# Record of amendments made between CFO sign-off and audit opinion

| Date | Amended by: | Details of amendment |
|---|---|---|
| 30 Jun | Bob Watson | Page 14 – MiRS bottom of page – changed 31 March 2010 to 31 March 2011 – *manuscript amendment in CFO version* |
| 30 Jun | Bob Watson | Page 66 – Note 21 – Provisions table – add in figures in total column – *manuscript amendment in CFO version* |
| 6 Jul | Ian Wigginton | Page 5 – Explanatory Foreword. Uplifted actual net service expenditure on Commercial Services by £4,000 and reduced net expenditure for Corporate Strategy by the same amount. Working Budget figures for Commercial uplifted by £5,000 with a downward adjustment made of £5,000 applied against Corporate Strategy. Variance position for the two services adjusted accordingly.<br><br>These adjustments relate to cost centre PH01 Procurement Hub which was originally reported under Corporate Strategy in error.<br>*NB: Explanatory Foreword is not audited - BW* |
| 14 Jul | Ian Wigginton | Page 5 – Explanatory Foreword. Changed figure shown in the text above the revenue outturn table for net revenue spend for the year from £1.634m to £1.654m, which is the net spend detailed in the table itself.<br><br>Adjustment relates to period 14 adjustment made for contribution from reserve applied against property trading budget on VA01.<br>*NB: Explanatory Foreword is not audited - IW* |
| 14 Jul | Ian Wigginton | Page 7 – Explanatory Foreword. Changed other gross expenditure variance shown for Property Trading (variations from outturn table) from £138k to £118k. As a result, adjusted total of other gross expenditure from (£248k) to (£268k) and overall total net expenditure variance moved from (£1,634k) to (£1,654k).<br>*NB: Explanatory Foreword is not audited - IW* |
| 19 Jul | Steve Lawrence (CFO instruction) | Page 88 Note 42 – Contingent liabilities. **A&G wanted depersonalising.**<br>Para 1 change 'Microsoft Corporation' to 'a software company',<br>Para 3 change 'SOLL' to 'a or the contractor',<br>Paras 5 and 6 change 'Capita' to 'one of the council's contractors'. |
| *Amendments from DA first run through of the accounts* | | |
| 4 Aug | Bob Watson | CIES (page 16) - Other Operating Expenditure 10/11 figures to be put in Bold. |
| | | CIES (page 16) - Delete word 'fixed'. |
| | | CIES (page 16) - Suggest brackets around 'Surplus ' |
| | | CIES (page 16) - Add extra line : ' Exceptional Pension Valuation .' below Non Distributed costs . |

| | | |
|---|---|---|
| | | CIES (page 16) - Bracket missing around £209K . Revaluation ( gains ) /losses on Fixed Assets . |
| | | Note 13 : Suggest reformat to agree figures to CEIS ( Eg ) Income of Rental properties of £1,709k In note this is (1657) + (52) |
| | | Note 13 - "Should this Note be 13 a" – no but table re-designated as "Table 13a" |
| | | Note 13 - Brackets to be removed from £207k - Direct operating Expenses . |
| | | Note 13 - Letters TTH to be deleted . |
| 8 Aug | Julie Bartlett | Note 25 – Amend 2009/01 to 2009/10 |
| | | Note 26 Financing Activities .add zeros in 09/10 and 10/11 tables. |
| | | Cash flow statement - Net Cash from Operating Activities : Add reference to Note 24 |
| | | Cash flow statement - add brackets to ' Decrease ' in line on movement of Cash & Cash Equivalents |
| 10 Aug | Bob Watson | Note 29 – amend the total figure to "285" from "285.00" |
| | | Note 30 – change date of officer retirement to "31 December 201**0**" |
| | | Note 33 – three further members have return their RPT declarations since 30 Jun 11 – these have been deleted from the list of non-respondents and their declarations filed on WF33. |
| | | Note 15a – remove underscore from 15,307k |
| | | Note 15c – delete "not material" comment under "173" in fair value column |
| 18 Aug | Steve Guard | Amended note 17 (debtors) and note 20 (creditors) to show local authorities correctly. [Requested by DA – see email] |
| 24 Aug | Bob Watson | Note 41 - Add underscore under £(1540 ) |
| | | Change years page 85. – Amended. |
| | | Total Figures within Box for LGPS do not add up. Figure recast in accordance with actuarial note and now cast OK |
| | | The Scheme History Box 09/10 total does not add up.<br>Explanation is that this box was previously cast in £m to 2 dec places - originally adjusted to £'000 to be consistent with other notes and assumed to nearest £10k. Now adjusted to match actuaries report and BS. |
| | | The 10/11 figures do not agree to BS. – as above |
| | | The Note of History of Experience gains and losses refer to ' following Categories '.<br>Is there a box of figures missing? Required as per Disclosure Checklist.<br>SoA adjusted to comply with Note. Table amended to include percentage figures and amended as per actuarial report (stc) |
| | | Notes 9, 10 and 11 are exact copy of CEIS detail. Suggest amend CEIS.<br>Detail removed from CIES. Rounding errors in notes amended and tied in with CIES. |
| 29 Aug | Bob Watson | CIES – Rounding adjusted so statement casts across and down – telcon with DA 25 Aug and meeting with DA 26 Aug refers. |

| | | |
|---|---|---|
| | | Balance Sheet - Suggest do not need first 6 lines as are detailed in Note 12a . –agreed and removed |
| | | Balance Sheet - LT Investments : Amend Note reference from 15 to 15 a – agreed and removed |
| | | PPE : Increase / ( Decrease ) to SDPS - Brackets for £250K |
| | | PPE: Table 12b : 2 figures do not add up . Rounding . Amended |
| | | Note 13b Investment properties : Balance at 31/03/10 does not agree to BS. 10/11 Net gain does not agree to CEIS figure – amended. |
| | | Note 15 LT Investments of £740K . Per Note £739K . Rounding . Amended |
| | | Note 15c .Suggest delete ' not material ' after LT Debtors . Agreed and amended |
| | | Note 17 Debtors : Note total of £3,224k does not agree to BS . Rounding . - Amended |
| 25 Aug | Bob Watson | Typographical error in table 19 – Assets held for sale – move “199” from Intangible Assets to PPE – Conversation AP/BW/SL 25 Aug |
| 30 Aug | Julie Bartlett | Inserted line in note A of the cashflow – Purchase of ST and LT investments |
| 30 Aug | Ian Wigginton | Note CF3 to the Collection Fund: Changed total shown for number of properties from 50,345 to 50,346 by adjusting the Band D total from 11,312 to 11,313. Adjustment made to correct overall rounding. Totals now agree to stated Band D equivalent column shown in the note, which adjusts the number of properties for weighting. This maintains overall number of Band D equivalents to taxbase as approved by council for 2010/11. |
| 30 Aug | Ian Wigginton | Inserted the following text at the foot of the Collection Fund Statement:<br>“The Collection Fund (England) is an agent’s statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.”<br><br>Adjustment made so as to agree to recommendations given in the Code (see page 231, para M6 of the CIPFA Code Guidance Notes). |
| 30 Aug | Steve Lawrence | 23g narrative ‘written off’ added to support £2k |
| 30 Aug | Bob Watson | Note on exceptional Pension adjustment added to Explanatory Foreword |
| 30 Aug | Bob Watson | Note on exceptional Pension adjustment added to Note 41 as per LAAP 89 Bulletin |
| | | |

# VALE OF WHITE HORSE DISTRICT COUNCIL

# STATEMENT OF ACCOUNTS

# 2010/11

D R A F T

Version approved by Audit and Governance Committee following district audit
(28 Sep 11)

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# EXPLANATORY FOREWORD TO THE 2010/11 STATEMENT OF ACCOUNTS by the Strategic Director (Chief Finance Officer)

## Introduction

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts and an explanation in overall terms of the council's financial position. This foreword includes an explanation of the purpose of each statement and does not form part of the actual statement. Whilst this foreword may refer to the policies and strategies of the council, its purpose is not to comment on them.
The foreword contains a summary of the council's financial outturn (service expenditure, interest payable and other operating costs and income from grants, local taxpayer and other sources) for the year compared to the budget.

To assist the reader, a glossary of financial terms is provided on pages 96 to 103.

## The Council's accounts

The Council's Statement of Accounts (SoA) is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA/LASAAC) code of practice on local authority accounting in Great Britain ("the code"). The code requires that the accounts contain the following statements listed below. This year the accounts have been compiled under International Financial Reporting Standards (IFRS). Prior year comparator figures have also been restated under these standards.

## Statement of responsibilities for the statement of accounts (pages 11-12)

This statement sets out the respective responsibilities of the authority and the chief financial officer.

## The primary accounting statements

a) The Movement in Reserves Statement (MiRS) (page 14) shows the movement in the year on the different reserves held by the authority, analysed into 'useable reserves' (ie: those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase/decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

b) The Comprehensive Income and Expenditure Statement (CIES) (page 16) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The revenue expenditure section of this explanatory foreword, which follows below, provides an analysis of the council's budgeted and outturn expenditure as funded by local taxation, in a format consistent with the council's revenue budget for the year. The direct service expenditure is then reconciled to the net cost of services line of the income and expenditure account.

c) The Balance Sheet (BS) (pages 17 - 18) shows the value (as at the Balance Sheet date) of the assets and liabilities recognised by the council. The net assets of the council (being assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie: those that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (eg: the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains and losses (eg: the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

d) The Cash Flow Statement (CFS) shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (eg: borrowing) to the council.

**Statement of accounting policies (pages 27- 42)**

These show the accounting policies adopted in compiling the Council's accounting statements and also explain the basis on which the figures in the accounts have been prepared.

**Notes to the Core Financial Statements**

The core accounting statements are supported by comprehensive notes to the accounts, which are found on pages 27 - 91.

**Supplementary financial statements**

- The collection fund (pages 92 - 95). As a billing authority that issues council tax and business rates bills, the council is obliged to maintain a separate income and expenditure account known as the collection fund. This account shows transactions in relation to this income and how the demands on the fund from Oxfordshire County Council, Thames Valley Policy Authority and town and parish councils have been satisfied.

## Annual governance statement

This statement sets out the council's responsibility for internal control and describes both the purpose of internal control and the internal control environment. The statement also summarises the council's review of the effectiveness of internal control and highlights significant internal control issues and actions to be addressed. The annual governance statement is published as a separate document and is available on the council's website.

## Changes to the financial statements

In line with other government agencies, local authority accounts are required to be compiled for financial year 2010/11 under International Financial Reporting Standards (IFRS) as interpreted for local government by the CIPFA Code of Practice – "the code"; previously accounts were compiled in accordance with the UK General Accepted Accounting Practices (UK GAAP) and the CIPFA Statement of Recommended Practice (SoRP). This has meant some significant changes to the primary statements and notes to the accounts; it has also necessitated the restatement of the comparator accounts (2009/10), and where necessary a reconciliation note back to the figures stated for 2009/10 under the SoRP has been provided.

## Economic Climate

The council, like all other organisations has not been immune to the current economic downturn. A large proportion of the council's gross revenues are derived from the supply of services to customers (eg: car parks, planning fees) and as such the council has seen a drop in these income levels and does not expect these to pick up to pre-downturn levels in the immediate future. Similarly, the austerity measures implemented by central government have manifested themselves in the council in terms of a reduction in levels of grant funding. In order to minimise the effect of these income reductions on the local taxpayer, council tax precepts have been kept as low as possible; however this has seen a major reduction in the council's expenditure (both in-year and also in future planned budgets) – wherever possible these reductions are being made without cutting frontline services. Further notes on the future budgets and levels of reserves are at the end of this foreword.

## Financial performance 2010/11

The Original Budgeted Medium Term Plan to 2014/15 provided for gradually reducing net budget requirements funded by stable, annual Council Tax increases, and the prudent use of funds and balances to help smooth out the cycle. Overall these trends will strengthen the Council's financial base however they are principally dependent upon achievement of the Council's ambitious programme of cost cutting measures.

The Council anticipated a shortfall in income due to the continuing effects of the economic downturn on the property market; continuing record low interest rates reducing the return on our investments and a reduction in demand for the council's income raising services (eg: market town car park usage). These factors meant that despite identifying savings amounting to nearly £800,000, an additional £464,370 was initially budgeted as the contribution required from the council's general reserve to support the budget in 2010/11.

**Major Items of expenditure and income in 2010/11**

During the financial year the council made the following material items of expenditure:

| | | £'000 |
|---|---|---|
| Housing and council tax benefits: | | |
| Rent rebates, rent allowances and discretionary housing payments | 22,488 | |
| Council tax benefits | 5,427 | 27,915 |
| Direct staff costs | | 8,862 |
| Waste management | | 4,322 |
| Joint working with South Oxfordshire DC | | 2,096 |
| Financial Services | | 1,711 |
| Concessionary fares | | 910 |
| Grounds maintenance | | 448 |

and received the following material income amounts:

| | | £'000 |
|---|---|---|
| Housing and council tax benefits: | | |
| Rent rebates, rent allowances and discretionary housing payments | (22,690) | |
| Council tax benefits | (5,485) | (28,175) |
| Property and investment income | | (1,961) |
| Waste management | | (1,449) |
| Joint working with South Oxfordshire DC | | (1,184) |
| Car park income | | (718) |
| Planning fees | | (568) |
| Concessionary fares – specific government grant | | (493) |

The council also incurred material expenditure on the following capital projects/works:

| | £'000 |
|---|---|
| Purchase of wheeled bins for Waste contract | 2,765 |
| Renovation grants – Disabled facilities grants | 912 |

The following material capital receipts and contributions were received in the financial year:

| | £'000 |
|---|---|
| Sale of Old Gaol, Abingdon | (2,034) |
| Disabled Facilities Grant | (514) |

**Significant provisions or contingencies and material write-offs (incl impairments)**

There were no significant provisions or contingencies made during the past year and there were no material write-offs or impairments.

**Revenue outturn 2010/11**

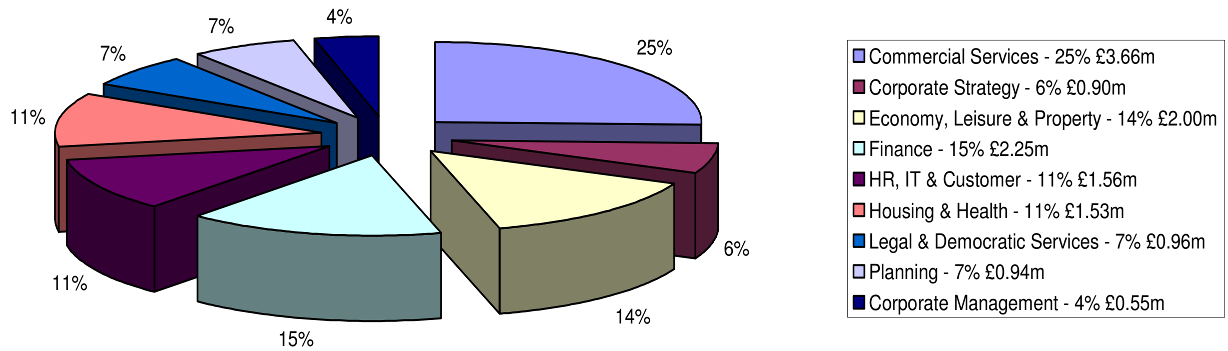
At the beginning of the year the council's budget requirement was £12.875 million after accounting for the use of reserves and investment income. The working budget requirement was flexed to £12.904 million during the year. Net revenue spend for the year was £1.654 million underspent against working budget as shown in the table below, which is in a format consistent with the council's budget book.

