ensure that the problems encountered do not happen again.

In addition, the Council has made significant revenue and capital investment at the Golf Complex with a view to improving internal controls, operational performance and quality of service.

These investments have included the employment of a seasonal golf warden, the introduction of bag tags, internal and external CCTV cameras, improved course access and alterations to the golf shop building.

Internal controls and operational and financial performance of the facility has improved dramatically during 2009/10 and no further concerns have been raised by the Internal Auditor during the year.

## **6 Corporate Governance Issues 2009/10**

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

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

There are therefore no corporate governance issues to report for 2009/10.

## **7 Approval Statement**

- (a) This Statement was approved at a meeting of the Council's Policy and Resources Committee on the 23rd June 2010 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.

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

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

**Income and Expenditure Account  
for the Year Ended 31st March 2010**

2008/09 £		2009/10 £
	<b>Income</b>	
1,576,775	Precept	1,625,500
15,070	Grants received	85,019
30,175	Rental income, leases and licences	27,698
32,688	Interest receivable and investment income	2,921
659,010	Fees and charges for services	672,151
170,910	Other income and contributions	190,925
63,278	Deferred capital grants released to revenue	87,531
<b>2,547,906</b>	<b>Total Income</b>	<b>2,691,745</b>
	<b>Expenditure</b>	
	<b>Direct Service Costs</b>	
904,386	Salaries and wages	973,168
2,691	Grant aid expenditure	11,460
1,124,842	Other direct service costs	1,189,789
	<b>Democratic, Management and Civic Costs</b>	
326,552	Salaries and wages	324,590
196,047	Other democratic, management and civic costs	177,065
	<b>Exceptional Items</b>	
14,209	(Gains) and losses on disposal of fixed assets	18,913
<b>2,568,727</b>	<b>Total Expenditure</b>	<b>2,694,985</b>
<b>20,821</b>	<b>Net Operating (Surplus) / Deficit for Year</b>	<b>3,240</b>
	<b>Balance Sheet Appropriations</b>	
(14,209)	Reversal of losses on disposal of fixed assets	(18,913)
63,278	Reversal of deferred capital grants and contributions	87,531
(297,236)	Reversal of fixed asset depreciation and impairments	(324,467)
22,253	Statutory charge for capital (loan repayment costs)	24,153
<b>(205,093)</b>	<b>Net (Surplus)/Deficit to the General Fund Balance</b>	<b>(228,456)</b>

## Statement of Movement on Reserves

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

This incorporates the transfer of the surplus from the Income and Expenditure Account to the General Fund Balance, the subsequent transfers to earmarked reserves and the use of balances and reserves to fund capital expenditure during 2009/10.

	<b>Balance at 1st April 2009 £</b>	<b>Transfer to £</b>	<b>Transfer from £</b>	<b>Use of Reserve £</b>	<b>Balance at 31st March 2010 £</b>
<b>General Fund Balance</b>	99,429	239,206	(231,658)	-	106,977
<b>Other Revenue Reserves</b>					0
<i>Budget Support Fund</i>	35,880	15,753	-	(35,880)	15,753
<i>Brewery Sponsorship</i>	15,000	-	-	(5,000)	10,000
<b>Total Revenue Balances</b>	<b>150,309</b>	<b>254,959</b>	<b>(231,658)</b>	<b>(40,880)</b>	<b>132,730</b>
<b>Earmarked Capital Reserves</b>					
<i>Buildings Reserve</i>	400,000	-	(38,366)	(61,634)	300,000
<i>Vehicle and Machinery Reserve</i>	100,000	122,106	-	(72,106)	150,000
<i>Parks and Play Areas Reserve</i>	50,000	83,150	-	(33,150)	100,000
<i>Street Equipment Reserve</i>	-	28,959	-	(8,959)	20,000
<i>ICT Reserve</i>	15,000	25,573	-	(20,573)	20,000
<i>Sports Complex Reserve</i>	25,000	3,600	-	(8,600)	20,000
<i>Golf Complex Reserve</i>	25,000	11,636	-	(16,636)	20,000
<i>Insurance Reserve</i>	25,000	-	(5,000)	-	20,000
	<b>640,000</b>	<b>275,024</b>	<b>(43,366)</b>	<b>(221,658)</b>	<b>650,000</b>
<b>Total Balances and Reserves</b>	<b>790,309</b>	<b>529,983</b>	<b>(275,024)</b>	<b>(262,538)</b>	<b>782,730</b>

The year end surplus on the Council's Income and Expenditure Account of £228,456 was transferred to the General Fund Balance at the end of the year, along with £10,750 from the Budget Support Fund relating to unused carry forward of unspent budget from 2008/09.

A total of £40,880 was transferred from the Budget Support Fund and brewery sponsorship to revenue accounts during the year relating to the use of resources carried forward from last year to support 2009/10 commitments. A total of £15,753 was transferred from revenue accounts to the Budget Support Fund at the end of 2009/10 to support commitments in 2010/11.

The balance on the 2009/10 Capital Programme Budget requiring to be funded from reserves totalling £221,658 was funded from the appropriate Earmarked Capital Reserves.

Transfers were subsequently made between the General Fund Balance and Earmarked Capital Reserves to ensure that sufficient resources have been set aside to meet future years spending commitments as set out in the Medium Term Financial Plan and Asset Management Plan.

Transfers were also made between individual Earmarked Capital Reserves and the net total of these transfers was £231,658.