This meant that instead of the planned £0.464 million (flexed to £0.998 million) use of general fund balances in the Original Budget, the Council was able to make a contribution of £1.163 million to General Fund balances.

| | Working Budget | Actual | Variance |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Commercial Services | 3,690 | 3,664 | (26) |
| Corporate Strategy | 1,103 | 895 | (208) |
| Economy, Leisure & Property | 2,187 | 2,003 | (184) |
| Finance | 3,204 | 2,246 | (958) |
| HR, IT & Customer | 1,789 | 1,560 | (229) |
| Housing & Health | 1,848 | 1,529 | (319) |
| Legal & Democratic Services | 1,047 | 961 | (86) |
| Planning | 951 | 939 | (12) |
| Strategic Management | 692 | 549 | (143) |
| **Net cost of services** | **16,511** | **14,346** | **(2,165)** |
| Investment Income | (490) | (320) | 170 |
| Property Income | (1,672) | (1,521) | 151 |
| Other Revenue Grants | (190) | 0 | 190 |
| **Net Expenditure** | **14,159** | **12,505** | **(1,654)** |
| Capitalisation direction under statute | 0 | (189) | (189) |
| Transfer from Earmarked Reserves other than General Fund Balances | (257) | (522) | (265) |
| **Amount to be Financed** | **13,902** | **11,794** | **(2,108)** |
| Contribution(from)/ to Balances | (998) | 1,163 | 2,161 |
| **Budget Requirement** | **12,904** | **12,957** | **53** |
| Parish Precepts | 2,864 | 2,864 | 0 |
| **Total Funding Requirement** | **15,768** | **15,821** | **53** |
| | | | |
| Funds from Council Tax | (8,609) | (8,609) | 0 |
| Revenue Support Grant | (904) | (904) | 0 |
| NNDR | (6,226) | (6,226) | 0 |
| Other Government Grants | (29) | (82) | (53) |
| **Total Funding Streams** | **(15,768)** | **(15,821)** | **(53)** |

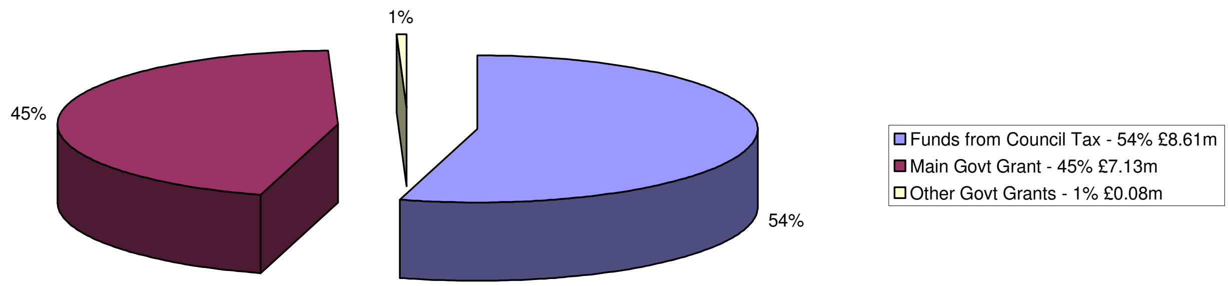
The following chart illustrates the split of the £14.3 million net expenditure by service area:

**Net cost of service 2010/11**




The total funding requirement is met by a number of funding streams. The split of total external funding is shown below:

**External sources of finance 2010/11**



The variations in outturn can be summarised as follows:

| | Gross income variance (over)/under | Gross employee expenditure variance over/(under) | Other gross expenditure variance over/(under) | Total variance |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Commercial Services | 108 | (106) | (27) | (25) |
| Corporate Strategy | (54) | (32) | (123) | (209) |
| Economy, Leisure & Property | (130) | (56) | 2 | (184) |
| Finance | (847) | (172) | 61 | (958) |
| HR, IT & Customer | (48) | (231) | 50 | (229) |
| Housing & Health | 197 | (12) | (504) | (319) |
| Legal & Democratic Services | (43) | (51) | 8 | (86) |
| Planning | 134 | (39) | (107) | (12) |
| Strategic Management | (436) | 39 | 254 | (143) |
| **Net cost of service before c/fwd** | **(1,119)** | **(660)** | **(386)** | **(2,165)** |
| Investment Income | 170 | 0 | 0 | 170 |
| Property Trading | 33 | 0 | 118 | 151 |
| Housing, Planning Delivery Grant | 150 | 0 | 0 | 150 |
| LAGBI | 40 | 0 | 0 | 40 |
| **Net expenditure** | **(726)** | **(660)** | **(268)** | **(1,654)** |

The major variations in respect of gross income and other gross expenditure variances are detailed in the table below:

| **Analysis of gross income variances in excess of £100,000** | **£000** |
|---|---|
| *Income down against budget as a result of a downturn in the housing market* | |
| Planning application fees | 152 |
| *Other income variations* | |
| Housing and Council Tax Benefit subsidy (received from central govt) | (857) |
| Gross income receivable from South Oxfordshire District Council in respect of 4th tier and below 4th tier restructuring | (153) |
| Waste -recycling income credits reduced, which is offset against reduced gate fee costs | 110 |
| Lower than budgeted temporary accommodation income | 217 |
| | (531) |
| Net balance of gross income variances less than £100,000 | (129) |
| **Total gross income variance** | **(660)** |
| **Analysis of other gross expenditure variances in excess of £100,000** | |
| *Other expenditure variations* | |
| Contingency budget not used | (466) |
| Reduced demand for concessionary fares | (129) |
| Lower than budgeted past pension costs | (115) |
| Due to delays unable to spend budget on Local Development Framework | (129) |
| Housing and Council Tax Benefit payments made to claimants | 309 |
| | (530) |
| Net balance of gross expenditure variances less than £100,000 | (1,492) |
| | (2,022) |
| Agreed carry forward to 2011/12 of underspent budgets | (143) |
| **Total other gross expenditure variance** | **(2,165)** |

## Capital outturn 2010/11

Capital expenditure in the year amounted to £4.726 million and involved 27 projects. Details of the expenditure and its funding are shown in the notes to the Balance Sheet on pages 67 - 68. The main source of funding for the programme was from the Council's own reserves of capital receipts, with the balance made up by grants from Government departments and contributions from developers. The council applied for, and received, authority to capitalise £189,447 of statutory redundancy and pension costs for staff made redundant in 2010/11.

The Council has capital receipts unapplied at 31 March 2011 of £7.66 million after financing capital expenditure as set out above and taking into account receipts during the year. The analysis of movements in the year is set out at note 23d on page 68.

## Exceptional Item – Pension liability adjustment

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has had the effect of reducing the Vale of White Horse District Council's liabilities in the Oxfordshire County Council Pension Fund by £5,979,000 and this has been recognised as an actuarial gain since the change is regarded as an adjustment to the actuarial assumptions previously used to estimate the liability. There is no impact upon the General Fund.

## Comprehensive Income and Expenditure Statement

The CIES shows the true cost of the council's services as defined by accounting standards. It shows that council spent £53.4 million on the provision of services less income from fees and charges, sales, rents and contributions, resulting in a net cost of services of £10.4 million. Other accounting adjustments, including adjustments for the council's fixed assets, such as depreciation, along with adjustments for interest income and notional charges for the council's pension fund liability (under IAS 19), mean that after the total financing from government grants and local taxpayers of £15.7 million, the council's surplus on provision of services was £5.4 million. This surplus is then adjusted further to produce the total comprehensive income for the year which is £26.3 million. This figure corresponds to the total movement on the balance sheet for the year.

By actively managing its investments, the council earned interest of £0.262 million against a budget of £0.490 million. When the budget was drawn up in January 2010, the council's expectation (based on the information from financial advisors) was that interest rates would rise; in fact the Bank of England base rate remained at its historic low of one half of a per cent throughout the year. As the council policy is to minimise risk in its investments, then in these circumstances it becomes difficult to achieve the budgeted target whilst maintaining the security of the investments. The average rate earned on all cash investments for the year was 0.96%.

The comprehensive income and expenditure statement presents the council's financial performance based on accounting standards, rather than as the council's performance against revenue budget, which is based on what can be charged to council tax payers. The table below reconciles the direct service expenditure for the year shown in the net revenue spend table above to the net cost of services shown in the comprehensive income and expenditure statement, showing the adjusting transactions.

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| **Net expenditure in the Service Analysis** | **15,541** | **14,346** |
| Net amortisation of intangibles and revenue funded from capital under statute | 954 | 1,043 |
| Depreciation of tangible fixed assets | 1,327 | 981 |
| Disabled Facilities Grant | (534) | 0 |
| FRS17 adjustment - Post Retirement Benefits | (861) | (116) |
| Short-term compensated absences accrual | (28) | 67 |
| Unapportioned movements in past pension costs | 144 | (5,876) |
| **Cost of Services Comprehensive Income & Expenditure Statement** | **16,543** | **10,445** |

## Balance Sheet

The reported net worth of the council increased from £37.18 million to £63.46 million at 31 March 2011, an increase of £26.28 million. The main reason for this is as follows:

- Pension Liability. The statement of accounts identifies details of the council's future commitments with regard to pension provision for its current and former employees. The council's net pension liability decreased by £25.877 million to £18.889 million, as illustrated in note 41. This is as a result of the improved economic forecast position, the use of the consumer price index instead of the retail price index in the uplift of pensions and a reduction to the increased age expectations of future pensioners.

At the balance sheet date the council had usable reserves of £11.9 million, including £3.3 million general fund balance, £0.75 million in earmarked revenue reserves and £7.66 million in capital receipts. The council has no long-term external debt and no long-term borrowing is planned. The council may continue to borrow on a short-term basis for temporary cash flow purposes (as per the Annual Investment Strategy).

The balance sheet does not reflect any assets or liabilities acquired during the year which are unusual in scale and which require specific reference.

### Material events after the Balance Sheet date

The following material events occurred between the balance sheet date (31 March 2011) and the accounts being authorised for issue:

- On 1 April 2011 the Guildhall and Roysse Court with a total book value of £2.267 million were transferred to Abingdon Town Council for a nominal sum.

- On 8 April 2011 the council entered into a long-term agreement (subject to contractual conditions) with Scottish Widows Investments regarding the redevelopment of the Bury Street Shopping complex (now known as the Abbey Shopping Centre). The effect is that the book value of the complex on the council's accounts has dropped from £4.75 million to £2.80 million.

The effects of these transactions on the council's balances are detailed in Note 6 to the accounts.

## Collection fund

Income of £125.3 million in 2010/11 from council tax payers and business ratepayers was distributed as precept/demands and to the National Non-Domestic Rates Pool. The account is showing a net surplus of £1.2 million which will be re-distributed to all major precepting authorities.

**Future prospects**

As part of the annual budget setting process for 2011/12, council agreed its medium term financial plan for 2011/12 to 2015/16. The medium term financial plan meanwhile provides a forward budget model for the next five years, highlighting known estimated budget pressures for new responsibilities and changes in legislation, predicted investment income and capital receipts.

**Revenue**

The medium term financial plan highlights significant pressure the council anticipates in setting its revenue budget during the period covered. These pressures include the following:

- reduction in government grant funding
- reduced income from investment property and investments

Shown below are the ongoing savings that are required to be found in the forthcoming financial years to enable a budget to be set in accordance with the parameters stipulated in the medium term financial plan:

| | 2012/13<br>£000 | 2013/14<br>£000 | 2014/15<br>£000 | 2015/16<br>£000 |
|---|---|---|---|---|
| Ongoing savings required | 1,202 | 1,246 | 1,279 | 1,279 |

It should be stressed that these savings are cumulative – to balance the 2012/13 budget £1.202 million of ongoing savings are required, then for 2013/14 a further £1.246 million of ongoing savings is required. By the end of the period the council will need to have found over £5 million of ongoing savings.

The council has already made considerable revenue savings in recent years by:

- merging its management team with South Oxfordshire District Council,
- undertaking joint procurement with South Oxfordshire District Council on major contracts, including financial services and waste,
- implementing 'lean' business process re-engineering to streamline work processes.

Continuation and further development of these initiatives is expected to help meet the financial challenges facing the council.

**Capital**

As part of budget setting for 2011/12, the Council approved a capital programme through to 2015/16 costing £12.142 million. The proposed financing of this programme is as follows:

- £9.532m - council resources
- £2.610m – grants and contributions

**Council Resources**

Based on the council's budget proposals for revenue and capital, and assumptions about earnings on investment income, it is forecast that by 31 March 2016 the council will hold £9.0

million in usable reserves, comprising of: £0.8 million general fund balance; £0.7 million in earmarked reserves and £7.5 million in useable capital receipts.

It is considered that the budgets planned for future years are very austere, but the pressures highlighted are manageable in this period. However, in light of the reserves and balances available to the council there is little scope for flexibility within the Medium Term Plan.

# Statement of responsibilities for the Statement of Accounts

## 1. The Authority's Responsibilities

The Authority is required 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 arrangements; in this council, that officer is the chief financial officer.

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and,

- approve the statement of accounts having received the external auditor's report and the Chief Finance Officer's commentary.

## 2. Responsibilities of the Chief Finance Officer

The Chief Finance Officer's responsibilities include the preparation of the council's statement of accounts, which, in terms of the Chartered Institute of Public Finance and Accountancy (CIPFA/LASAAC) Code of Practice on Local Authority Accounting in Great Britain (‘the Code') is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparing this statement of accounts, the Chief Finance Officer has:

a. selected suitable accounting policies and then applied them consistently;
b. made judgements and estimates that were reasonable and prudent;
c. complied with the local authority Code.

The Chief Finance Officer has also:

d. kept proper accounting records which were up to date;
e. taken reasonable steps for the prevention and detection of fraud and other irregularities.

## 3. Approval for Audit stage

The Statement of Accounts must be prepared for Audit by 30 June. The prepared Statement has been approved for Audit by the Chief Finance Officer on Thursday 30 June 2011.

……………………………………………………

Steve Bishop CPFA
Strategic Director and Chief Finance Officer
30 June 2011

## 4. Statement by the Strategic Director and Chief Finance Officer

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Authority at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

……………………………………………………………

Steve Bishop CPFA
Strategic Director and Chief Finance Officer
28 September 2011

## 5. Statement by the Chair of the Audit and Governance Committee

This Statement of Accounts for 2010/11 was considered and approved at the Audit and Governance Committee meeting on 28 September 2011

……………………………………………………………

Chair of Audit and Governance Committee
28 September 2011

## 1. INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VALE OF WHITE HORSE DISTRICT COUNCIL

# MOVEMENT IN RESERVES STATEMENT 2010/11

| Details of the movement in unusable reserves is shown in Note 23 | General Fund Balance | Earmarked GF Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Revaluation Reserve | Available for sale Financial Instruments | Pensions Reserve | Capital Adjustment Account | Deferred Capital Receipts | Financial Instruments Adjustment Account | Collection Fund Adjustment Account | Short term Compensated Absences | Total Authority Reserves |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Balance at 1 April 2010** | 2,163 | 1,000 | 9,777 | 134 | 13,074 | 24,105 | 113 | 0 | (44,986) | 68,939 | 25 | 0 | 91 | (77) | 37,179 |
| **Movement in reserves during 2010/11** | | | | | | | | | | | | | | | |
| **Surplus or (deficit) on provision of services** | 5,353 | | 0 | 0 | 5,353 | 0 | | | | | | | | | 5,353 |
| **Other Comprehensive Expenditure and Income** | | 0 | 0 | 0 | 0 | 0 | | | | | | | | | 0 |
| Revaluation gains | 0 | | | | | | 209 | | | | | | | | |
| **Total Comprehensive Expenditure and Income** | 5,353 | 0 | 0 | 0 | 5,353 | 0 | 209 | 0 | 0 | 0 | 0 | | | | 5,353 |
| **Adjustments between accounting basis & funding basis under regulations** | (4,512) | 0 | (2,115) | 28 | (6,599) | 0 | (19) | 0 | 26,023 | 1,752 | 0 | 0 | 0 | 0 | (6,599) |
| **Reversal of items debited or credited to the CIES** **(Amounts included in I&E to be removed for determining movement in general fund)** | | | | | | | | | | | | | | | |
| Depreciation/amortisation | 981 | | | | | | | | | (962) | | | | | |
| Impairment/revaluation losses (charged to I&E) | | | | | | | | | 25,907 | | | | | | |
| Movement in market value of investment property | (1,639) | | | | | | | | | 1,639 | | | | | |
| Movement in value of held for sale assets | | | | | | | | | | | | | | | |
| Capital grant and contributions | (621) | | | 28 | | | | | | 593 | | | | | |
| Revenue Expenditure Funded from Capital under Statute (England and Wales) | 1,622 | | | | | | | | | (1,622) | | | | | |
| Profit/loss on sale of non current assets | 8 | | 2,022 | | | | | | | (2,030) | | | | | |
| Net retirement benefits per IAS19 (FRS17) | (4,939) | | | | | | | | 116 | | | | | | |
| Mortgage principal repaid+ housing capital receipts pool | 3 | | (3) | | | | | | | | | | | | |
| **Insertion of items not debited or credited to the CIES** **(Amounts excluded in I&E to be included for determining movement in general fund)** | | | | | | | | | | | | | | | |
| Employers contributions to pension schemes | (116) | | | | | | | | | | | | | | |
| **Other adjustments include** | | | | | | | | | | | | | | | |
| Use of captial receipts reserve to finance expenditure | 189 | | (4,134) | | | | | | | 4,134 | | | | | |
| Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost. | | | | | | | (19) | | | | | | | | |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | 841 | 0 | (2,115) | 28 | (1,246) | 27,965 | 190 | 0 | 26,023 | 1,752 | 0 | 0 | 0 | 0 | 26,719 |
| **Transfers to/from Earmarked Reserves** | 322 | (249) | 0 | 0 | 73 | (510) | 0 | 0 | (290) | (1,709) | 1,503 | 0 | 53 | (67) | (437) |
| All other movements in reserves | 7 | (249) | | | (242) | (510) | | | (290) | (1,709) | 1,503 | | 53 | (67) | (752) |
| Private estates fund | | | | | 0 | 0 | | | | | | | | | 0 |
| Compensated absences | 67 | | | | 67 | 0 | | | | | | | | | 67 |
| Defined benefit obligation | 248 | | | | 248 | 0 | | | | | | | | | 248 |
| | | | | | | 0 | | | | | | | | | 0 |
| **Increase/Decrease (movement) in Year** | 1,163 | (249) | (2,115) | 28 | (1,173) | 27,455 | 190 | 0 | 25,733 | 43 | 1,503 | 0 | 53 | (67) | 26,282 |
| **Balance at 31 March 2011 carried forward** | 3,326 | 751 | 7,662 | 162 | 11,901 | 51,560 | 303 | 0 | (19,253) | 68,982 | 1,528 | 0 | 144 | (144) | 63,461 |

# MOVEMENT IN RESERVES STATEMENT 2009/10

| | General Fund Balance | Earmarked GF Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Revaluation Reserve | Available for sale Financial Instruments | Pensions Reserve | Capital Adjustment Account | Deferred Capital Receipts | Financial Instruments Adjustment Account | Collection Fund Adjustment Account | Short term Compensated Absences | Total Authority Reserves |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Balance at 1 April 2009** | **2,607** | **1,443** | **11,139** | **180** | **15,369** | **37,565** | **113** | **0** | **(30,212)** | **67,854** | **32** | **(249)** | **132** | **(105)** | **52,934** |
| **Movement in reserves during 2009/10** | | | | | | | | | | | | | | | |
| **Surplus or (deficit) on provision of services** | (2,077) | | 0 | 0 | **(2,077)** | **0** | | | | | | | | | **(2,077)** |
| **Other Comprehensive Expenditure and Income** | | 0 | 0 | 0 | **0** | **0** | | | | | | | | | **0** |
| Revaluation gains | 0 | | | | | | | | | 185 | | | | | |
| Revaluation losses (chargeable to revaluation reserve) | 0 | | | | | | | | | | | | | | |
| Impairment losses (chargeable to revaluation reserve) | 0 | | | | | | | | | | | | | | |
| Generally movement in Available for Sale FI's | 0 | | | | | | | | | | | | | | |
| **Total Comprehensive Expenditure and Income** | **(2,077)** | **0** | **0** | **0** | **(2,077)** | **0** | | | **0** | **185** | **0** | | | | **(2,077)** |
| **Adjustments between accounting basis & funding basis under regulations** | **1,806** | **0** | **0** | **0** | **1,806** | **0** | **0** | **0** | **0** | **944** | **(7)** | **249** | **0** | **0** | **1,806** |
| **Reversal of items debited or credited to the CIES** | | | | | | | | | | | | | | | |
| Depreciation/amortisation | 1,327 | | | | | | | | | (1,327) | | | | | |
| Impairment/revaluation losses (charged to I&E) | | | | | | | | | | | | 249 | | | |
| Movement in market value of investment property | (1,600) | | | | | | | | | 1,600 | | | | | |
| Write out GGD (one year only) | (240) | | | | | | | | | 240 | | | | | |
| Capital grant and contributions | (568) | | to CAA when applied | | | | | | | 557 | | | | | |
| Revenue Expenditure Funded from Capital under Statute (England and Wales) | 1,539 | | | | | | | | | (1,216) | | | | | |
| Profit/loss on sale of non current assets | (12) | | | | | | | | | | | | | | |
| | | | | | | | | | | | to cap receipts when received | | | | |
| Net retirement benefits per IAS19 (FRS17) | 2,218 | | | | | | | | | | | | | | |
| Mortgage principal repaid+ housing capital receipts pool | 3 | | | | | | | | | | (7) | | | | |
| Gain/loss on revaluation of Available for sale Financial Instruments | 0 | | | | | | | | | | | | | | |
| **Insertion of items not debited or credited to the CIES** | | | | | | | | | | | | | | | |
| Employers contributions to pension schemes | (861) | | | | | | | | | | | | | | |
| **Other adjustments include** | | | | | | | | | | | | | | | |
| Use of capital receipts reserve to finance capital expenditure | | | | | | | | | | 1,090 | | | | | |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **(271)** | **0** | **0** | **0** | **(271)** | **1,371** | **0** | **0** | **0** | **1,129** | **(7)** | **249** | **0** | **0** | **1,100** |
| **Transfers to/from Earmarked Reserves** | **(173)** | **(443)** | **(1,363)** | **(46)** | **(2,025)** | **(14,830)** | **0** | **0** | **(14,774)** | **(44)** | **0** | **0** | **(41)** | **29** | **(16,855)** |
| All other movements in reserves | (98) | (443) | (1,363) | (46) | **(1,950)** | **(14,832)** | | | (14,776) | (44) | | | (41) | 29 | **(16,782)** |
| Private estates fund | (44) | | | | **(44)** | **0** | | | | | | | | | **(44)** |
| Compensated absences | (29) | | | | **(29)** | **0** | | | | | | | | | **(29)** |
| Defined benefit obligation | (2) | | | | **(2)** | **2** | | | 2 | | | | | | **0** |
| **Increase/Decrease (movement) in Year** | **(444)** | **(443)** | **(1,363)** | **(46)** | **(2,296)** | **(13,459)** | **0** | **0** | **(14,774)** | **1,085** | **(7)** | **249** | **(41)** | **29** | **(15,755)** |
| **Balance at 31 March 2010 carried forward** | **2,163** | **1,000** | **9,776** | **134** | **13,073** | **24,106** | **113** | **0** | **(44,986)** | **68,939** | **25** | **0** | **91** | **(76)** | **37,179** |

# COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

| Comprehensive Income and Expenditure Account 2010/11 | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2009/10 | | | | | 2010/11 | | |
| Gross exp £000 | Gross income £000 | Net Exp £000 | | Notes | Gross Exp £000 | Gross income £000 | Net exp £000 |
| 8,342 | (6,901) | 1,441 | Central services | | 8,520 | (6,974) | 1,546 |
| 15,062 | (4,251) | 10,811 | Cultural, environmental and planning services | | 15,074 | (4,385) | 10,689 |
| 1,697 | (989) | 708 | Highways, roads & transport services | | 1,777 | (1,213) | 564 |
| 25,069 | (22,992) | 2,077 | Housing services | | 26,034 | (24,004) | 2,030 |
| 1,781 | (397) | 1,384 | Corporate and democratic core | | 1,854 | (429) | 1,425 |
| 124 | (2) | 122 | Non distributed costs | | 170 | 0 | 170 |
| 0 | 0 | 0 | Exceptional Pension Valuation | | 0 | (5,979) | (5,979) |
| **52,075** | **(35,532)** | **16,543** | **Net cost of services** | | **53,429** | **(42,984)** | **10,445** |
| **2,524** | **(19)** | **2,505** | **Other Operating Expenditure** | *9* | **3,159** | **(296)** | **2,863** |
| **4,442** | **(5,793)** | **(1,351)** | **Financing and Investment Income & Expenditure** | *10* | **3,857** | **(6,705)** | **(2,848)** |
| **0** | **(15,620)** | **(15,620)** | **Taxation and Non-Specific Grant Income** | *11* | **0** | **(15,813)** | **(15,813)** |
| **59,041** | **(56,964)** | **2,077** | **(Surplus) or deficit on Provision of Services** | | **60,445** | **(65,798)** | **(5,353)** |
| **Statement of total recognised gains and losses** (other gains and losses in the balance sheet that are not debited or credited to the income & expenditure account) | | | | | | | |
| **13,678** | **0** | **13,678** | **Surplus or deficit on revaluation of non current assets** | | **0** | **(20,929)** | **(20,929)** |
| 0 | 0 | 0 | Revaluation (gains)/losses on fixed assets | | | (209 | (209) |
| 13,678 | 0 | 13,678 | Actuarial (gains)/losses on pension assets/liabilities | | | (20,720) | (20,720) |
| **72,719** | **(56,964)** | **15,755** | **Total comprehensive income and expenditure** | | **60,444** | **(86,725)** | **(26,281)** |

## BALANCE SHEET

| 01 April 2009 £000 | 31 March 2010 £000 | Balance Sheet | Notes | 31 March 2011 £000 | 31 March 2011 £000 |
|---|---|---|---|---|---|
| 37,482 | 36,640 | Property, plant and equipment | *12a* | | 38,252 |
| 27,187 | 29,005 | Investment property | *13b* | | 30,652 |
| 167 | 128 | Intangible assets | *14b* | | 86 |
| 0 | 0 | Assets held for sale (after 1 year) | *19* | | 0 |
| 0 | 740 | Long term investments | *15a* | | 547 |
| 170 | 173 | Long term debtors | *17* | | 1,623 |
| **65,006** | **66,686** | **Long Term Assets** | | | **71,160** |
| 0 | 0 | Short term investments | | | 0 |
| 24 | 20 | Inventories | *16* | | 3 |
| 5,551 | 5,806 | Short term debtors | *17* | 4,294 | |
| (915) | (1,010) | Bad debt provision | *17* | (1,069) | |
| 4,636 | 4,796 | Short term debtors less provision for bad debt | | | 3,225 |
| 3 | 2 | Cash | *18* | 2 | |
| 360 | 9 | Bank | *18* | (232) | |
| 20,568 | 15,897 | Liquid investments | *18* | 16,268 | |
| 20,931 | 15,908 | Cash and cash equivalents | | | 16,038 |
| 3,200 | 3,257 | Assets held for sale (within 1 year) | *19* | | 273 |
| **28,791** | **23,981** | **Current Assets** | | | **19,539** |
| 0 | 0 | Cash and cash equivalents | | | 0 |
| (3,000) | (2,700) | Short term borrowing | *15a* | | (1,500) |
| (6,719) | (4,546) | Short term creditors | *20* | | (4,741) |
| (105) | (77) | Current provisions | *21* | | (144) |
| (423) | (454) | Receipts in advance | | | (568) |
| (221) | (219) | Defined benefit obligation | *23f* | | (364) |
| **(10,468)** | **(7,996)** | **Current Liabilities** | | | **(7,317)** |
| 0 | 0 | Long term creditors | | | 0 |
| 0 | 0 | Provisions | | | 0 |
| 0 | 0 | Long term borrowing | | | 0 |
| (29,990) | (44,766) | Other long term liabilities | *41* | | (18,889) |
| (405) | (725) | Capital grants receipts in advance | *32b* | | (1,032) |
| **(30,395)** | **(45,491)** | **Long Term Liabilities** | | | **(19,921)** |
| | | | | | |
| **52,934** | **37,180** | **Net Assets** | | | **63,461** |

| 01 April 2009 £000 | 31 March 2010 £000 | Balance Sheet | Notes | 31 March 2011 £000 | £000 |
|---|---|---|---|---|---|
| (2,607) | (2,163) | General Fund | ***MiRS*** | (3,326) | |
| (180) | (134) | Capital contribution and government grant unapplied | ***MiRS*** | (162) | |
| (11,139) | (9,776) | Usable capital contributions | ***MiRS*** | (7,662) | |
| (1,443) | (1,000) | Earmarked reserves | ***MiRS*** | (751) | |
| **(15,369)** | **(13,073)** | **Usable reserves** | | | **(11,901)** |
| 249 | 0 | Financial instruments adjustment account | ***23e*** | 0 | |
| (67,854) | (68,939) | Capital adjustment account | ***23d*** | (68,982) | |
| (32) | (25) | Deferred capital receipts adjustment account | ***23g*** | (1,528) | |
| 30,212 | 44,985 | Pensions reserve | ***23f*** | 19,253 | |
| (132) | (91) | Collection fund - adjustment account | ***23h*** | (144) | |
| 105 | 76 | Accumulating compensated absences adj acc | ***23i*** | 144 | |
| (37,452) | (23,994) | Adjustment accounts | | | (51,257) |
| (113) | (113) | Revaluation reserve | ***23b*** | | (303) |
| **(37,565)** | **(24,107)** | **Unusable reserves** | ***23*** | | **(51,560)** |
| **(52,934)** | **(37,180)** | **Total Reserves** | | | **(63,461)** |

**VALE of WHITE HORSE - MOVEMENT ON BALANCE SHEET 31 MARCH 2009 SORP - 1ST APRIL 2009 IFRS**

| | | Adjustments required under IFRS adoption | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | COL 1 | COL 2 | COL 3 | COL 4 | COL 5 | COL 6 | COL 7 | COL 8 | COL 9 | COL 10 | COL 11 | COL 12 | COL 13 | |
| | Restated 31st March 2009 SORP | Assets held for sale (market value) | Investment asset reclassifcation | Investment asset treatment of revaluations | Review of lease arrangements | Receipts in advance to earmarked reserves | Receipts in advance to general fund | Receipts in advance to S106 Capital grants receipts in advance | Earmarked reserve to collection fund adj account | Capital grants deferred applied to capital adjustment. | Capital grants unapplied from current liabilities to usable reserves | Reclassification of cash and cash equivalents and long term debtors | Short term compensated absences | Termination benefits | 1st April 2009 IFRS |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| **Fixed assets** | | | | | | | | | | | | | | | |
| Intangible assets | 167 | | | | | | | | | | | | | | 167 |
| Tangible fixed assets | | | | | | | | | | | | | | | |
| Operational assets | | | | | | | | | | | | | | | |
| Land and buildings | 34,462 | | 439 | | 0 | | | | | | | | | | 34,901 |
| Vehicles and plant | 907 | | | | 0 | | | | | | | | | | 907 |
| Community assets | 1,488 | | | | | | | | | | | | | | 1,488 |
| Infrastructure assets | 95 | | | | | | | | | | | | | | 95 |
| Non operational assets | | | | | | | | | | | | | | | |
| Investment property | 27,626 | | (439) | | | | | | | | | | | | 27,187 |
| Assets u construction | 0 | | | | | | | | | | | | | | 0 |
| Surplus assets held for disposal | 3,200 | (3,200) | | | | | | | | | | | | | 0 |
| **Total fixed assets** | **67,945** | **(3,200)** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **64,745** |
| Long Term Investments | 0 | | | | | | | | | | | | | | 0 |
| Long Term Debtors | 117 | | | | | | | | | | | 53 | | | 170 |
| **Total long term assets** | **68,062** | **(3,200)** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **53** | **0** | **0** | **64,915** |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Current assets** | | | | | | | | | | | | | | | |
| Stock | 116 | | | | | | | | | | | | | | 116 |
| Debtors | 5,605 | | | | | | | | | | | (53) | | | 5,552 |
| less bad debt provision | (915) | | | | | | | | | | | | | | (915) |
| Investments | 20,567 | | | | | | | | | | | (20,750) | | | (183) |
| Cash in hand | 363 | | | | | | | | | | | 20,750 | | | 21,113 |
| Assets held for sale (within 1 year) | | 3,200 | | | | | | | | | | | | | 3,200 |
| | **25,736** | **3,200** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **(53)** | **0** | **0** | **28,883** |
| **Current liabilities** | | | | | | | | | | | | | | | |
| Creditors | (8,640) | | | | | 737 | 356 | 405 | | | | | | | (7,142) |
| Short term borrowing | (3,000) | | | | | | | | | | | | | | (3,000) |
| | | | | | | | | | | | | | (105) | | (105) |
| | | | | | | | | | | | | | | (222) | (222) |
| | **(11,640)** | **0** | **0** | **0** | **0** | **737** | **356** | **405** | **0** | **0** | **0** | **0** | **(105)** | **(222)** | **(10,469)** |
| Capital grants deferred - applied | (3,772) | | | | | | | | | 3,772 | | | | | 0 |
| Capital grants unapplied (liabilities) | (180) | | | | | | | | | | 180 | | | | 0 |
| | | | | | | | | (405) | | | | | | | (405) |
| Net pension liability | (29,990) | | | | | | | | | | | | | | (29,990) |
| | **(33,942)** | **0** | **0** | **0** | **0** | **0** | **0** | **(405)** | **0** | **3,772** | **180** | **0** | **0** | **0** | **(30,395)** |
| **Net assets** | **48,216** | **0** | **0** | **0** | **0** | **737** | **356** | **0** | **0** | **3,772** | **180** | **0** | **(105)** | **(222)** | **52,934** |

Financed by:

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | (180) | | | | (180) |
| Usable capital receipts reserve | (11,139) | | | | | | | | | | | | | | (11,139) |
| Balances - general fund | (2,250) | | | | | | (356) | | | | | | | | (2,606) |
| Earmarked reserves | (839) | | | | | (737) | | | 132 | | | | | | (1,444) |
| Balances - collection fund | 0 | | | | | | | | | | | | | | 0 |
| Revaluation reserves | (308) | | | 195 | | | | | | | | | | | (113) |
| Financial instrument adjustment ac | 249 | | | | | | | | | | | | | | 249 |
| Capital adjustment account | (63,887) | | | (195) | | | | | | (3,772) | | | | | (67,854) |
| | | | | | | | | | (132) | | | | | | (132) |
| Pensions reserve | 29,990 | | | | | | | | | | | | | 222 | 30,212 |
| Deferred capital receipts reserve | (32) | | | | | | | | | | | | | | (32) |
| | | | | | | | | | | | | | 105 | | 105 |
| **Total reserves** | **(48,216)** | **0** | **0** | **0** | **0** | **(737)** | **(356)** | **0** | **0** | **(3,772)** | **(180)** | **0** | **105** | **222** | **(52,934)** |

**VALE of WHITE HORSE - MOVEMENT ON BALANCE SHEET RESTATEMENT 1 APRIL 2009 TO 31 MARCH 2010 IFRS**

| | | | | ADJUSTMENTS REQUIRED UNDER IFRS | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | COL 1 | COL 2 | COL 3 | COL 4 | COL 5 | COL 6 | COL 7 | COL 8 | COL 9 | |
| | Restated 31st March 2009 SORP | Restated opening balances in IFRS format (see previous note) | Movement on SORP balances 01 April 2009 to 31 March 2010 | Depreciation of assets transferred to land & buildings | Transfer of expend-iture on asset for sale | New earmarked reserves and grants re-allocation | Revaluation of investment property to CI&E account | Short term compen-sated absences | Termination benefits | Reverse entries to grants deferred accounts | Cash & cash equivalent reclassifi-cation | Transfer of interest to long term debtors | RE-STATED BALANCE SHEET IFRS AS AT 31 MARCH 2010 |
| Land & buildings | 34,462 | 34,901 | (951) | (8) | | | | | | | | | 33,942 |
| Plant, equipment & vehicles | 907 | 907 | 208 | | | | | | | | | | 1,115 |
| Community assets | 1,488 | 1,488 | 16 | | | | | | | | | | 1,504 |
| Assets under construction | 0 | | 0 | | | | | | | | | | 0 |
| Infrastructure assets | 95 | 95 | (16) | | | | | | | | | | 79 |
| Property, plant and equipment | 36,952 | 37,391 | (743) | (8) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 36,640 |
| Investment property | 27,626 | 27,187 | 1,875 | | (57) | | | | | | | | 29,005 |
| Intangible assets | 167 | 167 | (39) | | | | | | | | | | 128 |
| Assets held for sale (after 1 year) | | | | | | | | | | | | | 0 |
| Long term investments | 0 | | 740 | | | | | | | | | | 740 |
| Long term debtors | 117 | 170 | 1 | | | | | | | | | 2 | 173 |
| **Long term assets** | **64,862** | **64,915** | **1,834** | **(8)** | **(57)** | **0** | **0** | **0** | **0** | **0** | **0** | **2** | **66,686** |
| Short term investments | 20,567 | (183) | (4,670) | | | | | | | | 4,853 | | 0 |
| Inventories | 116 | 116 | (96) | | | | | | | | | | 20 |
| Short term debtors | 5,605 | 5,552 | 256 | | | | | | | | | (2) | 5,806 |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bad debt provision | (915) | (915) | (95) | | | | | | | | | | (1,010) |
| Short term debtors less provision for bad debt | 4,690 | 4,637 | 161 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (2) | 4,796 |
| Cash | 3 | 3 | (1) | | | | | | | | | | 2 |
| Bank | 360 | 360 | (351) | | | | | | | | | | 9 |
| Liquid investments | | 20,750 | | | | | | | | | (4,853) | | 15,897 |
| Cash & cash equivalents | 363 | 21,113 | (352) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (4,853) | 0 | 15,908 |
| Assets held for sale (within 1 year) | 3,200 | 3,200 | 0 | | 57 | | | | | | | | 3,257 |
| **Current assets** | **28,936** | **28,883** | **(4,957)** | **0** | **57** | **0** | **0** | **0** | **0** | **0** | **0** | **(2)** | **23,981** |
| Cash & cash equivalents | | | | | | | | | | | | | 0 |
| Short term borrowing | (3,000) | (3,000) | 300 | | | | | | | | | | (2,700) |
| Short term creditors | (8,640) | (7,142) | 2,120 | | | 476 | | | | | | | (4,546) |
| Current provisions | | (105) | (1) | | | | | 29 | | | | | (77) |
| Receipts in advance | | 0 | 0 | | | (454) | | | | | | | (454) |
| Defined benefit obligation | | (222) | 0 | | | | | | 3 | | | | (219) |
| **Current liabilities** | **(11,640)** | **(10,469)** | **2,419** | **0** | **0** | **22** | **0** | **29** | **3** | **0** | **0** | **0** | **(7,996)** |
| Long term creditors | | | | | | | | | | | | | 0 |
| Provisions | | | | | | | | | | | | | 0 |
| Long term borrowing | | | | | | | | | | | | | 0 |
| Net pension liability | (29,990) | (29,990) | (14,776) | | | | | | | | | | (44,766) |
| Capital grants receipts in advance | | (405) | | | | (320) | | | | | | | (725) |
| Capital grants deferred applied | (3,772) | | 19 | | | | | | | (19) | | | 0 |
| Capital grants unapplied | (180) | 0 | 46 | | | (46) | | | | | | | 0 |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Long term liabilities** | **(33,942)** | **(30,395)** | **(14,711)** | **0** | **0** | **(366)** | **0** | **0** | **0** | **(19)** | **0** | **0** | **(45,491)** |
| **Net assets** | **48,216** | **52,934** | **(15,415)** | **(8)** | **0** | **(344)** | **0** | **29** | **3** | **(19)** | **0** | **0** | **37,180** |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financed by:** | | | | | | | | | | | | | |
| General fund | (2,250) | (2,606) | 488 | | | (45) | | | | | | | (2,163) |
| Capital contribution and government grant unapplied | | (180) | | | | 46 | | | | | | | (134) |
| Usable capital contributions | (11,139) | (11,139) | 1,363 | | | | | | | | | | (9,776) |
| Earmarked reserves | (839) | (1,444) | 142 | | | 302 | | | | | | | (1,000) |
| Usable reserves | (14,228) | (15,369) | 1,993 | 0 | 0 | 303 | 0 | 0 | 0 | 0 | 0 | 0 | (13,073) |
| Financial instrument adjustment ac | 249 | 249 | (249) | | | | | | | | | | 0 |
| Capital adjustment account | (63,887) | (67,854) | (926) | 8 | | | (186) | | | 19 | | | (68,939) |
| Deferred capital receipts adjustment account | (32) | (32) | 7 | | | | | | | | | | (25) |
| Pensions reserve | 29,990 | 30,212 | 14,776 | | | | | | (3) | | | | 44,985 |
| Collection fund - adjustment account | | (132) | 0 | | | 41 | | | | | | | (91) |
| Accumulating compensated absences adjustment account | | 105 | 0 | | | | | (29) | | | | | 76 |
| Adjustment accounts | (33,680) | (37,452) | 13,608 | 8 | 0 | 41 | (186) | (29) | (3) | 19 | 0 | 0 | (23,994) |
| Revaluation reserve | (308) | (113) | (186) | | | | 186 | | | | | | (113) |
| Total unusable reserves | (33,988) | (37,565) | 13,422 | 8 | 0 | 41 | 0 | (29) | (3) | 19 | 0 | 0 | (24,107) |
| **Total reserves** | **(48,216)** | **(52,934)** | **15,415** | **8** | **0** | **344** | **0** | **(29)** | **(3)** | **19** | **0** | **0** | **(37,180)** |

## Cash Flow Statement 2010/11

There are two methods of preparing the Cash Flow Statement:

- The direct method – the statement is prepared using cash records as source documents. The Council has previously used this method.

- The indirect method – the statement is prepared using the surplus or deficit on the provision of services and cash flows are derived by adjusting for non-cash items, removing the effects of accruals and extracting transactions relating to investing or financing activities.

The 2009/10 cash flow statement was complied using the direct method. As the council has changed to using International Financial Reporting Standards (IFRS) a decision was made to change the cash flow to the indirect method, to comply with a government return called the Whole of Government Accounts.

The indirect method for the cash flow statement was reviewed and agreed by the auditors in January 2011, and therefore the 2009/10 comparator figures use the indirect method.

Cash Flow Statement 2010/11

| **2009/10 £'000** | | **Note** | **2010/11 £'000** |
|---:|---|:---:|---:|
| (2,077) | Net surplus or (deficit) on the provision of services | | 5,353 |
| 7,458 | Adjustment to net surplus or deficit on the provision of services for non-cash movements | A | (2,426) |
| 320 | Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | A | (2,753) |
| 5,701 | Net cash flows from Operating Activities | A | 174 |
| 5,145 | Investing Activities | 25 | 598 |
| (15,869) | Financing Activities | 26 | (642) |
| (5,023) | Net increase or (decrease) in cash and cash equivalents | | 130 |
| 20,931 | Cash and cash equivalents at the beginning of the reporting period | | 15,908 |
| 15,908 | Cash and cash equivalents at the end of the reporting period | | 16,038 |

## Note A - Adjustment to surplus or deficit on the provision of services for non cash movements

| 2009/10 £'000 | | 2010/11 £'000 | |
|---|---|---|---|
| (2,077) | Net Surplus or (Deficit) on the Provision of Services | | 5,353 |
| | <u>Adjust net surplus or deficit on the provision of services for non cash movements</u> | | |
| 1,327 | Depreciation | 1,203 | |
| (1,786) | Impairment and downward valuations | 755 | |
| (240) | Amortisation | 54 | |
| 0 | Impairment losses on Loans & advances debited to surplus or deficit on the provision of services in year | 0 | |
| 0 | Reductions in fair value of non PWLB Concessionary Loans | 0 | |
| 0 | Material Impairment losses on Investments debited to surplus or deficit on the provision of services in year | 22 | |
| 0 | Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss a/c | 0 | |
| 0 | Adjustment for internal interest charged | 2 | |
| 0 | Losses or Gains on derecognition of loans & advances in year charged or credited to surplus or deficit on the provision of services | 0 | |
| 0 | Reductions in fair value of Soft Loans (non Subsidiary) made in the year | 0 | |
| 0 | Soft Loans (non subsidiary)-Interest adjustment credited to I+E Account during year | 0 | |
| 0 | Adjustments for effective interest rates | 0 | |
| 0 | Increase/decrease in provision for impairments/doubtful debts re: Loans & Advances | 0 | |
| 0 | Financial Guarantee Adjustments | 0 | |
| 0 | Net PFI Debtor Adjustments | 0 | |
| 0 | Increase/Decrease in Interest Creditors | 0 | |
| 4,718 | Increase/Decrease in Creditors | (413) | |
| 0 | Increase/Decrease in Interest and Dividend Debtors | (58) | |
| 825 | Increase/Decrease in Debtors | 1,132 | |
| (96) | Increase/Decrease in Inventories | 17 | |
| 2,401 | Pension Liability | (5,055) | |
| 309 | Contributions to/(from) Provisions | 326 | |
| 0 | Provision for Equal Pay | 0 | |
| 0 | Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets] | 3,608 | |
| 0 | Issuing of Council Mortgages relating to deferred capital receipts | (1,518) | |
| 0 | Carrying amount of short and long term investments sold | 229 | |
| 0 | Movement in Investment Property Values (revaluations) | (2,730) | |
| 7,458 | | | (2,426) |
| | <u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u> | | |
| 0 | Purchase of Short Term and Long Term investments | 0 | |
| 0 | Capital Grants credited to surplus or deficit on the provision of services | (572) | |
| 320 | Proceeds from the sale of short and long term investments | (171) | |
| 0 | Premiums or Discounts on the repayment of financial liabilities | 0 | |
| 0 | Proceeds from the sale of property plant and equipment, investment property and intangible assets | (2,010) | |
| 320 | | | (2,753) |

| | | |
|---|---|---|
| 5,701 | Net Cash Flows from Operating Activities | 174 |

## NOTES TO THE ACCOUNTS 2010/11

## 1. Statement of Accounting Policies

### (i) General Principles

The statement of accounts summarises the council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The council is required to prepare an annual statement of accounts by 30 September which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice (BVACOP) 2010/11 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Account and Audit Regulations 2003 Act.

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### (ii) Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- 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 inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### (iii) Acquisitions and discontinued operations

Acquired operations - there have been no acquired operations (or transferred operations under government re-organisation arrangements) during the financial year. Discontinued operations - there have been no discontinued operations (or transferred operations under government re-organisation arrangements) during the financial year.

### (iv) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are defined as follows:

- Cash and cash equivalents shall include bank overdrafts that are an integral part of the council's cash management.
- Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes.
- Investments that can be liquidated or accessed within 30 days i.e. money market funds, call accounts and deposit accounts with a notice period of 30 days or less.
- Fixed term deposits with a maturity period of 30 days or less.

Equity investments are excluded from the definition.

The council has made the decision that all investments held with the council's fund manager should be treated as longer-term investments because whilst it may in theory be possible to recover the sums invested at reasonably short notice without significant loss of income, it is the council's intention not to do so and consequently these longer term investments are included in the financial instruments note.

### (v) Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the comprehensive income and expenditure statement or in the notes to the accounts, depending on how significant the items are to an understanding of the council's financial performance.

### (vi) Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### (vii) Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off.

- Amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing required. As at 31 March 2010 this council has no borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement.

**(viii) Employee Benefits**

**Benefits payable during employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements and additional hours earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

**Termination benefits**

Termination benefits are amounts payable either as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Such benefits are charged on an accruals basis to the non distributed costs line in the comprehensive income and expenditure statement when the council is demonstrably committed to the termination of the employment of an officer or group of officers or to making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

**The Local Government Pension Scheme (LGPS)**

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Oxfordshire County Council pension fund attributable to the council are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bond (iBoxx AA)
- The assets of Oxfordshire County Council pension fund attributable to the council are included in the balance sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the comprehensive income and expenditure statement to the services for which the employees worked.
  - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement as part of non distributed costs.
  - Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.
  - Expected return on assets - the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return - credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.
  - Gains or losses on settlements and curtailments - the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement as part of non distributed costs.
  - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the pensions reserves.
  - Contributions paid to the Oxfordshire County council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or directly top pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement this means that there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid a the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

**Discretionary benefits**

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the LGPS.

**(ix) Events after the balance sheet date**

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the statement of accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

**(x) Financial instruments**

**Financial liabilities**

Financial liabilities are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which is was originally recognised.

The council currently has no borrowings and has issued no bonds to bondholders.

**Financial assets**

Financial assets are classified into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

**Loans and receivables**

Loans and receivables are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

However, if the council has made loans to voluntary organisations at less than market rates (soft loans), then a loss is recorded in the comprehensive income and expenditure statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the general fund balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the comprehensive income and expenditure statement to the net gain required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the movement in reserves statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

**Available-for-sale assets**

Available-for-sale assets are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the comprehensive income and expenditure statement when it becomes receivable by the council.

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices - the market price
- Other instruments with fixed and determinable payments - discounted cash flow analysis
- Equity shares with no quoted market prices - independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the available-for-sale reserve and the gain/loss is recognised in the surplus or deficit on revaluation of available-for-sale financial assets.  The exception is where impairment losses have been incurred - these are debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement, along with any net gain or loss for the asset accumulated in the available-for-sale reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.  If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.  Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement, along with any accumulated gains or losses previously recognised in the available-for-sale reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

**Instruments entered into before 1 April 2006**

Any financial guarantees entered into before 1 April 2006 are not required to be accounted for as financial instruments; the council has none of these.

### (xi) Foreign currency translation

The council has not entered into any transactions denominated in a foreign currency with exposure to exchange rate risk.  Consequently, there are no gains or losses required to be recorded as a result of variances in the exchange rate.

### (xii) Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

- The council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the council are not credited to the comprehensive income and expenditure statement until conditions attached to the grant or contribution have been satisfied.  Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income (non-ringfenced revenue grants and all capital grants) in the comprehensive income and expenditure statement.

Where capital grants are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance in the movement in reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

**Area Based Grant**

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to taxation and non-specific grant income in the comprehensive income and expenditure statement.

**(xiii) Intangible assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the council can be determined by reference to an active market. In practice, no intangible asset held by the council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the comprehensive income and expenditure statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the comprehensive income and expenditure statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the comprehensive income and expenditure statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

### (xiv) Interests in Companies and other entities – jointly controlled operations and jointly controlled assets

The council has no material interests in other companies or entities that have the nature of subsidiaries, associates or jointly controlled entities and there is therefore no requirement to prepare group accounts.

Jointly controlled operations are classified as activities undertaken by the council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. They are items of property, plant or equipment that are jointly controlled by the council and other venturers, with the assets being used to obtain benefits for the venturers. Whilst the council has entered into joint arrangements on the provision of services with South Oxfordshire District Council, none of the assets of that council can be said to be under joint control of the two councils.