After accounting for the Revenue Budget underspend and the net financing of the Capital Programme, **total Council Balances and Reserves fell by just over £7,500 over the year.**



## Balance Sheet as at 31st March 2010

31st March 2009 £		31st March 2010		
		Notes	£	£
	<b>Operational Fixed Assets</b>			
4,834,665	Land and Buildings	1	4,693,555	
1,194,109	Vehicles, Plant, Machinery and Equipment	1	1,232,697	
244,489	Community Assets	1	293,733	
	<b>Non-Operational Fixed Assets</b>			
32,404	Surplus Assets	1	-	
5,112	Assets Under Construction	1	-	
<b>6,310,779</b>	<b>Total Tangible Fixed Assets</b>			<b>6,219,985</b>
	<b>Current Assets</b>			
500,000	Short Term Investments	2	600,000	
90,044	Debtors	3	14,264	
43,659	Prepayments		45,821	
19,195	Stocks	4	20,249	
457,827	Bank Accounts and Cash in Hand	5	290,506	
<b>1,110,725</b>	<b>Total Current Assets</b>			<b>970,840</b>
<b>7,421,504</b>	<b>Total Assets</b>			<b>7,190,825</b>
	<b>Current Liabilities</b>			
(156,663)	Creditors	6	(109,659)	
(132,561)	Accruals		(32,233)	
(31,287)	Receipts in Advance		(34,202)	
-	Provisions	7	-	
(24,155)	Borrowing Repayable within 12 Months	8	(26,224)	
<b>(344,666)</b>	<b>Total Current Liabilities</b>			<b>(202,318)</b>
<b>7,076,838</b>	<b>Total Assets less Current Liabilities</b>			<b>6,988,507</b>
	<b>Long Term Liabilities</b>			
(272,694)	Long Term Loans Outstanding	11	(246,471)	
(546,900)	Capital Grants Deferred Account	10	(503,787)	
(14,905)	Capital Contributions Unapplied	12	(13,525)	
<b>6,242,339</b>	<b>Total Assets less Total Liabilities</b>			<b>6,224,724</b>
	<b>Financed By:</b>			
32,404	Revaluation Reserve	13		0
5,416,391	Capital Financing Account	14		5,425,268
690,880	Earmarked Capital Reserves	16		650,000
99,429	General Fund Balance	16		132,730
3,235	Useable Capital Receipts Reserve	15		16,726
<b>6,242,339</b>				<b>6,224,724</b>

The Statement of Accounts for the year ended 31st March 2010 was authorised for issue and publication by the Responsible Financial Officer (Dan Austin) on 22nd September 2010 and any balance sheet events up to this date have been considered in the Accounts.

## **Notes to the Accounts**

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

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

The Income and Expenditure Account sets out all income receivable and expenditure incurred in the provision of the Council's various services during 2009/10.

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

The Council's services and budgets are structured and reported in a different way, as they are analysed by individual service areas under three committee areas which are Policy and Resources, Recreation and Environment.

The Annual Report on pages 3 to 11 provides a detailed analysis of the Council's services and activities, its financial needs and resources, the key influences on income and expenditure, a breakdown of spending and income by committee and service area including comparison against the approved Budget and a reconciliation of the outturn figures to those set out in the Income and Expenditure Account.

It is important to note that the statutory accounting requirements of the Income and Expenditure Account require the inclusion of a number of notional accounting entries relating to the Balance Sheet that are not real costs or income and which need to be removed as 'appropriations' to the Balance Sheet in order to show the true surplus or deficit figure for the year.

These entries include depreciation of fixed assets, the release of deferred capital grants and gains and losses on the disposal of fixed assets and all have been reversed out of the Income and Expenditure Account as 'Appropriations to the Balance Sheet'.

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

The format of the Income and Expenditure Account has changed significantly from that previously required under the Code of Practice on Local Authority Accounting, to that required under Part 4 of Governance and Accountability for Local Councils, as based on the Financial Reporting Standard for Smaller Entities 2008 (FRSSE).

All Balance Sheet appropriations such as the reversal of depreciation, gains and losses on the disposal of fixed assets and release of deferred government grants, that were previously accounted for via the Statement of Movement on the General Fund Balance are now directly accounted for within the Income and Expenditure Account.

The analysis of the income and expenditure associated with the running of the Council's services has also changed significantly.

The 2008/09 comparative figures have therefore been adjusted to reflect the new accounting arrangements and the revised format of the Account.

In addition, a prior year adjustment has been made to account for the incorrect deletion of two infant play areas, at West Park and Woodham, from the Balance Sheet in 2008/09.

The loss on disposal of the assets has been reversed out from the Income and Expenditure Account at a total of £13,500, while the depreciation that would have been charged in respect of the assets in 2008/09 has been charged at £5,250.

The net effect on the Income and Expenditure Account is an increase in the surplus of £8,250.

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

This note is intended to provide an explanation of the various headings in the Income and Expenditure Account and to explain which costs and income are included under each.

#### Income

##### **Precept**

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

##### **Grants received**

All grants receivable towards the running costs of Council services as set out in Note 8.

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

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

##### **Interest receivable**

All interest receivable on investments and bank accounts as set out in Note 11.

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

All fees and charges levied for Council services such as the cemeteries, allotments, golf course, driving range, sports complex, football pitches and pre schools.

##### **Other income and contributions**

All other income due to the Council including the pre school funding receivable from the County Council, and any other miscellaneous income not falling into any of the above categories.

#### Expenditure

##### **Direct Service Costs**

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

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

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

**Democratic, Management and Civic Costs** include all costs relating to the democratic and corporate management of the Council including the cost of councillors, corporate management, financial services and administration.

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

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

### 4. Exceptional and Extraordinary Items

The only exceptional item in the Income and Expenditure Account is the loss on the disposal of fixed assets, which must be identified as an exceptional item in accordance with the new accounting arrangements.

The loss on the disposal of fixed assets in 2009/10 related to the claw back due to the Homes and Communities Agency in respect of the land sales at High Barn Road.

## 5. Calculation of Depreciation Charge

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

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

Depreciation for each fixed asset is charged to the service area in which the asset is used and is included within 'other direct service costs' and 'other democratic, management and civic costs' in the Income and Expenditure Account. The total depreciation charged in 2009/10 was £324,467.

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

## 6. Calculation of Statutory Charge for Capital

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

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

The appropriate amount must be debited to the Income and Expenditure Account.

However, actual interest paid on the Council's loans is already charged to the Income and Expenditure Account and included within 'Other Direct Services Costs' during the year, and therefore the statutory charge for capital as shown in the Income and Expenditure Account equates to the Council's annual loan repayment costs.

## 7. Government Grants Deferred Release

Any grants or contributions received towards the financing of capital expenditure by the Council 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 release of these amounts is shown as income in the Income and Expenditure Account and is then reversed out as an appropriation to the Balance Sheet as described in Note 1.

An analysis of the Grants Deferred Account including the amounts released to the Income and Expenditure Account is detailed in Note 10 to the Balance Sheet on page 56.

## 8. Grants Received

An analysis of the grants received by the Council during 2009/10 is detailed below:-

	2008/09 £	2009/10 £	Grant from	Nature of Grant
<i>Best Value Grant</i>	15,000	-	DCLG	Best Value Initiatives
<i>Environment Lottery Grant</i>	70	9,195	Lottery	Environment Initiatives
<i>Sure Start Grant</i>	-	37,349	DCC	Pre School Equipment
<i>Double Taxation Grant</i>	-	38,475	DCC	Cemeteries and Allotments
<b>Total</b>	<b>15,070</b>	<b>85,019</b>		

## 9. Expenditure under the Power of Well Being

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

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

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

Actual expenditure under the Power of Well Being in 2009/10 was as follows:-

	<b>2008/09</b> <b>£</b>	<b>2009/10</b> <b>£</b>
<i>Grants to local charities</i>	2,691	11,460
<i>Maintenance of church grounds</i>	5,850	7,200
<b>Total</b>	<b>8,541</b>	<b>18,660</b>

## 10. 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 2009/10 are set out below:-

	<b>2008/09</b> <b>£</b>	<b>2009/10</b> <b>£</b>
<i>Recruitment advertising</i>	6,089	220
<i>General advertising</i>	7,468	10,000
<i>Council newsletter</i>	3,713	3,784
<b>Total</b>	<b>17,270</b>	<b>14,004</b>

## 11. Interest Payable and Investment Income

The interest payable figure for the year charged to the Income and Expenditure Account was £17,869 and related to interest payments due in respect of the Council's long term borrowings as detailed in the Balance Sheet.

The interest receivable figure totalling £2,921 shown in the Income and Expenditure Account arises from the investment of the Council's surplus balances in a bank treasury deposit and interest on the Council's bank accounts, and was minimal due to the very low interest rates.

## 12. Staffing

As at 31st March 2010 the Council employed 76 staff represented by 45 full time staff and 31 part time staff, both on a permanent and temporary basis.

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

### 13. Senior Officer Remuneration

The Accounts and Audit (Amendment No.2) Regulations 2009, introduced a new legal requirement to increase transparency and accountability in Local Government regarding the reporting of remuneration of senior employees.

The Council must disclose in a note to the Accounts details of any officers whose remuneration, excluding pension contributions, was more than £50,000 in the year.

Only one member of staff, the Town Clerk, was paid more than £50,000 during 2009/10 as detailed below:-

Remuneration band	Number of employees	
	2008/09	2009/10
£50,000 to £54,999	-	-
£55,000 to £59,999	-	-
£60,000 to £64,999	1	1

	2008/09	2009/10
	£	£
Basic salary	61,325	62,718
Car Allowance	841	960
Expenses	632	330
<b>Total excluding pension</b>	<b>62,798</b>	<b>64,008</b>
Pension contributions	11,913	12,108
<b>Total remuneration</b>	<b>74,711</b>	<b>76,116</b>

### 14. Pensions

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 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 the FRSSSE requires that the disclosure of pension costs 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 2010 were as follows:-**

<b>Employees</b>	<b>£48,199</b>	<b>representing 5.5% to 7.5% of pensionable pay</b>
<b>Employers</b>	<b>£152,091</b>	<b>representing 19.4% of pensionable pay</b>

At the 31st March 2010 there was a total of £18,260 due to the Pension Fund in outstanding contributions relating to the month of March.

### 15. Members' Allowances

During 2009/10, 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 2009/10 the total sum paid to members in respect of basic allowances was as follows:-

	2008/09 £	2009/10 £
<b>Total Allowances</b>	<b>31,651</b>	<b>31,611</b>

## 16. Related Party Transactions

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

Disclosure of these transactions allows the reader to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit 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 circumstances, Central Government provide funding to local councils. 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 constitution, standing orders, financial regulations, strategies, plans and policies.

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 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 2009/10, 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.
- Some capital projects that were undertaken during the year and funded by grants from the Durham County Council Neighbourhood Enhancement Programme Fund and Area Budgets. These related to Sheila's Garden at St Oswald's Park and the installation of a youth shelter in the Horndale area.
- A feasibility study undertaken on behalf of the Council by officers of Durham County Council, relating to the replacement of the heating system at the sports complex 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.