### (xv) Inventories and long term contracts

Inventories are included in the balance sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the value of works and services received under the contract during the financial year.

### (xvi) Investment property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

### (xvii) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### The council as lessee

#### Finance leases

Property, plant and equipment held under finance leases is recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- A finance charge (debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period).

The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

#### Operating leases

Rentals paid under operating leases are charged to the comprehensive income and expenditure statement as an expense of the services benefiting from use of the leased property, plant or equipment.

**The council as lessor**

**Finance leases**

Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. A gain, representing the council's net investment in the lease, is credited to the same line in the comprehensive income and expenditure statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the balance sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement).

The gain credited to the comprehensive income and expenditure statement on disposal is not permitted by statute to increase the general fund balance and is posted out of the general fund balance to the capital receipts reserve in the movement in reserves statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this posted out of the general fund balance to the deferred capital receipts reserve in the movement in reserves statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the general fund balance in the movement in reserves statement.

**Operating leases**

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is creditor to the other operating expenditure line in the comprehensive income and expenditure statement.

**(xviii) Overheads and support services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice (BVACOP) 2010/11. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and democratic core - costs relating to the council's status as a multi-functional, democratic organisation.
- Non distributed costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

These two cost categories are defined in the Service Reporting Code of Practice 2010/11 and accounted for as separate headings in the comprehensive income and expenditure statement as part of net expenditure on continuing services.

### (xix) Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

#### Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The council would not capitalise borrowing costs if required to be incurred for assets under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income line of the comprehensive income and expenditure statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance to the capital adjustment account in the movement in reserves statement.

Assets are then carried in the balance sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction - depreciated historical cost.
- All other assets - fair value, determined as the amount that would be paid for the asset in its existing use.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the comprehensive income and expenditure statement where they arise from the reversal of a loss previously charged to a service.)

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where the balance on the revaluation reserve is less than the decrease in value the carrying amount of the asset is written down firstly against the balance on the revaluation reserve and the remaining balance against the relevant service line(s) in the comprehensive income and expenditure statement.
- Where there is no balance in the revaluation reserve the carrying amount of the asset is written down straight to the relevant service line(s) in the comprehensive income and expenditure statement.

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

**Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where the balance on the revaluation reserve is less than the impairment the carrying amount of the asset is written down firstly against the balance on the revaluation reserve and the remaining balance against the relevant service line(s) in the comprehensive income and expenditure statement.

- Where there is no balance in the revaluation reserve the carrying amount of the asset is written down straight to the relevant service line(s) in the comprehensive income and expenditure statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the comprehensive income and expenditure statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

**Depreciation**

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- Buildings and infrastructure assets – straight line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – on a straight line basis, generally over five years.

More detail on depreciation rates for asset categories is included in note 12 to the accounts.

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

**Disposals and non-current assets held for sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the comprehensive income and expenditure statement. Gains in fair value are recognised only up to the amount of any previous loss recognised in the surplus or deficit on provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the reserve from the general fund balance in the movement in reserves statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the general fund balance in the movement in reserves statement.

### (xx) Private finance initiative (PFI) and similar contracts

The council has no PFI or other similar contracts.

### (xxi) Provisions, contingent liabilities and contingent assets

#### Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the comprehensive income and expenditure statement in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the council settles the obligation.

#### Contingent liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

**Contingent assets**

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

**(xxii) Reserves**

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the general fund balance in the movement in reserves statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the comprehensive income and expenditure statement. The reserve is then appropriated back into the general fund balance in the movement in reserves statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the council - these reserves are explained in the relevant policies.

**(xxiii) Revenue expenditure funded from capital under statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the comprehensive income and expenditure statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources, a transfer in the movement in reserves statement from the general fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

**(xxiv) Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## 2. Accounting standards that have been issued but have not yet been adopted

The code has introduced a change in accounting policy in relation to the treatment of heritage assets held by the council, which will need to be adopted fully by the council in the 2011/12 financial statements.

The council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption of a new standard that has been issued, but is not yet required to be adopted by the council, in this case heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the council's balance sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the council principally for their contribution to knowledge or culture. The only assets that the council owns that could fall into this category are items of civic regalia. These assets are not shown in the council's balance sheet, but as the items have an insurance value of £40,000, they would not increase the council's net asset position by a material amount.

## 3. Critical judgements in applying accounting policies

In applying the accounting policies set out in note 1, the council has had to make certain judgements about complex transactions or those involving uncertainty about future event. The critical judgements made in the statement of accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of the need to close facilities and reduce levels of service provision

- In 2008 the council placed a short-term deposit of £1,000,000 with Landsbanki (an Icelandic bank) which is in administration. A decision by the Icelandic High Court is currently being sought as to whether the council will have the status of a preferred creditor or whether the amount will have to be written off. Currently the situation is that the council (along with other local authorities) will receive preferred creditor status and, in which case, recovery of 95% of the deposit and interest may be possible. More details are contained in note 15.

## 4. Assumptions made about the future and other major sources of estimation uncertainty

The statement of accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual result could be materially different from the assumptions and estimates.

The items in the council’s balance sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|---|---|
| Property Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. | |
| Pensions | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by Oxfordshire County Council pension fund to provide the council with expert advice about the assumptions to be applied. | The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £79,361. |

## 5. Material items of income and expenditure

During the financial year the council made the following material items of expenditure:

| | | **£'000** |
|---|---|---|
| Housing and council tax benefits: | | |
| Rent rebates, rent allowances and discretionary housing payments | 22,488 | |
| Council tax benefits | 5,427 | 27,915 |
| Direct staff costs | | 8,862 |
| Waste management | | 4,322 |
| Joint working with South Oxfordshire DC | | 2,096 |
| Financial Services | | 1,711 |
| Concessionary fares | | 910 |
| Grounds maintenance | | 448 |

and received the following material income amounts:

| | | **£'000** |
|---|---|---|
| Housing and council tax benefits: | | |
| Rent rebates, rent allowances and discretionary housing payments | (22,690) | |
| Council tax benefits | (5,485) | (28,175) |

| | |
|---|---|
| Property and investment income | (1,961) |
| Waste management | (1,449) |
| Joint working with South Oxfordshire DC | (1,184) |
| Car park income | (718) |
| Planning fees | (568) |
| Concessionary fares – specific government grant | (493) |

The council also incurred material expenditure on the following capital projects/works:

| | **£'000** |
|---|---|
| Purchase of wheeled bins for Waste contract | 2,765 |
| Renovation grants – Disabled facilities grants | 912 |

The following material capital receipts and contributions were received in the financial year:

| | **£'000** |
|---|---|
| Sale of Old Gaol, Abingdon | (2,034) |
| Disabled Facilities Grant | (514) |

## 6. Events after the balance sheet date

The statement of accounts was certified by the strategic director and chief finance officer on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following event(s) which took place after 31 March 2011 as they provide information that is relevant to an understanding of the council's financial position but do not relate to conditions at that date:

- The Property, Plant and Equipment line in the Balance Sheet contains a valuation for the Guildhall in Abingdon of £2.022 million and the Investment Property line contains a valuation of Roysse Court in Abingdon of £0.245 million. On 1 April 2011 these properties were transferred to Abingdon Town Council for a nominal sum. The effect on the council's balance sheet would be: to reduce the Property Plant and Equipment valuation by £2.022 million to £36.200 million; to reduce the Investment Property valuation by £0.245 million to £30.407 million and amend the Capital Adjustment Account by £2.267 million to £66.715 million.

- The Investment Property line in the Balance Sheet contains a valuation for the Abbey Centre Shopping complex of £4.750 million. The council's holding is let on a long lease and the leaseholder owns and manages the shops. On 8 April 2011 the council entered into a contract (subject to contractual clauses) which varies some of the rights and obligations in the lease. If this goes through its effect would be to reduce the value of this asset to £2.800 million; the effect on the council's balance sheet would be to further reduce the Investment Property valuation by £1.950 million to £28.457 million and amend the Capital Adjustment Account by £1.950 million to £64.765 million.

## 7. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure.

**Table 7a Adjustments between accounting basis and funding basis**

| **Vale of White Horse District Council 2010/11** | Usable Reserves | | | | |
|---|---|---|---|---|---|
| | **General Fund Balance £000** | **Capital Receipts Reserve £000** | **Capital Grants Unapplied £000** | **Earmarked Reserves £000** | **Movement in Unusable Reserves £000** |
| **Adjustments primarily involving the Capital Adjustment Account:** | | | | | |
| *Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:* | (5,361) | | | | |
| Charges for depreciation and impairment of non-current assets | (981) | | | | 981 |
| Revaluation losses on Property, Plant and Equipment | | | | | (209) |
| Movements in the market value of Investment Properties | 1,639 | | | | (1,639) |
| Amortisation of intangible assets | | | | | |
| Capital grants and contributions applied | | | | | |
| Revenue expenditure funded from capital under statute | (1,622) | | | | 1,622 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (3,547) | | | | 2,030 |
| Other | 7 | | | 249 | 16 |
| *Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:* | | | | | |
| Statutory provision for the financing of capital investment | | | | | |
| Capital expenditure charged against the General Fund | | | | | |
| **Adjustments primarily involving the Capital Grants Unapplied Account:** | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 29 | | (29) | | |
| Application of grants to capital financing transferred to the Capital Adjustment Account. | 592 | | 1 | | (593) |

| Vale of White Horse District Council 2010/11 | Usable Reserves | | | | |
|---|---|---|---|---|---|
| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Earmarked Reserves £000 | Movement in Unusable Reserves £000 |
| **Adjustments primarily involving the Capital Receipts Reserve:** | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement. | 2,033 | (2,022) | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | 4,133 | | | (4,134) |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals | (23) | | | | |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool. | 3 | 3 | | | |
| Contribution from the Capital Receipts Reserve to finance statutory redundancy and early retirement costs. | (189) | | | | |
| **Adjustments primarily involving the Deferred Capital Receipts Reserve** | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 1,517 | | | | |
| **Adjustment primarily involving the Financial Instruments Adjustment Account:** | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | | | | | |
| **Adjustments primarily involving the Pensions Reserve:** | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 3,090 | | | | (25,594) |
| Employer's pensions contributions and direct payments to pensioners payable in the year. | 1,717 | | | | |
| **Adjustments primarily involving the Collection Fund Adjustment Account:** | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements. | | | | | |
| **Adjustment primarily involving the Accumulated Absences Account:** | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (67) | | | | 67 |
| **Total adjustments** | **(1,163)** | **2,114** | **(28)** | **249** | **(27,453)** |

**Table 7b Comparator data for adjustments between accounting basis and funding basis**

| Vale of White Horse<br>2009/10 Comparative Figures | Usable Reserves | | | | |
|---|---|---|---|---|---|
| | General fund balance | Capital receipts reserve | Capital grants unapplied | Earmarked reserves | Movement in unusable reserves |
| | £000 | £000 | £000 | £000 | £000 |
| **Adjustments primarily involving the capital adjustment account:** | | | | | |
| *Reversal of items debited or credited to the comprehensive income and expenditure statement:* | 2,077 | | | | (29) |
| Charges for depreciation and impairment of non-current assets | (1,200) | | | | 1,200 |
| Revaluation losses on property, plant and equipment | | | | | |
| Movements in the market value of investment properties | 1,600 | | | | (1,786) |
| Amortisation of intangible assets | (127) | | | | 127 |
| Write out of grants deferred (one year only) | 240 | | | | (222) |
| Capital grants and contributions applied | 557 | | 46 | 443 | (557) |
| Revenue expenditure funded from capital under statute | (1,216) | | | | 1,540 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement | 12 | | | | 27 |
| *Insertion of items not debited or credited to the comprehensive income and expenditure statement:* | | | | | |
| Statutory provision for the financing of capital investment | 0 | | | | |
| Capital expenditure charged against the general fund | 0 | | | | |
| **Adjustments primarily involving the capital grants unapplied Account:** | | | | | |
| Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement | 55 | (10) | | | |
| Application of grants to capital financing transferred to the capital adjustment account. | | | | | |
| **Adjustments primarily involving the capital receipts reserve:** | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement. | | (46) | | | |
| Use of the capital receipts reserve to finance new capital expenditure | | 1,091 | | | (1,414) |
| Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals | (323) | 323 | | | (249) |
| Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool. | 4 | 4 | | | |
| Transfer from deferred capital receipts reserve upon receipt of cash | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| **Adjustments primarily involving the deferred capital receipts reserve** | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement | (7) | | | | 7 |
| **Adjustment primarily involving the financial instruments adjustment account:** | | | | | |
| Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements | | | | | |
| **Adjustments primarily involving the pensions reserve:** | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement | (2,216) | | | | 14,774 |
| Employer's pensions contributions and direct payments to pensioners payable in the year. | 861 | | | | |
| **Adjustments primarily involving the collection fund adjustment account:** | | | | | |
| Amount by which council tax income credited to the comprehensive income and expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements. | 98 | | | | 41 |
| **Adjustment primarily involving the accumulated absences account:** | | | | | |
| Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 29 | | | | |
| **Total adjustments** | **444** | **1,362** | **46** | **443** | **13,459** |

## 8. Transfers to/from Earmarked Reserves

| Balance at 01 April 2009 | Transfer out 2009/10 | Transfer in 2009/10 | | Balance at 31 March 2010 | Transfer out 2010/11 | Transfer in 2010/11 | Balance 31 March 2011 |
|---|---|---|---|---|---|---|---|
| £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| | | | General Fund | | | | |
| 124 | (76) | 21 | Community Grants | 69 | (35) | 1 | 35 |
| 83 | 0 | 0 | Election equalisation | 83 | (30) | 30 | 83 |
| 175 | (50) | 130 | Local development framework | 255 | (20) | 0 | 235 |
| 289 | (161) | 0 | Planning delivery | 128 | (128) | 0 | 0 |
| 136 | (50) | 45 | Reservoir fund | 131 | (30) | 0 | 101 |
| (32) | | 6 | Building regulations trading | (26) | 0 | 54 | 28 |
| 1.7 | (1.4) | 0.3 | Besselsleigh Wood | 0.6 | 0 | 0.3 | 1 |
| 12 | 0 | 0 | Rent deposit guarantee | 12 | 0 | 0 | 12 |
| 299 | (279) | 0 | Telfer House fund | 20 | (20) | 0 | 0 |
| 111 | (111) | 61 | Flood relief grant | 61 | (61) | 0 | 0 |
| 50 | 0 | 0 | Lottery matched funding | 50 | 0 | 0 | 50 |
| 32 | (32) | 0 | Payment in lieu delaps OCC | 0 | 0 | 0 | 0 |
| 4 | (4) | 0 | Miscellaneous landscape Devp | 0 | 0 | 0 | 0 |
| 17 | (17) | 0 | DSO vehicle replacement fund | 0 | 0 | 0 | 0 |
| 141 | (167) | 58 | Self insurance fund | 32 | (26) | 43 | 49 |
| 0 | 0 | 184 | Performance reward grant | 184 | (27) | 0 | 157 |
| **1,443** | **(948)** | **505** | | **1,000** | **(377)** | **128** | **751** |

| | | |
|---|---|---|
| **Variance from SORP accounts:** | 1443 | |
| Telfer House | (299) | Previously classified as a payment in advance |
| Planning delivery grant | (289) | Previously classified as a creditor payment |
| Besselsleigh Wood | (1) | Previously classified as a creditor payment |
| Flood relief grant | (111) | Previously classified as a creditor payment |
| Payment in lieu of delaps OCC | (32) | Previously classified as a payment in advance |
| Misc landscape devpt | (4) | Previously classified as a payment in advance |
| Collection fund Vale allocation | 132 | Previously classified as Collection fund adjustment account |
| Earmarked reserves SORP | 839 | |

## 9. Other operating expenditure

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 2,521 | Parish council precepts | 2,864 |
| (1) | Provision for bad debts – (decrease)/increase | (12) |
| 4 | Payments to the government housing capital receipts pool | 3 |
| (12) | Gains/(losses) on the disposal of non-current assets | 20 |
| (7) | Mortgage principal repayment | (12) |
| **2,505** | **Total** | **2,863** |

## 10. Financing and investment income and expenditure

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 0 | Interest payable and similar charges | 0 |
| 2,218 | Pensions interest cost and expected return on pensions assets | 1,040 |
| (406) | Interest receivable and similar income | (320) |
| (3,449) | Income and expenditure in relation to investment properties and changes in their fair value | (3,159) |
| 0 | Other investment income | 0 |
| 320 | Impairment of financial instruments | 22 |
| (34) | Transfer (from)/to reserves | (431) |
| **(1,351)** | **Total** | **(2,848)** |