## 17. Disclosure of Audit Costs

In 2009/10 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:-

	<b>2008/09</b> <b>£</b>	<b>2009/10</b> <b>£</b>
External audit services	14,000	14,621
Statutory inspection	-	-
Certification of grant claims	-	-
Other services provided	953	-
<b>Total</b>	<b>14,953</b>	<b>14,621</b>

The 2008/09 fee for 'other services provided' related to some additional work undertaken by the Audit Commission with regard to the Council's asset valuations.

## 18. Trading Operations

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

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

	<b>2008/09 £</b>	<b>2009/10 £</b>	<b>Comments</b>
Expenditure	14,839	13,838	Includes rent of land, rates and cleaning costs.
Income	20,439	18,297	Market licence fee. Reduced in 2009/10.
<b>Surplus</b>	<b>5,600</b>	<b>4,459</b>	Surplus and administration cost contribution.

## 19. 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.

## 20. Agency Services

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

## 21. Local Authority Goods and Services Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. However, the Council did not provide any goods or services under these powers during 2009/10, 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, CCTV monitoring service, from Durham County Council.



## Notes to the Balance Sheet

### 1. Fixed Assets

#### a) Movements in Fixed Assets

The movement in the values of the Council's fixed assets during the year in respect of additions disposals, revaluations, impairment and depreciation is summarised below:-

##### i) Operational Fixed Assets

	<b>Land and Buildings</b>	<b>Vehicles, Plant and Machinery</b>	<b>Community Assets</b>	<b>Total Operational Fixed Assets</b>
	£	£	£	£
<i>Gross Book Value at 1/4/2009</i>	5,367,392	1,926,824	244,489	7,538,705
<i>Prior year adjustments</i>	-	52,500	-	52,500
<b>Gross Book Value at 1/4/2009</b>	<b>5,367,392</b>	<b>1,979,324</b>	<b>244,489</b>	<b>7,591,205</b>
<i>Add capital expenditure</i>	43,362	213,715	44,131	301,208
<i>Less non enhancing expenditure</i>	(22,125)	(13,007)	-	(35,132)
<i>Less disposals and sales</i>	-	(10,975)	-	(10,975)
<i>Add work in progress transfers</i>	-	-	5,113	5,113
<i>Add revaluations</i>	-	-	-	-
<i>Less impairment losses</i>	-	-	-	-
<b>Gross Book Value at 31/3/2010</b>	<b>5,388,629</b>	<b>2,169,057</b>	<b>293,733</b>	<b>7,851,419</b>
<i>Less depreciation at 1/4/2009</i>	(532,726)	(740,966)	-	(1,273,692)
<i>Prior year adjustments</i>	-	(44,250)	-	(44,250)
<b>Depreciation at 1/4/2009</b>	<b>(532,726)</b>	<b>(785,216)</b>	<b>-</b>	<b>(1,317,942)</b>
<i>Less depreciation for year</i>	(162,347)	(162,120)	-	(324,467)
<i>Write off disposal depreciation</i>	-	10,975	-	10,975
<b>Depreciation at 31/3/2010</b>	<b>(695,073)</b>	<b>(936,361)</b>	<b>-</b>	<b>(1,631,434)</b>
<b>Net Book Value at 1/4/2009</b>	<b>4,834,666</b>	<b>1,194,108</b>	<b>244,489</b>	<b>6,273,263</b>
<b>Net Book Value at 31/3/2010</b>	<b>4,693,556</b>	<b>1,232,696</b>	<b>293,733</b>	<b>6,219,985</b>

##### ii) Non-Operational Fixed Assets

	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Non Operational Fixed Assets</b>
	£	£	£
<b>Gross Book Value at 1/4/2009</b>	<b>32,404</b>	<b>5,112</b>	<b>37,516</b>
<i>Add capital expenditure</i>	-	-	-
<i>Less disposals and sales</i>	(32,404)	-	(32,404)
<i>Less work in progress transfers</i>	-	(5,112)	(5,112)
<i>Add revaluations</i>	-	-	-
<b>Gross Book Value at 31/3/2010</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>No Depreciation</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value at 1/4/2009</b>	<b>32,404</b>	<b>5,112</b>	<b>37,516</b>
<b>Net Book Value at 31/3/2010</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 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 3.4 for more details on depreciation methods and estimated useful life assumptions. Non operational assets are not subject to depreciation.

### iv) Prior Year Adjustment

A prior year adjustment has been made to account for the incorrect deletion of two infant play areas at West Park and Woodham from the Balance Sheet in 2008/09. The gross book value of these assets was £52,500, while the accumulated depreciation was £42,250, which resulted in a net book value of £8,250, being added back to the Council's Balance Sheet.

### b) Analysis of Net Assets Employed

Net assets employed represents the aggregate of the reserves (both revenue and capital) that are attributable to the Council, and as such represent the value of local taxpayers equity:-

	2008/09 £	2009/10 £
<i>Net assets employed</i>	6,242,339	6,224,724

### c) Fixed Asset Valuations

The methodology for all fixed asset valuations is detailed in Accounting Policy 3.3.

Under the requirements of FRSSE, all fixed assets should be recorded on the Balance Sheet at historic cost written down to their recoverable amount if this is less.

The Council's fixed assets were valued under a different basis under the requirements of the Code of Practice on Local Authority Accounting prior to 2009/10.

A summary of the previous 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 at historic cost.
- Vehicles, plant, machinery and equipment are held at historic cost, net of depreciation.

All of the Council's land and buildings were revalued by the District Valuer during 2005/06, with a valuation date of 1st April 2005. The next full revaluation would have been due in 2010.