## 11. Taxation and non specific grant incomes

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| (8,120) | Council tax income | (8,609) |
| (5,705) | Distributed non domestic rate income | (6,226) |
| (1,785) | Non-ringfenced government grants and other movement in reserve | (967) |
| (10) | Capital grants and contributions | (11) |
| **(15,620)** | **Total** | **(15,813)** |

## 12. Property, plant and equipment

| **Table 12a Movements in property plant & equipment 2010/11** | **Other land & buildings** | **Vehicles, plant & equip't** | **Infrastructure assets** | **Community assets** | **Surplus assets** | **PP&E under construction** | **Total PP&E** |
|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Cost or Valuation** | | | | | | | |
| At 01 April 2010 * | 40,023 | 2,266 | 140 | 1,504 | 0 | 0 | **43,933** |
| Additions * | 10 | 2,875 | 0 | 10 | 280 | 0 | **3,175** |
| Donations | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Revaluation Increases/(decreases) to RR * | 409 | 0 | 0 | 0 | 0 | 0 | **409** |
| Revaluation Increases/(decreases) to SDPS * | 0 | 0 | 0 | 0 | (250) | 0 | **(250)** |
| Derecognition - Disposals | (378) | (208) | 0 | 0 | 0 | 0 | **(586)** |
| Derecognition - Other | (330) | 0 | 0 | 0 | 0 | 0 | **(330)** |
| Reclassified (to)/from held for sale | (199) | 0 | 0 | 0 | 0 | 0 | **(199)** |
| Other Reclassifications | 26 | 0 | 0 | 0 | 0 | 0 | **26** |
| **At 31 March 2011 *** | **39,561** | **4,933** | **140** | **1,514** | **30** | **0** | **46,178** |
| **Depreciation and** | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Impairment** | | | | | | | |
| At 01 April 2010 * | (6,081) | (1,151) | (61) | 0 | 0 | 0 | **(7,293)** |
| Depreciation Charge * | (954) | (232) | (16) | 0 | 0 | 0 | **(1,202)** |
| Depreciation written out on revaluation | 330 | 0 | 0 | 0 | 0 | 0 | **330** |
| Depreciation written out to SDPS | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairment losses/reversals to RR * | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairment losses/reversals to SDPS * | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Derecognition - Disposals | 57 | 208 | 0 | 0 | 0 | 0 | **265** |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassifications | (26) | 0 | 0 | 0 | 0 | 0 | **(26)** |
| **At 31 March 2011 *** | **(6,674)** | **(1,175)** | **(77)** | **0** | **0** | 0 | **(7,926)** |
| **Net Book Value** | | | | | | | |
| **At 31 March 2011** | **32,887** | **3,758** | **63** | **1,514** | **30** | **0** | **38,252** |
| **At 31 March 2010** | **33,942** | **1,115** | **79** | **1,504** | **0** | **0** | **36,640** |

* = Minimum disclosure required under the Code
**RR** = Revaluation Reserve
**SDPS** = Surplus or deficit on the provision of services

| **Table 12b Comparative movements in property, plant & equipment 2009/10** | **Other land & buildings** | **Vehicles, plant & equip't** | **Infrastructure assets** | **Community assets** | **Surplus assets** | **PP&E under construction** | **Total PP&E** |
|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Cost or Valuation** | | | | | | | |
| At 01 April 2009 * | 40,023 | 1,820 | 140 | 1,488 | 0 | 91 | **43,562** |
| Adjustments between cost/value & depn/impairment | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Adjusted 1 April 2009 balance | 40,023 | 1,820 | 140 | 1,488 | 0 | 91 | **43,562** |
| Additions * | 0 | 473 | 0 | 16 | 0 | 0 | **489** |
| Revaluation Increases/(decreases) to RR * | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Revaluation Increases/(decreases) to SDPS * | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Derecognition-Disposals | 0 | (27) | 0 | 0 | 0 | 0 | **(27)** |
| Derecognitions-Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **At 31 March 2010 *** | **40,023** | **2,266** | **140** | **1,504** | **0** | **91** | **44,024** |
| **Depreciation and Impairment** | | | | | | | |
| At 01 April 2009 * | (5,121) | (914) | (45) | 0 | 0 | 0 | **(6,080)** |
| Adjusted 1 April 2009 balance | (5,121) | (914) | (45) | 0 | 0 | 0 | **(6,080)** |
| Depreciation Charge * | (960) | (238) | (16) | 0 | 0 | 0 | **(1,214)** |
| Depreciation written out on revaluation | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Depreciation written out to SDPS | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairment losses/reversals to RR * | 0 | 0 | 0 | 0 | 0 | 0 | **0** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Impairment losses/reversals to SDPS * | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Derecognition-Disposals | 0 | 0 | 0 | 0 | 0 | (91) | **(91)** |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **At 31 March 2010 *** | **(6,081)** | **(1,151)** | **(61)** | **0** | **0** | **(91)** | **(7,384)** |
| **Net Book Value** | | | | | | | |
| **At 31 March 2010** | **33,942** | **1,115** | **79** | **1,504** | **0** | **0** | **36,640** |
| **At 1 April 2009** | **34,902** | **906** | **95** | **1,488** | **0** | **91** | **37,482** |

* = Minimum disclosure required under the Code

**RR** = Revaluation Reserve

**SDPS** = Surplus or Deficit on the Provision of Services

**Table 12c**
**Movement on Fixed Assets 2009/10 - variance between SORP Note 16 and IFRS**

| | **Land & buildings** | **Plant & equip** | **Infra-structure** | **Community assets** | **Property, plant & equip** |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| SORP Balance sheet amount at 31 March 2010 | 33,511 | 1,115 | 79 | 1,504 | 36,209 |
| Transfer from non operational assets: | 439 | | | | 439 |
| less depreciation | (8) | | | | (8) |
| **IFRS Balance sheet amount at 31 March 2010** | **33,942** | **1,115** | **79** | **1,504** | **36,640** |

| | **Investment properties** | **Surplus assets** | **Intangible assets** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| SORP Balance sheet amount at 31 March 2010 | 29,501 | 3,200 | 127 |
| Transfer to land & buildings: | (439) | | |
| Transfer to current assets held for sale | | (3,200) | |
| Less expenditure on Old Gaol to current assets held for sale | (56) | | |
| **IFRS Balance sheet amount at 31 March 2010** | **29,006** | **0** | **127** |

## Depreciation

Where required assets are depreciated in equal annual amounts over the assumed life of the asset. The following useful lives have been used:

- buildings – on an individual basis as assessed by the valuer
- vehicles, equipment, cctv, computer hardware – 5 years
- parks equipment, running track, boilers, large plant – 10 years
- Infrastructure assets (sewage treatment works) – 10 years
- Special items individually assessed e.g. skate park – 30 years

### Capital Commitments

- At 31 March 2011, the council had agreed its capital programme for 2011/12 (total expenditure of £5,177 million) and an indicative programme up to the end of 2015/16. Very little of this is actually committed at the year-end.

### Effects of changes in estimates

There have been no material changes in the accounting estimates used to calculate depreciate for property, plant and equipment in the year.

### Revaluations

The council has a rolling programme that ensures that all property, plant and equipment required to be measured at fair value, is revalued at least every five years. Assets with special needs will be valued more often as necessary. All valuations were carried out internally by qualified surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. For non-property assets with short useful lives and low value (all the council's non-property assets currently fit this description) depreciated historic cost is treated as a proxy for fair value.

The significant assumptions applied in estimating the fair values are that:

- the premises comply with all legal and statutory requirements regarding either the structure or its existing/past usage,
- there is no contamination problem nor deleterious/hazardous substance present,
- there will be an adequate level of expenditure on repairs and maintenance.

**Table 12d Revaluations Property, plant and equipment**

| | Land & buildings | Vehicles, plant and equipment | Surplus assets | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Carried at historical cost | 0 | 3,758 | 0 | 3,758 |
| Valued at fair value as at: | | | | |
| 31 March 2011 | 4,864 | 0 | 30 | 4,894 |
| 31 March 2010 | 2,531 | 0 | 0 | 2,531 |
| 31 March 2009 | 868 | 0 | 0 | 868 |
| 31 March 2008 | 23,690 | 0 | 0 | 23,690 |
| 31 March 2007 | 934 | 0 | 0 | 934 |
| **Total Cost or Valuation** | **32,887** | **3,758** | **30** | **36,675** |

## 13. Net gain or loss on investment properties

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the comprehensive income and expenditure statement:

| Table 13a Investment properties income | | | |
|---|---|---|---|
| **2009/10** | | **2010/11** | |
| **£000** | | **£000** | **£000** |
| (1,856) | Rental income from investment property | (1657) | |
| (71) | • recharges to tenants | (52) | (1,709) |
| 119 | • operating costs | 166 | |
| 23 | • fees and charges | 22 | |
| 136 | • provision for bad debts | 0 | |
| 207 | Direct operating expenses arising from investment property | | 188 |
| **(1,649)** | **Net (gain)/loss** | | **(1,521)** |

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to remittance of income and the proceeds of disposal. The council has no contractual obligations to purchase, construct or develop investment property. There will be some limited responsibility for repair and maintenance in most leases.

The following table summarises the movement in the fair value of investment properties over the year:

**Table 13b Investment properties movement in fair value**

| **2009/10** | | **2010/11** |
|---|---|---|
| **£000** | | **£000** |
| 27,187 | Balance at start of the year | 29,005 |
| | Additions: | |
| 0 | • Purchases | 0 |
| 0 | • Construction | 0 |
| 32 | • Subsequent expenditure | 8 |
| 0 | Disposals | 0 |
| 1,786 | Net gains/losses from fair value adjustments | 1,639 |
| | Transfers: | |
| 0 | • to/from Inventories | 0 |
| 0 | • to/from Property, plant and equipment | 0 |
| 0 | Other changes | 0 |
| **29,005** | **Balance at end of the year** | **30,652** |

For a reconciliation note to the SoRP valuations please see table 12c in Note 12 above.

## 14. Intangible assets

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The council's intangible assets consist entirely of software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. In the absence of any special considerations software is depreciated over 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £54,000 charged to revenue in 2010/11 was charged as an overhead to those services using the asset in the net expenditure of services.

**Table 14b Movement on intangible assets**

| | 2009/10 | | | 2010/11 | | |
|---|---|---|---|---|---|---|
| | **Internally generated assets £000** | **Other assets £000** | **Total £000** | **Internally generated assets £000** | **Other assets £000** | **Total £000** |
| Balance at start of year: | N/A | | | N/A | | |
| Gross carrying amounts | | 619 | 619 | | 366 | 366 |
| Accumulated amortisation | | (452) | (452) | | (238) | (238) |
| **Net carrying amount at start of year** | | **167** | **167** | | **128** | **128** |
| Additions: | | | | | | |
| Internal development | | 0 | 0 | | 0 | 0 |
| Purchases | | 74 | 74 | | 12 | 12 |
| Assets reclassified as held for sale | | 0 | 0 | | 0 | 0 |
| Other disposals | | 0 | 0 | | 0 | 0 |
| Revaluation increases or decreases | | 0 | 0 | | 0 | 0 |
| Impairment losses recognised or reversed directly in the Revaluation Reserve | | 0 | 0 | | 0 | 0 |
| Impairment losses recognised in the Surplus/Deficit on the Provision of Services | | 0 | 0 | | 0 | 0 |
| Reversals of past impairment losses written back to the surplus/deficit on the Provision of Services | | 0 | 0 | | 0 | 0 |
| Amortisation for the period | | (113) | (113) | | (54) | (54) |
| Other changes | | 0 | 0 | | 0 | 0 |
| **Net carrying amount at end of year** | | **128** | **128** | | **86** | **86** |
| Comprising: | | | | | | |
| Gross carrying amounts | | 693 | 693 | | 378 | 378 |
| Accumulated depreciation | | (565) | (565) | | (292) | (292) |
| **Net carrying amount at end of year** | | **128** | **128** | | **86** | **86** |

The council holds no items of capitalised software that are individually material and therefore do not require to be separately disclosed.

## 15. Financial instruments

**Table 15a Categories of financial instrument**

| | Long-term | | Current | |
|---|---|---|---|---|
| | **31 March 2010 £000** | **31 March 2011 £000** | **31 March 2010 £000** | **31 March 2011 £000** |
| **Investments** | | | | |
| Loans and receivables | 740 | 547 | 590 | 809 |
| Available-for-sale financial assets | 0 | 0 | 15,307 | 15,459 |
| Financial assets at fair value through profit and loss | 0 | 0 | 0 | 0 |
| **Total investments** | **740** | **547** | **15,897** | **16,268** |
| **Debtors** | | | | |
| Loans and receivable | 0 | 0 | 0 | 0 |
| Financial assets carried at contract amounts | 0 | 0 | 0 | 0 |
| **Total debtors** | **0** | **0** | **0** | **0** |
| **Borrowings** | | | | |
| Financial liabilities at amortised cost | 0 | 0 | (2,700) | (1,500) |
| Financial liabilities at fair value through profit and loss | 0 | 0 | 0 | 0 |
| **Total borrowings** | **0** | **0** | **(2,700)** | **(1,500)** |
| **Other long term liabilities** | | | | |
| Finance lease liabilities | 0 | 0 | 0 | 0 |
| **Total other long term liabilities** | **0** | **0** | **0** | **0** |
| **Creditors** | | | | |
| Financial liabilities at amortised cost | 0 | 0 | 0 | 0 |
| Financial liabilities carried at contract amount | 0 | 0 | 0 | 0 |
| **Total creditors** | **0** | **0** | **0** | **0** |

**Reclassifications**

There were no reclassifications of financial instruments in 2010/11.

**Impairment of deposit with Landsbanki**

The estimated recoverable amount of the investment made in Landsbanki has remained the same at 94.85% (as at March 2011). This assumes that local authority deposits continue to have priority status and would therefore be repaid ahead of any creditors that did not have priority status. On 1 April 2011 the Reykjavik District Court issued a verdict confirming the local authorities' claims qualified for priority under Icelandic Bankruptcy legislation. Whilst this decision is being appealed to the Icelandic Supreme Court the accounts continue to reflect the view that the deposit has priority status.

However, whilst the estimated recoverable percentage has remained the same the period of recovery has been lengthened slightly from October 2018 to December 2018. This increases the total impairment by £22,007. The value in the accounts however, increased by interest due of £59,500 for a further year of interest due. The net movement therefore is an increase in value of £37,493.

| | **Investment 2009/10 £000** | **Investment 2010/11 £000** | **Change £000** |
|---|---|---|---|
| Investment in Landsbanki | 1,000 | 1,000 | |
| Impairment to CI&E | (351) | (373) | (22) |
| Accrued interest to CI&E | 90 | 149 | 59 |
| Discounted carrying amount in Balance Sheet | 739 | 776 | 37 |

The value of the investment is discounted on the basis of the original deposit investment rate of 5.95% rather than the current lower cost of capital, in line with the agreed methodology for accounting for the investment.

The advised dates and amounts for the repayment of the debt are as follows:

| **Date** | **%** | **Amount £000** | **Date** | **%** | **Amount £000** |
|---|---|---|---|---|---|
| 12/2011 | 22.17 | 229 | 12/2015 | 8.87 | 92 |
| 12/2012 | 8.87 | 92 | 12/2016 | 8.87 | 92 |
| 12/2013 | 8.87 | 92 | 12/2017 | 8.87 | 92 |
| 12/2014 | 8.87 | 92 | 12/2018 | 19.46 | 200 |
| | **Total cash amount recoverable** | | | **94.85** | **981** |

## Table 15b Financial instruments, income, expense, gains and losses

| | 2009/10 | | | | | 2010/11 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Financial liabilities: measured at amortised cost £000 | Financial assets: loans and receivables £000 | Financial assets: available for sale £000 | Assets and liabilities at fair value through profit and loss £000 | Total £000 | Financial liabilities: measured at amortised cost £000 | Financial assets: loans and receivables £000 | Financial assets: available for sale £000 | Assets and liabilities at fair value through profit and loss £000 | Total £000 |
| Interest expense | 0 | 0 | 0 | 0 | 0 | | (1) | | | (1) |
| Losses on derecognition | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reductions in fair value | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses | 0 | (71) | 0 | 0 | (71) | 0 | (22) | 0 | 0 | (22) |
| Fee expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total expense in surplus or deficit on the provision of services** | **0** | **(71)** | **0** | **0** | **(71)** | **0** | **(23)** | **0** | **0** | **(23)** |
| Interest income | 0 | 579 | 0 | 0 | 579 | 0 | 253 | 0 | 0 | 253 |
| Interest income accrued on impaired financial assets | 0 | 60 | 0 | 0 | 60 | 0 | 60 | 0 | 0 | 60 |
| Increases in fair value | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gains on derecognition | 0 | (233) | 0 | 0 | (233) | 0 | 8 | 0 | 0 | 8 |
| Fee income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total income in surplus or deficit on the provision of services** | **0** | **406** | **0** | **0** | **406** | **0** | **321** | **0** | **0** | **321** |
| Gains on revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Losses on revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amounts recycled to the surplus or deficit on the provision of services after impairment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Surplus/deficit arising on revaluation of financial assets in other comprehensive income and expenditure** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Net gain/(loss) for year** | **0** | **335** | **0** | **0** | **335** | **0** | **298** | **0** | **0** | **298** |

## Fair values of assets and liabilities

Financial liabilities and financial assets are represented by loans and receivables and long-term debtors and creditors and should be carried in the balance sheet at amortised cost.