However, for the first accounting period under the requirements of the FRSSE, transitional provisions are available in paragraph 19.3 of the FRSSE that allow the Council to retain the existing book amounts subject to full disclosure in the Accounts.

The Council has taken advantage of this transitional provision and all closing fixed asset valuations as at 31st March 2009 have been carried forward to the first accounting period under the FRSSE, beginning on 1st April 2009.

All fixed assets will continue to be depreciated in line with previous estimates of useful lives using the straight line depreciation method.

The Council is not aware of any material changes in the value of any of its land, buildings or other assets during 2009/10.

**d) Capital Expenditure and Financing**

A summary of capital expenditure during the year and how this was financed is detailed below:-

<b>Capital Expenditure by Asset Type</b>	<b>2008/09 £</b>	<b>2009/10 £</b>
<b>Council Building Works:</b>		
Council Offices	53,412	-
Oak Leaf Sports Complex	-	-
Oak Leaf Golf Complex	-	14,236
St Oswald's Pre School	24,273	-
Moore Lane Environment Centre	34,382	-
Stephenson Way Cemetery	-	10,066
St Oswald's Park Pavilion	-	4,490
Simpasture Park Pavilion	-	6,681
<b>Vehicles, Plant, Machinery and Equipment:</b>		
Replacement vehicles	29,850	63,806
Replacement machinery	-	10,700
Play equipment and multi use games areas	415,271	11,295
CCTV cameras	-	8,600
IT hardware	-	16,569
Office equipment	5,065	4,004
Sports Complex lift and automatic doors	44,650	9,934
Sports Complex bar refurbishment	50,135	-
Sports Complex bowls hall carpet	-	20,514
Sports Complex emergency lights and alarm	-	9,949
Street equipment - litter bins, fencing etc	-	21,979
<b>Community Assets:</b>		
Sheila's Garden at St Oswald's Park	5,112	53,253
Great Aycliffe Way sculpture	10,000	-
<b>Not Enhancing Value of Fixed Assets</b>	<b>55,487</b>	<b>35,131</b>
<b>Total Capital Expenditure</b>	<b>727,637</b>	<b>301,207</b>
<b>Financed by:</b>		
Use of General Fund Balance	5,112	-
Use of Earmarked Reserves	303,976	221,658
Use of Capital Contributions	363,062	44,418
Recharged to Revenue Accounts	55,487	35,131
<b>Total Capital Financing</b>	<b>727,637</b>	<b>301,207</b>

**e) Capital Commitments into 2010/11**

Three projects were underway towards the end of 2009/10, that were not financially complete as at 31st March 2010. These were the refurbishment and reopening of the public toilets at St Oswald's Park and the asset management works at Stephenson Way and West Cemeteries.

In addition, there were a further two projects that had not commenced as at 31st March 2010, that will now take place early in 2010/11 and for which a carry forward of the unused Capital Programme Budget was required. These projects were the Sports Complex heating system replacement and the access road at St Oswald's Allotments.

A total of £67,500, has been carried forward to 2010/11 to meet these commitments.

The Council also has a number of other Capital Programme commitments as set out in the 2010/11 Capital Programme, Asset Management Plan and Medium Term Financial Plan.

However, none of these projects had been contractually committed to as at 31st March 2010.

**f) Analysis of Fixed Asset Portfolio**

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

	<b>31/03/2009 Numbers</b>	<b>31/03/2010 Numbers</b>
<b>Operational Buildings</b>		
Council Offices	1	1
Oak Leaf Sports Complex	1	1
Oak Leaf Golf Complex and Driving Range	1	1
Boat house	1	1
Park pavilions*	7	7
Cemeteries	2	2
Depot buildings	2	2
Public conveniences (closed)	2	2
<b>Operational Land</b>		
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
<b>Vehicles, Plant, Machinery and Equipment</b>		
Civic car	1	1
Works vehicles	8	11
Tractors	7	7
Ride on mowers	9	9
Golf course buggies	6	6
Utility vehicles	3	3
Other works equipment e.g. trailers etc	Various	Various
Excavators	2	2
Grave shoring equipment	1	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	22	22
Multi use games areas	2	2
Skatepark	1	1
Youth shelter	0	1
CCTV cameras	7	7
Bus shelters	55	55
Street lighting	Various	Various
Park lighting	Various	Various
Christmas lighting	Various	Various
Park benches	Various	Various
<b>Community Assets</b>		
Allotments	5	5
Park land and grounds	Various	Various
Cemeteries land and grounds	2	2
Memorial gardens	1	2
Great Aycliffe Way orchid sculpture	1	1
Civic regalia	1	1

\* The seven park pavilion buildings are used for a broad range of purposes including a pre school, office accommodation, public conveniences, an environment centre and changing rooms.

**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 2009/2010. 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 has been no Revenue Expenditure Funded From Capital Under Statute in 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 2010.

**j) Fixed Asset Disposals**

The Council disposed of the following fixed assets during 2009/10:-

<b>Asset Description</b>	<b>Net Book Value £</b>	<b>Sales Proceeds £</b>	<b>Gain / (Loss) on Disposal £</b>
<b>Equipment:</b>			
Driving range tee mats	-	-	-
Office computers	-	-	-
Utility vehicle	-	-	-
<b>Land:</b>			
1,2 and 3 High Barn Road	32,404	13,491	(18,913)
	<b>32,404</b>	<b>13,491</b>	<b>(18,913)</b>

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.

This has been charged to the Income and Expenditure Account.

**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 ranged from 40% for land transferred in 1980 to 58% for land transferred in 1989, as at 31st March 2010, and reduces by 2% each year.

The Council disposed of plots of land at 1,2 and 3 High Barn Road, School Aycliffe during 2009/10 at a value of £32,404. Under the claw back rules set out above, £18,821 was repayable to the Homes and Communities Agency.

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**

Although, there is no specific requirement within the FRSSE to do so, the Council has continued with a policy of undertaking an annual review of impairment of fixed assets as set out in Accounting Policy 3.5 on page 28.

As detailed in Note 1c on page 49 and in Accounting Policies 3.2 and 3.3 on pages 26 and 27, the Council has taken advantage of a transitional provision within the FRSSE, that allows the existing book values of fixed assets to be carried forward to the first accounting period under FRSSE and not therefore restate fixed asset valuations to historic cost.

It was therefore considered appropriate to continue with a policy of undertaking an annual review of impairment.

An impairment review must 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 the statutory or regulatory environment; or
- 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 and where there is a reason to believe that its value has changed materially then the valuation should be adjusted accordingly.

In previous years, the Council has undertaken a 'desktop review' of impairment using its own officers, rather than by utilising the services of an external valuer, for reasons of materiality and also cost effectiveness due to the small size of the Council and its asset base. This approach has been continued for the purposes of the 2009/10 Accounts.

The review was carried out by a multi disciplined team of officers, comprising the Town Clerk, Finance Manager and Corporate and Policy Officer, supported by key service managers.

Following the review of the Council's land and building valuations, it was considered that any fall in value i.e. impairment, 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 2005/06, and it is considered that the value of the assets in question may have increased over the first part of this period, negating the extent of any impairment arising from the economic downturn; and
- 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 not therefore 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 2010, which was a rolling treasury deposit account with the Council's bankers, at a fixed interest rate and held at one months notice. The value invested as at 31st March 2010 was £600,000.

This investment is made up of the Council's surplus balances and reserves throughout the year and interest receivable from the investment is credited to the Income and Expenditure Account.

### 3. Debtors

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

	<b>31/03/2009</b> £	<b>31/03/2010</b> £
<b>Amounts falling due within one year</b>		
<i>HM Revenues and Customs - VAT</i>	43,847	6,857
<i>Other local authorities</i>	25,089	429
<i>Sundry debtors</i>	21,108	6,978
<b>Amounts falling due after one year</b>	0	0
<b>Total</b>	<b>90,044</b>	<b>14,264</b>

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 was much higher due to a number of capital expenditure related debtors including £43,847 due from the Government in reclaimable VAT and £43,224 in capital contributions due from Durham County Council and County Durham Environmental Trust.

The level of outstanding debt as at 31st March 2010 is considered to be of low risk and value and therefore 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:-

	<b>31/03/2009</b> £	<b>31/03/2010</b> £
<b>Sports complex</b>		
<i>Bar supplies</i>	5,158	6,132
<i>Catering supplies</i>	2,071	2,179
<i>Resale items</i>	1,994	1,757
<b>Works and depot</b>		
<i>Tools and equipment</i>	1,842	3,322
<i>Golf course materials and equipment</i>	1,525	1,269
<i>Parks and play equipment</i>	3,277	2,825
<i>Cleaning and consumables</i>	2,108	513
<i>Petrol and oil</i>	1,220	2,252
<b>Total</b>	<b>19,195</b>	<b>20,249</b>

### 5. Bank and Cash in Hand

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

	<b>31/03/2009</b> £	<b>31/03/2010</b> £
<i>Current account</i>	110,449	52,550
<i>High interest account</i>	321,091	221,225
<i>Cash in transit</i>	24,685	14,633
<i>Floats and cash held</i>	1,602	2,098
<b>Total</b>	<b>457,827</b>	<b>290,506</b>

## 6. Creditors

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

	31/03/2009 £	31/03/2010 £
Government departments:		
<i>HM Revenues and Customs</i>	23,372	22,976
<i>Homes and Communities Agency</i>	4,500	-
<i>Audit Commission</i>	1,462	1,443
Other local authorities	11,078	31,603
Sundry creditors	116,251	53,637
<b>Total</b>	<b>156,663</b>	<b>109,659</b>

The higher level of creditors as at 31st March 2009 related to outstanding invoices relating to the sports complex bar refurbishment capital project which was ongoing at the end of the 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:-

	2008/09 £	2009/10 £
<i>Public Works Loan Board</i>	24,155	26,224
<i>Other lenders</i>	0	0
<b>Total</b>	<b>24,155</b>	<b>26,224</b>

## 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.

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



## 10. Capital Grants Deferred Account

Any grants or contributions received towards the financing of capital expenditure are credited to the Capital Grants Deferred Account and released to the appropriate service revenue account over the life of the fixed assets to which they relate, to match the depreciation charge, in line with Accounting Policy 2.6.

The movement of the Capital Grants Deferred Account during the year is detailed below:-

	<b>2008/09</b> £	<b>2009/10</b> £
<b>Balance brought forward at 1st April</b>	247,116	546,900
Contributions received during the year	363,062	44,418
Less amounts released to I&E Account	(63,278)	(87,531)
<b>Balance carried forward at 31st March</b>	<b>546,900</b>	<b>503,787</b>

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 set up of Moore Lane Environment Centre.

The capital contributions received during 2009/2010 relate to the £30,000 received from the Neighbourhood Enhancement Programme Fund towards Sheila's Garden at St Oswald's Park, £11,295 from the Durham County Council Area Budget towards Horndale Youth Shelter and £3,123 from County Durham Environmental Trust towards Aycliffe Nature Park capital works.

The Account also includes the remaining balances of capital grants and contributions received in the past, from various sources, mainly in relation to the funding of play equipment.