The council has no long term creditors/liabilities in the balance sheet.

Long term debtors and investments (long term assets) are held in the balance sheet at fair value where the amount involved is considered to be significant. Fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The use of the cost of capital rate of 3.5% on the long-term debtor for the receipt of future income flows on the sale of the Old Gaol and 5.95% on the long-term investment (Landsbanki – see note above).
- No early repayment or impairment is recognised.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

**Table 15c Fair values of assets**

| 31 March 2010 | | | 31 March 2011 | |
|---|---|---|---|---|
| **Undis-counted amount** | **Fair value in balance sheet** | | **Undis-counted amount** | **Fair value in balance sheet** |
| **£000** | **£000** | | **£000** | **£000** |
| | | **Financial assets** | | |
| 173 | 173 | Long-term debtors | 1,717 | 1,623 |
| 981 | 740 | Long-term investments | 752 | 547 |

The long-term investment with Landsbanki has reduced since 2009/10 since a cash repayment of £229,325 is due in December 2011.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

## 16. Inventories

| | Consumable stores | | Maintenance materials | | Client services work in progress | | Property acquired or constructed for sale | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2009/10 | 2010/11 | 2009/10 | 2010/11 | 2009/10 | 2010/11 | 2009/10 | 2010/11 | 2009/10 | 2010/11 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Balance outstanding at start of year** | 24 | 20 | 0 | 0 | 0 | 0 | 0 | 0 | 24 | 20 |
| Purchases | 48 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 48 | 6 |
| Recognised as an expense in the year | (52) | (23) | 0 | 0 | 0 | 0 | 0 | 0 | (52) | (23) |
| Written off balances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reversals of write-offs in previous years | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Balance outstanding at year-end** | 20 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 20 | 3 |

Verdant, who is the contractor responsible for our waste services, hold a stock of household refuse bins which have not yet been delivered to our customers. These stocks of bins have previously been recognised in the council's fixed asset register and recorded as such in the balance sheet and are not therefore included within inventories.

## 17. Debtors

| 01 April 2009 | 31 March 2010 | Short term debtors | 31 March 2011 |
|---|---|---|---|
| **£000** | **£000** | | **£000** |
| 2,392 | 1,961 | Central government bodies | 55 |
| 0 | 0 | Impairment | 0 |
| **2,392** | **1,961** | **Central government bodies (net of impairment)** | **55** |
| 543 | 716 | Other local authorities | 562 |
| 0 | 0 | Impairment | 0 |
| **543** | **716** | **Other local authorities (net of impairment)** | **562** |
| 70 | 89 | Public corporations and trading funds | 332 |
| 0 | 0 | Impairment | 0 |
| **70** | **89** | **Public corporations and trading funds (net of impairment)** | **332** |
| 2,546 | 3,040 | Other entities and individuals | 3,345 |
| (915) | (1,010) | Impairment | (1,069) |
| **1,631** | **2,030** | **Other entities and individuals (net of impairment)** | **2,276** |
| **4,636** | **4,796** | **Balance sheet as per IFRS** | **3,225** |
| 54 | 55 | Categorisation of Westmill Wind Farm debtor as long term debtor | |
| **4,690** | **4,851** | **Balance sheet as per SORP** | |
| | | | |
| **1 April 2009** | **31 March 2010** | **Long term debtors** | **31 March 2011** |
| **£000** | **£000** | | **£000** |
| 116 | 118 | Other advances | 1,568 |
| 54 | 55 | Westmill wind farm | 55 |
| **170** | **173** | **Balance sheet as per IFRS** | **1,623** |
| (54) | (55) | Categorisation of Westmill Wind Farm debtor as long term debtor | |
| **116** | **118** | **Balance sheet as per SORP** | |

### Impairment for bad debt

The Council recognises that, for a variety of reasons, it will be not be successful in collecting all of the debts that are owed to it and an impairment allowance is made in the accounts to reflect this. The impairment is calculated by analysing, for each type of debt, the period they have been outstanding and applying a percentage based on experience as to the likely collection rate

Please note that the total debtor position includes costs and reconciling items which are excluded for the purposes of calculating impairment. This note provides a detailed breakdown of how the figures have been arrived at as different criteria are applied to different types of debt. Impairment adjustments are rounded to the nearest £1,000 in the accounts.

**Council Tax**

Impairment of £121,430 on outstanding net debt of £258,960

| Age of debt | Debt outstanding £ | % applied | Impairment amount £ |
|---|---|---|---|
| Up to 1 year | 106,062 | 10% | 10,606 |
| 1 - 2 years | 44,639 | 50% | 22,320 |
| 2 - 3 years | 35,764 | 60% | 21,458 |
| 3 - 4 years | 27,247 | 80% | 21,798 |
| 5 years and above | 45,248 | 100% | 45,248 |
| | 258,960 | | 121,430 |

**Sundry debtors**

The total impairment figure shown for sundry debtors included in the above includes an amount provided for garden waste customers.

Sundry debtors - exc. Garden waste debtors
Impairment of £36,000 on outstanding debt of £657,521

| Age of debt | Debt outstanding £ | % applied | Impairment amount £ |
|---|---|---|---|
| Up to 1 year | 650,484 | 5% | 32,524 |
| 1 - 2.25 years | 5,341 | 50% | 2,671 |
| 2.25 - 5 years | 1,696 | 75% | 1,272 |
| | 657,521 | | 36,467 |

Garden waste debtors

The council makes a charge for the hire/emptying of brown bins used for garden waste collection. New customers pay for the first year before a bin is delivered by cash, cheque, credit card or debit debit. Those not paying by direct debit should then receive an invoice near to the anniversary date for collections to continue.

Impairment of £48,000 on outstanding debt of £123,108

| Age of debt | Debt outstanding £ | % applied | Impairment amount £ |
|---|---|---|---|
| 2010/11 | 83,904 | 10% | 8,390 |
| Pre 2010/11 | 39,204 | 100% | 39,204 |
| | 123,108 | | 47,594 |

## Housing Benefit

Impairment of £832,000 on outstanding debt of £1,388,390

This represents overpayment of Housing Benefit where a claimant has not told the Council about a change in circumstances that will affect their benefit entitlement. Where the claimant is still receiving benefit the overpayments are recovered by deduction from benefit. Where the claimant is no longer entitled to benefit the normal debt recovery process is used. The impairment calculation recognises that there is a greater chance of recovery in the former case than in the latter.

| **Basis of recovery** | **Debt outstanding £** | **% applied** | **Impairment amount £** |
|---|---|---|---|
| Subject to recovery via ongoing benefit entitlement | 695,413 | 36.6% | 254,583 |
| Not subject to ongoing recovery | 692,977 | 83.3% | 577,092 |
| | 1,388,390 | | 831,675 |

## Temporary Accommodation

Impairment of £31,400 on outstanding debt of £41,244

This represents rents due on temporary accommodation provided by the Council to homeless persons. The rent accounting system, which is operated by the Housing Section, does not provide an aged debt analysis so the percentage applied is dependent on whether the debt relates to clients still in receipt of a service or not.

| **Age of debt** | **Debt outstanding £** | **% applied** | **Impairment amount £** |
|---|---|---|---|
| Current clients | 8,764 | 25% | 2,191 |
| Former clients | 32,480 | 90% | 29,232 |
| | 41,244 | | 31,423 |

## 18. Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements:

| **31 March 2010** | | **31 March 2011** |
|---|---|---|
| **£000** | | **£000** |
| 2 | Cash held by the council | 2 |
| 9 | Bank current accounts | (232) |
| 15,897 | Short-term deposits with building societies | 16,268 |
| **15,908** | **Total cash and cash equivalents** | **16,038** |

| | | |
|---|---|---|
| | Reconciliation to SORP accounts | |
| (15,897) | Temporary investments | |
| 11 | Cash and bank as per SORP accounts | |

## 19. Assets held for sale

| Current 2009/10 £000 | Non current 2009/10 £000 | | Current 2010/11 £000 | Non current 2010/11 £000 |
|---|---|---|---|---|
| **3,257** | **0** | **Balance outstanding at start of year** | **3,257** | **0** |
| | | Assets newly classified as held for sale: | | |
| 0 | 0 | Property, plant and equipment | 199 | 0 |
| 0 | 0 | Intangible assets | 0 | 0 |
| 0 | 0 | Other assets/liabilities in disposal groups | 0 | 0 |
| 0 | 0 | Revaluation losses | 0 | 0 |
| 0 | 0 | Revaluation gains | 74 | 0 |
| 0 | 0 | Impairment losses | 0 | 0 |
| | | Assets declassified as held for sale: | | |
| 0 | 0 | Property, plant and equipment | 0 | 0 |
| 0 | 0 | Intangible assets | 0 | 0 |
| 0 | 0 | Other assets/liabilities in disposal groups | 0 | 0 |
| 0 | 0 | Assets sold | (3,257) | 0 |
| 0 | 0 | Transfers from non-current to current | 0 | 0 |
| 0 | 0 | Other movements | 0 | 0 |
| **3,257** | **0** | **Balance outstanding at year-end** | **273** | **0** |

## 20. Creditors

| 1 April 2009 £000 | 31 March 2010 £000 | | 31 March 2011 £000 |
|---|---|---|---|
| | 80 | Central government bodies | 263 |
| 55 | 766 | Other local authorities | 1,496 |
| | 86 | Public corporations and trading funds | 117 |
| 6,664 | 3,614 | Other entities and individuals | 2,865 |
| **6,719** | **4,546** | **Total as per IFRS** | **4,741** |
| | | Reconciliation to SORP accounts | |
| 423 | 454 | Receipts in advance | |
| 405 | | Capital grants receipts in advance | |
| 737 | | To earmarked reserves | |
| 356 | | General fund | |
| **8,640** | **5,000** | **Balance sheet as per SORP** | |

## 21. Provisions

| | Accumulated absences | Other provisions | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Balance at 01 April 2010** | **77** | | **77** |
| Additional provisions made in 2010/11 | 144 | | 144 |
| Amounts used in 2010/11 | (77) | | (77) |
| Unused amounts reversed in 2010/11 | | | 0 |
| Unwinding of discounting in 2010/11 | | | 0 |
| **Balance at 31 March 2011** | **144** | **0** | **144** |

The council maintains a provision for the cost of accumulated absence through holiday leave or annualised hours entitlement owed to its staff as at 31st March 2011.

There are no other provisions.

## 22. Usable reserves

Movements in the council's usable reserves are detailed in the movement in reserves statement.

## 23. Unusable reserves

| 31 March 2010 | Reserve | 31 March 2011 |
|---|---|---|
| £000 | | £000 |
| 113 | Revaluation reserve | 303 |
| 0 | Available for sale financial instruments reserve | 0 |
| 68,939 | Capital adjustment account | 68,982 |
| 0 | Financial instruments adjustment account | 0 |
| 25 | Deferred capital receipts reserve | 1,528 |
| (44,985) | Pensions reserve | (19,253) |
| 91 | Collection fund adjustment account | 144 |
| (76) | Accumulated absences account | (144) |
| **24,**107 | **Total unusable reserves** | **51,**560 |

### Revaluation reserve

The revaluation reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment (including intangible assets). The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost

- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

**Table 23b Revaluation Reserve**

| 2009/10 | | | 2010/11 |
|---|---|---|---|
| **£000** | | | **£000** |
| 113 | **Balance at 1 April** | | 113 |
| 0 | Upward revaluation of assets | 207 | |
| | Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services | | |
| 0 | Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services | 207 | 207 |
| 0 | Difference between fair value depreciation and historical cost depreciation | (17) | |
| 0 | Accumulated gains on assets sold or scrapped | 0 | |
| 0 | Amount written off to the capital adjustment account | (17) | (17) |
| 113 | **Balance at 31 March** | | 303 |
| | Reconciliation with SORP balance sheet | | |
| 195 | Napier Court – transfer to investment properties | | |
| 186 | Harcourt Way – transfer to investment properties | | |
| 494 | **Revaluation Reserve as per SORP balance sheet** | | |

## Available for Sale Financial Instruments Reserve

The available for sale financial instruments reserve contains the gains made by the council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

The council does not have any available for sale financial investments.

## Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the comprehensive income and expenditure statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

**Table 23d Capital adjustment account**

| 2009/10 | | 2010/11 |
|---|---|---|
| £000 | | £000 |
| **(67,854)** | **Balance at 1 April** | **(68,939)** |
| | Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement | |
| 1,214 | Charges for depreciation and impairment of non-current assets | 1,652 |
| | Revaluation gains on property, plant and equipment | |
| 113 | Amortisation of intangible assets | 54 |
| 1,540 | Revenue expenditure funded from capital under statute | 1,812 |
| 27 | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement | 3,578 |
| (64,960) | | (61,843) |
| | Adjusting amounts written out of the revaluation reserve | (19) |
| | Net written out amount of the cost of non-current assets consumed in year | 0 |
| | Capital financing applied in the year: | |
| (1,414) | Use of the capital receipts reserve to finance new capital expenditure | (4,134) |
| (797) | Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing | (591) |
| 17 | Application of grants to capital financing from the capital grants unapplied account | (1) |
| | Statutory provision for the financing of capital investment charged against the general fund balances | |
| | Capital expenditure charged against the general fund balance | |
| (2,194) | | (4,726) |
| (1,785) | Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement | (2,394) |
| | Movement in the donated assets account credited to the comprehensive income and expenditure statement | |
| **(68,939)** | **Balance at 31 March** | **(68,982)** |
| **(64,812)** | **Reconciliation to SORP balance sheet** | |
| (3,754) | Reversal of government grants deferred | |
| (381) | Revalued investment property reversals | |
| 8 | Depreciation | |
| **68,939** | **Balance as per IFRS balance sheet** | |

## Financial instruments adjustment account

The financial instruments adjustment account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. (e.g. The council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the comprehensive income and expenditure statement when they are incurred, but reversed out of the general fund balance to the account in the movement in reserves statement. Over time, the expense is posted back to the general fund balance in accordance with statutory arrangements for spreading the burden on council tax.)

**Table 23e Financial instruments adjustment account**

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| **249** | **Balance at 1 April** | **0** |
| 0 | Premiums incurred in the year and charged to the comprehensive income and expenditure statement | 0 |
| 0 | Proportion of premiums incurred in previous financial years to be charged against the general fund balance in accordance with statutory requirements | 0 |
| (249) | Write out of potential loss on investment through the comprehensive income and expenditure statement | 0 |
| **0** | **Balance at 31 March** | **0** |

As stated in note 15 the council has exposure to a potential loss of funds deposited with the Icelandic banks. The council was allowed to spread the burden of this loss through the FIAA. Regulations stated that this amount should be written out of the FIAA against general fund balances by 2010/11; the council took advantage of a revenue underspend in 2009/10 and wrote out the balance in that year.

## Pensions reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post employment benefits in the comprehensive income and expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require any benefit earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

**Table 23f Pensions reserve**

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| **30,212** | **Balance at 1 April** | **44,985** |
| 13,419 | Actuarial (gains) or losses on pensions assets and liabilities | (20,971) |
| 2,215 | Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement | (3,048) |
| (861) | Employer's pensions contributions and direct payments to pensioners payable in the year | (1,717) |
| **44,985** | **Balance at 31 March** | **19,253** |
| **44,766** | **Reconciliation to SORP balance sheet** | |
| 219 | Defined benefit obligations reserve | |
| **44,985** | **Balance as per IFRS balance sheet** | |

### Deferred capital receipts reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

**Table 23g Deferred capital receipts reserve**

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| **(32)** | **Balance at 1 April** | **(25)** |
| 7 | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement | (1,517) |
| 0 | Transfer to the capital receipts reserve upon receipt of cash | 12 |
| 0 | Written off as unreceivable. | 2 |
| **(25)** | **Balance at 31 March** | **(1,528)** |

### Collection fund adjustment account

The collection fund adjustment account manages the differences arising from the recognition of council tax income in the comprehensive income and expenditure statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the general fund from the collection fund.