## 11. Long Term Borrowing

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

<b>Source of Loan</b>	<b>Interest Rates %</b>	<b>31/03/2009</b> £	<b>31/03/2010</b> £
<i>Public Works Loans Board</i>	5.2 to 9.6	272,694	246,471
		<b>272,694</b>	<b>246,471</b>

The outstanding amounts relate to four loans, two of which are due to be repaid in 2010/2011. The remaining two loans are the £125,000 loan taken out in 1995 to part fund the construction of West Cemetery and the £200,000 loan taken out in 2004 to part fund the Town Park.

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

	<b>Years</b>	<b>31/03/2009</b> £	<b>31/03/2010</b> £
	1 - 2	26,224	11,270
	2 - 5	49,883	38,614
	5 -10	84,156	84,157
	10 +	112,431	112,430
		<b>272,694</b>	<b>246,471</b>

## 12. Capital Contributions Unapplied

Movement on the Capital Contributions Unapplied Account during the year was as follows:-

	<b>2008/09</b> £	<b>2009/10</b> £
<b>Balance brought forward at 1st April</b>	<b>6,770</b>	<b>14,905</b>
Capital contributions received	371,197	43,038
Capital contributions used	-	-
Transfers to Grants Deferred Account	(363,062)	(44,418)
<b>Balance carried forward at 31st March</b>	<b>14,905</b>	<b>13,525</b>

The capital contributions received during 2009/2010 relate to the £30,000 received from the Neighbourhood Enhancement Programme Fund towards Sheila's Garden at St Oswald's Park, £11,295 from the Durham County Council Area Budget towards Horndale Youth Shelter and an additional £1,743 from County Durham Environmental Trust towards Aycliffe Nature Park.

The Neighbourhood Enhancement Programme and Area Budget funding have subsequently been transferred to the Deferred Capital Grants Account along with £3,123 from the CDENT grant towards capital works at Aycliffe Nature Park.

The year end balance on the Capital Contributions Unapplied Account relates to the unused balance of contributions from CDENT and English Partnerships towards Great Aycliffe Way and Aycliffe Nature Park works which have only been partly applied to fund capital expenditure in respect of these works via the Capital Grants Deferred Account.

## 13. Revaluation Reserve

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 arising from impairment and depreciation incurred as a result of these increases in fixed asset values.

During 2008/2009 four plots of land at High Barn Road, School Aycliffe were 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 had been brought onto the Balance Sheet at the total valuation provided.

One of these plots of land was sold in 2008/2009, with the remaining three sold in 2009/2010. The Revaluation Reserve balance has therefore been written off to the Capital Financing Account.

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

	<b>2008/09</b> £	<b>2009/10</b> £
<b>Balance brought forward at 1st April</b>	-	<b>32,404</b>
Disposal of fixed assets	(7,735)	(32,404)
Revaluation of fixed assets	40,139	-
<b>Balance carried forward at 31st March</b>	<b>32,404</b>	-

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

#### 14. Capital Financing Account

This account replaces the Capital Adjustment Account required under the Code of Practice on Local Authority Accounting. However the accounting requirements are largely the same.

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

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

A summary of the movement on this account during the year is detailed below:-

	<b>2008/09</b> <b>£</b>	<b>2009/10</b> <b>£</b>
<b>Balance brought forward at 1st April</b>	<b>5,328,717</b>	<b>5,408,141</b>
Transfer from Fixed Asset Restatement A/c	-	-
Prior year adjustments	-	8,250
<b>Adjusted balance brought forward</b>	<b>5,328,717</b>	<b>5,416,391</b>
<b>Add financing of fixed assets:</b>		
Revenue contributions	5,112	-
Use of earmarked reserves	303,976	221,658
Repayment of long term loans	22,253	24,155
Grants deferred release	63,278	87,531
Capital receipt claw back	4,500	-
<b>Less write down of fixed assets:</b>		
Depreciation charges in year	(291,986)	(324,467)
Loss on disposal of fixed assets	(27,709)	-
Deferred charges / intangible assets	-	-
<b>Balance carried forward at 31st March</b>	<b>5,408,141</b>	<b>5,425,268</b>

#### 15. Useable Capital Receipts Reserve

An analysis of the movement on the Usable Capital Receipts Reserve is shown below:-

	<b>2008/09</b> <b>£</b>	<b>2009/10</b> <b>£</b>
<b>Balance brought forward at 1st April</b>	<b>-</b>	<b>3,235</b>
Capital receipts in year	7,735	32,312
Due to Homes and Communities Agency	(4,500)	(18,821)
Capital receipts used for financing	-	-
<b>Balance carried forward at 31st March</b>	<b>3,235</b>	<b>16,726</b>

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

## **16. Council Balances and Earmarked Reserves**

The Statement of Movement on Reserves provides a full breakdown on the Council's Balances and Earmarked Reserves as at the 31st March 2010, including how the balances and reserves have changed over the course of the year.

Total Balances and Earmarked Reserves were £782,730 as at 31st March 2010, of which £132,730 was set aside in the General Fund Balance and Earmarked Revenue Reserves to provide support to the Council's Revenue Budget in future years, and £650,000 in Earmarked Capital Reserves to meet future years capital investment requirements.

## **17. 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.

## **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. They cover financial management responsibilities, accounting records, systems of internal control, internal audit, the format of the accounts, when they must be completed and approved, how and when they should be published, the rights of electors and the conduct of the annual statutory audit.

### ***Accounting Concepts***

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

### ***Accounting Period***

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

### ***Accounting Policies***

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

### ***Accruals Concept***

The financial statements have been prepared on an accruals basis and all income and expenditure relating to the year has been accounted for regardless of the date of payment or receipt.

### ***Accruals***

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

### ***Annual Governance Statement***

This is a 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.

## **Appropriate Amount**

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

## **Appropriations**

These are non cash items within the Income and Expenditure Account, for example depreciation, impairment, release of deferred capital grants, gains and losses on the disposal of fixed assets etc. They are accounting entries 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 charged to service revenue accounts as a measure of the benefits that have been consumed from the use of the fixed assets i.e. buildings, vehicles, machinery etc, used in the provision of those services.

## **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 the primary financial statement which shows the overall financial position or net worth of the Council. This is made up of all of the assets owned e.g. land, buildings, stocks, bank balances etc, liabilities owed e.g. outstanding loans, creditors etc and funds held e.g. reserves and balances etc, by 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 was implemented in order to help modernise 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. It also put in place a standard format for all financial statements to help comparability and consistent between different local authorities. Many of the principles of BVACOP have been applied in the preparation of the Council's Statement of Accounts, although the format of the Accounts from 2009/2010 is now provided by Governance and Accountability for Local Councils 2010 and the Financial Reporting Standard for Smaller Entities (FRSSE).

### ***Borrowing***

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

### ***Budget Requirement***

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

### ***Capital Financing Account***

This account provides 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 provides for the future write down in the historical cost of fixed assets as they are consumed by depreciation and impairment losses, sold or disposed of.

### ***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, are set aside in a reserve and can be used to finance future capital expenditure.

## **CIPFA**

The Chartered Institute of Public Finance and Accountancy. This is a professional accountancy body that specialise in public sector accounting. They are responsible for the education of training of professional accountants and regulation through the setting and monitoring of professional standards. CIPFA has responsibility for setting accounting standards for local government via the Code of Practice on Local Authority Accounting and the annual Statement of Recommended Practice (SORP). The Council as a larger local council was removed from the requirements of the Code of Practice and SORP by CIPFA with effect from 2009/2010.

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

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

### ***Community Assets***

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

### ***Comparability Concept***

The accounting concept that the financial statements are prepared with consistent and adequate disclosure to allow comparability.

### ***Consistency Concept***

The accounting concept or principle that the accounting treatment of like items within an accounting period and from one period to the next should be the same. Consistent accounting policies should be applied within the accounts during a year and between years.

### ***Contingent Asset***

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

### ***Contingent Liability***

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



**Council Tax**

A banded property tax which is levied on domestic properties throughout the country to pay for services provided locally by public sector bodies i.e. Councils and Police and Fire Authorities. The Council's Precept divided by the tax base for the town i.e. the number of chargeable properties for council tax purposes in the area gives the Band D Council Tax. The actual council tax payable varies depending upon the valuation 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 had not yet 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 in a given period exceeds income

**Deferred Charges**

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

**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.

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

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

### ***Depreciation***

This is a measure of the cost to individual service areas 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.

### ***Direct Service Costs***

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

### ***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 in order to give fair presentation of the accounts.

### ***Extraordinary Items***

Material items, possessing a high degree of abnormality which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. 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 and Financial Reporting Standard for Smaller Entities (FRSSE)..

### ***Fixed Assets***

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

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

The FRSSE (effective 2008) is issued by the Accounting Standards Board and sets out the 'proper accounting practices', as required by the Local Government Act 2003 and Accounts and Audit Regulations 2003, that must be followed in relation to the preparation of accounts by all smaller entities. With effect from 1st April 2009, the FRSSE requirements replaced those set out in the CIPFA Code of Practice on Local Authority Accounting, for all larger local councils. Detailed guidance on interpreting the FRSSE and understanding how the FRSSE applies to larger local councils is set out in Part 4 of Governance and Accountability for Local Councils - A Practitioners Guide (England) 2010.

### **General Fund Balance**

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

### ***Going Concern Concept***

The accounting concept that the Council's services and functions will continue to operate for the foreseeable future.

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

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

### ***Government Grants***

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

### ***Grants Deferred Account***

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

### ***Group Accounts***

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

### ***Infrastructure Assets***

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

### ***Investment Properties***

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

### ***Larger Local Councils***

Larger Local Councils are those with an income or expenditure over £1 million.

**Leases**

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

**Liquid Resources**

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

**Long Term Contracts**

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

**Long Term Investments**

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

**Matching**

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

**Materiality Concept**

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

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

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

**Net Book Value**

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

**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 and the Budget.

***Overheads Recharges***

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

***Precept***

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

***Provisions***

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

***Prudence Concept***

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

**Public Works Loan Board (PWLB)**

A central government agency, which lends money to local authorities at lower 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. golf season tickets, allotment rents and leases. An adjustment is made in the Accounts to transfer the receipt in advance forward to the following accounting period.

**Related Parties**

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

**Relevance Concept**

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

**Reliability Concept**

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

**Remuneration**

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

**Residual Value**

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

**Revaluation**

Fixed assets may be revalued from time to time to ensure that the valuations shown in the Balance Sheet are accurate, up to date and reflect changes in market values.

**Revaluation Reserve**

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

**Revenue Expenditure**

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

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

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

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

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

### ***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 replaced by the Annual Governance Statement.

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

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

### ***Stocks***

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

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

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



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

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

**Substance over Form**

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

**Surplus**

A surplus occurs when income exceeds expenditure.

**Tangible Fixed Assets**

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

**Understandability Concept**

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

**Urgent Issues Task Force (UITF)**

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

**Useful (Economic) Life**

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

**Work in Progress**

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