**Table 23h Collection fund adjustment account**

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| **132** | **Balance at 1 April** | **91** |
| (41) | Amount by which council tax income credited to the comprehensive income and expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements | 53 |
| **91** | **Balance at 31 March** | **144** |
| **0** | **Reconciliation with SORP balance sheet** | |
| 91 | Transfer from earmarked reserves | |
| **91** | **Balance as per IFRS balance sheet** | |

### Accumulated absences account

The accumulated absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

**Table 23i Accumulated absences account**

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| **105** | **Balance at 1 April** | **76** |
| (105) | Settlement or cancellation of accrual made at the end of the preceding year | (76) |
| 76 | Amounts accrued at the end of the current year | 144 |
| 0 | Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 0 |
| **76** | **Balance at 31 March** | **144** |

## 24. Operating activities

The cash flows for operating activities include the following items:

**Table 24a Cash flow statement - operating activities**

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| (292) | Interest received | (80) |
| 0 | Interest paid | 24 |
| 0 | Dividends received | 0 |

## 25. Investing activities

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| (656) | Purchase of property, plant and equipment, investment property and intangible assets | (2,597) |
| 0 | Purchase of short-term and long-term investments | 0 |
| 0 | Other payments for investing activities | 0 |
| 12 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 2,025 |
| 4,861 | Proceeds from short-term and long-term investments | 171 |
| 928 | Other receipts from investing activities | 999 |
| **5,145** | **Net cash flows from investing activities** | **598** |

## 26. Financing activities

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 2,700 | Cash receipts of short- and long-term borrowing | 1,500 |
| (15,605) | Other receipts from financing activities | 0 |
| 36 | Council tax and NNDR adjustments | 558 |
| 0 | Cash payments for the reduction of the outstanding liabilities relating to finance leases | 0 |
| (3,000) | Repayments of short- and long-term borrowing | (2,700) |
| | Other payments for financing activities | |
| **(15,869)** | **Net cash flows from financing activities** | **(642)** |

## 27. Amounts reported for resource allocation decision

The analysis of income and expenditure by service on the face of the comprehensive income and expenditure statement is that specified by the Service Reporting Code of Practice 2010/11. However, decisions about resource allocation are taken by the council on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the comprehensive income and expenditure statement).
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- Expenditure on some support services is budgeted for centrally and not charged to services.

The income and expenditure of the council's principal services recorded in the budget reports for the year is as follows:

**Table 27a Income and expenditure of principal services in budget format**

| **Vale of White Horse 2010/11 Service Outturn** | | | | | |
|---|---|---|---|---|---|
| | **Commercial services** | **Corporate strategy** | **Economy, Leisure & Property** | **Finance** | **HR, IT & Customer** |
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| Fees charges & other service income | (3,021) | (323) | (1,088) | (758) | (96) |
| Government grants | 0 | (106) | 0 | (29,480) | 0 |
| **Total income** | **(3,021)** | **(429)** | **(1,088)** | **(30,238)** | **(96)** |
| Employee expenses | 1,076 | 669 | 1,094 | 1,140 | 1,099 |
| Other service expenses | 5,605 | 658 | 1,998 | 31,344 | 557 |
| **Total expenditure** | **6,681** | **1,327** | **3,092** | **32,484** | **1,656** |
| | | | | | |
| **Net service expenditure** | **3,660** | **898** | **2,004** | **2,246** | **1,560** |
| | **Housing & Health** | **Legal & Democratic services** | **Planning** | **Strategic manage-ment** | **Total all services** |
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| Fees charges & other service income | (328) | (539) | (600) | (505) | **(7,258)** |
| Government grants | (184) | 0 | (17) | 0 | **(29,787)** |
| **Total income** | **(512)** | **(539)** | **(617)** | **(505)** | **(37,045)** |
| Employee expenses | 1,478 | 788 | 1,189 | 328 | **8,861** |
| Other service expenses | 563 | 712 | 367 | 726 | **42,530** |
| **Total expenditure** | **2,041** | **1,500** | **1,556** | **1,054** | **51,391** |
| | | | | | |
| **Net service expenditure** | **1,529** | **961** | **939** | **549** | **14,346** |
| | | | | | |
| | **All service net expenditure** | | | | **14,346** |

**Table 27b Income and expenditure of principal services in budget - comparator data**

| **Vale of White Horse 2009/10 Service Outturn** | | | | | |
|---|---|---|---|---|---|
| | **Commercial services** | **Corporate strategy** | **Economy, Leisure & Property** | **Finance** | **HR, IT & Customer** |
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| Fees charges & other service income | (3,259) | (187) | (1,062) | (591) | (17) |
| Government grants | 0 | (144) | 0 | (27,685) | 0 |
| **Total income** | (3,259) | (331) | (1,062) | (28,276) | (17) |
| Employee expenses | 1,137 | 715 | 1,716 | 1,016 | 1,415 |
| Other service expenses | 5,736 | 653 | 2,003 | 29,538 | 384 |
| **Total expenditure** | 6,873 | 1,368 | 3,719 | 30,554 | 1,799 |
| | | | | | |
| **Net service expenditure** | 3,614 | 1,037 | 2,657 | 2,278 | 1,782 |
| | **Housing & Health** | **Legal & Democratic services** | **Planning** | **Strategic manage-ment** | **Total all services** |
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| Fees charges & other service income | (390) | (399) | (639) | (371) | **(6,915)** |
| Government grants | (107) | 0 | (34) | 0 | **(27,970)** |
| **Total income** | (497) | (399) | (673) | (371) | **(34,885)** |
| Employee expenses | 1,638 | 908 | 1,356 | 243 | **10,144** |
| Other service expenses | 453 | 579 | 384 | 552 | **40,282** |
| **Total expenditure** | 2,091 | 1,487 | 1,740 | 795 | **50,426** |
| | | | | | |
| **Net service expenditure** | 1,594 | 1,088 | 1,067 | 424 | **15,541** |
| | | | | | |
| | **All service net expenditure** | | | | **15,541** |

## Reconciliation of service income and expenditure to cost of services in the comprehensive income and expenditure statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the comprehensive income and expenditure statement.

**Table 27c Reconciliation of service income and expenditure to cost of services in the comprehensive income and expenditure statement**

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| Net expenditure in the service analysis | 15,541 | 14,346 |
| Net amortisation of intangibles and revenue funded from capital under statute | 954 | 1,043 |
| Depreciation of tangible fixed assets | 1,327 | 981 |
| Disabled Facilities Grant | (534) | 0 |
| FRS17 adjustment - Post Retirement Benefits | (861) | (116) |
| Short-term compensated absences accrual | (28) | 67 |
| Defined benefits obligations | 144 | (5,876) |
| Cost of Services Comprehensive Income & Expenditure Statement | 16,543 | 10,445 |

## Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the comprehensive income and expenditure statement.

**Table 27d Reconciliation to Subjective Analysis 2010/11**

| | Service analysis | Services and support services not in analysis | Corporate amounts | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Fees, charges & other service income | (7,258) | (6,180) | (423) | (13,861) |
| Interest and investment income | | | (6,257) | (6,257) |
| Income from council tax | | | (8,610) | (8,610) |
| Government grants and contributions | (29,787) | | (7,212) | (36,999) |
| **Total income** | (37,045) | (6,180) | (22,502) | (65,727) |
| Employee expenses | 8,862 | (5,925) | | 2,937 |
| Other service expenses | 42,529 | | 178 | 42,707 |
| Support service recharges | | 6,180 | | 6,180 |
| Depreciation, amortisation and impairment | | 2,024 | 22 | 2,046 |
| Interest payments | | | 3,617 | 3,617 |
| Precepts & levies | | | 2,864 | 2,864 |
| Payments to housing capital receipts pool | | | 3 | 3 |
| Gain/loss on disposal of fixed assets | | | 20 | 20 |
| **Total expenditure** | 51,391 | 2,279 | 6,704 | 60,374 |
| **Surplus or deficit on the provision of services** | **14,346** | **(3,901)** | **(15,798)** | **(5,353)** |

| Table 27e Reconciliation to subjective analysis 2009/10 comparators | | | | |
|---|---|---|---|---|
| | **Service analysis** | **Services and support services not in analysis** | **Corporate amounts** | **Total** |
| | **£000** | **£000** | **£000** | **£000** |
| Fees, charges & other service income | (6,915) | (5,556) | (34) | (12,505) |
| Interest and investment income | | | (5,756) | (5,756) |
| Income from council tax | | | (8,120) | (8,120) |
| Government grants and contributions | (27,970) | (534) | (7,500) | (36,004) |
| **Total income** | (34,885) | (6,090) | (21,410) | (62,385) |
| Employee expenses | 10,219 | (745) | | (9,474) |
| Other service expenses | 40,207 | | 353 | 40,560 |
| Support service recharges | | 5,556 | | 5,556 |
| Depreciation, amortisation and impairment | | 2,281 | 320 | 2,601 |
| Interest payments | | | 3,758 | 3,758 |
| Precepts & levies | | | 2,521 | 2,521 |
| Payments to housing capital receipts pool | | | 4 | 4 |
| Gain/loss on disposal of fixed assets | | | (12) | (12) |
| **Total expenditure** | 50,426 | 7,092 | 6,944 | 64,462 |
| **Surplus or deficit on the provision of services** | **15,541** | **1,002** | **(14,466)** | **2,077** |

## 28. Agency Services

The council undertook work for Oxfordshire County Council on an agency basis in respect of maintenance of highway verges (Local Government Act 1972 s101). The value of this work undertaken this year was £47,553 (£47,256 in 2009/10).

The following teams supply a service to South Oxfordshire District Council:

| **2009/10 £000** | **Service Area** | **2010/11 £000** |
|---|---|---|
| 121 | Commercial | 170 |
| 0 | Corporate Strategy | 108 |
| 0 | Economy, Leisure and Property | 67 |
| 387 | Finance | 330 |
| 0 | HR, IT and Customer | 145 |
| 87 | Housing & Health | 91 |
| 0 | Legal and Democratic | 35 |
| 0 | Planning | 5 |
| 4 | Corporate Management | 67 |
| **599** | **Total** | **1,018** |

## 29. Members' allowances

The council paid the following amounts (in total) to members of the council during the year.

| 2009/10 | | 2010/11 |
|---|---|---|
| £000 | | £000 |
| 193 | Basic allowance | 195 |
| 117 | Special responsibility allowance | 90 |
| 310 | **Total** | **285** |

## 30. Officers' remuneration

The senior management, heads of service and most of the service managers of the council are part of a shared management structure with South Oxfordshire District Council (SODC) – to show the cost that were only applicable to the council could mean that this note may be misleading, and therefore, for clarity, this note deals with the gross salaries (both councils' elements); the true cost to the council is 50% of the amounts shown.

A senior employee is one who earns a salary in excess of £150,000 (there are none of these in the council), or holds a designated position (with a salary in excess of £50,000) – these are detailed in the table below:

**Table 30 Senior officers emoluments - salary between £50,000 and £150,000 per year – shared costs (50:50) with SODC***

| Post Title | | Salary (including fees & allowances) £ | Expenses £ | Total remuneration excluding pension contributions £ | Pension contributions £ | Total remuneration including pension contributions £ |
|---|---|---|---|---|---|---|
| Head of Paid Service | 2010/11 | 129,092 | 1,115 | 130,207 | 21,300 | 151,507 |
| | 2009/10 | 129,092 | 413 | 129,505 | 21,300 | 150,805 |
| Chief Finance Officer (Section 151 Officer) | 2010/11 | 98,544 | 624 | 99,168 | 24,045 | 123,213 |
| | 2009/10 | 97,734 | - | 97,734 | 24,045 | 121,779 |
| Monitoring Officer | 2010/11 | 79,623 | 78 | 79,701 | 13,138 | 92,839 |
| | 2009/10 | 79,623 | 55 | 79,678 | 13,138 | 92,815 |

In addition to these appointments the council also has two other strategic directors and seven other heads of service. The spot point pay level for strategic directors and heads of service is as follows:

| 2009/10 | | 2010/11 |
|---|---|---|
| £98,544 | Strategic directors | £98,544 |
| £73,824 | Heads of service | £73,824 |

*In 2010/11, these twelve posts were shared on a 50:50 basis with South Oxfordshire District Council; therefore the council only incurred 50% of the costs shown above. One head of service resigned with effect from 31 December 2010 and this post was not filled pending further re-organisation of services.

The council is also obliged to disclose the numbers of other employees that were paid a salary in excess of £50,000 (these numbers do not include the senior officers detailed above).

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

| Number of employees 2009/10 | | Number of employees 2010/11 | |
|---|---|---|---|
| **Total** | **Remuneration band** | **Shared with SODC** | **Vale only** |
| 3 | £50,000 - £54,999 | 4 | 1 |
| 4 | £55,000 - £59,999 | 1 | 1 |
| 0 | £60,000 - £64,999 | 0 | 0 |
| 1 | £65,000 - £69,999 | 0 | 0 |
| 1 | £70,000 - £74,999 | 0 | 0 |
| 1 | £75,000 - £79,999 | 0 | 0 |

Acting Returning Officer (ARO). It is considered that there is no requirement to disclose ARO payments for the General Election held in May 2010, for the following reasons:

- no employee of the council is required as part of their job description to carry out the duties of an ARO
- no direct payment has been made by the council to an officer of the council (or anyone else for that matter) for their work as an ARO, other than as part of their salary which is already disclosed in full
- anyone involved in the parliamentary election had any additional remuneration met in full by central government.
- to include the ARO remuneration in a statement of accounts for the council, when that remuneration was not paid for by the council, would be incorrect.

## 31. External audit costs

The council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the council's external auditors.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 112 | Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year | 109 |
| 0 | Fees payable to the Audit Commission in respect of statutory inspections | 0 |
| 32 | Fees payable to the Audit Commission for the certification of grant claims and returns for the year | 40 |
| 0 | Fees payable in respect of other services provided by the Audit Commission during the year | (7) |
| **144** | **Total** | **142** |

## 32. Grant income

The council credited the following grants, contributions and donations to the comprehensive income and expenditure statement in 2010/11.

**Table 32a Grants, contributions and donations**

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| | **Credited to taxation and non specific grant income** | |
| 23 | Area based grant | 36 |
| 0 | Compensation for loss of search fees | 34 |
| 364 | Housing planning delivery grant | 0 |
| 81 | Local housing business growth incentive | 0 |
| 5,705 | Re-distributed national non-domestic rate income | 6,226 |
| 1,317 | Revenue support grant | 904 |
| **7,490** | | **7,200** |
| | **Credited to services** | |
| 0 | ATLAS funding | 27 |
| 15 | Business rates deferral scheme | 0 |
| 120 | Community safety grant | 106 |
| 267 | Concessionary fares | 493 |
| 772 | Council tax administration grant | 699 |
| 5,091 | Council tax benefit | 5,485 |
| 11 | Council tax billing efficiency | 0 |
| 34 | Habitats regulations assessments payment | 17 |
| 61 | Homelessness main grant | 61 |
| 20,617 | Housing benefit | 22,691 |
| 10 | In and out of work grant | 0 |
| 0 | Incapacity benefits reassessment | 5 |
| 0 | Local housing allowance | 4 |
| 46 | Mortgage rescue programme | 0 |
| 197 | NDR cost of collection grant | 190 |
| 0 | New burdens for business rates relief | 8 |
| 0 | Performance reward grant – Affordable housing | 1 |
| 565 | Capital grants - government | 546 |
| 144 | Capital grants – other public bodies | 11 |
| 69 | Capital contributions from developers | 36 |
| **28,019** | | **30,380** |

The council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that would require the monies or properties to be returned to the giver. The balances at the year-end are as follows:

**Table 32b Capital grants receipts in advance**

| | 2010/11 £000 |
|---|---|
| s106 Second Site Property Holdings - Maltings commuted sum | 19 |
| s106 David Wilson Homes - Faringdon Road SIV | 3 |
| s106 Berkeley Homes - Grove Dairy | 12 |

| | |
|---|---|
| s106 Barratt Homes - Ben Smiths yard | 48 |
| s106 Persimmon Homes - Maltings % for art | 1 |
| s106 McCarthy & Stone - Swan Lane Faringdon | 14 |
| s106 Barratt Homes - St Nicholas School | 15 |
| s106 Builders Ede - Colwell Drive ex Pavlova site | 25 |
| s106 Redworth Constuction Ltd - Marcham Road Care Home | 21 |
| s106 Richmond Care Villages - Letcombe Manor Estate | 218 |
| s106 Bloor Homes - Folly Park Faringdon | 262 |
| s106 Oxfordshire CC - Champion House Abingdon | 0 |
| s106 Berkeley Homes - St Mary's School Wantage | 164 |
| Grants and contributions to Lost Abbey Abingdon project | 43 |
| s106 Oxfordshire CC - Elm Road Botley | 30 |
| s106 Dramay Holdings - Warnborough College site | 5 |
| s106 Timbet Ltd - Timbmet site Cumnor Hill | 71 |
| s106 Cranbourne Homes - Crossroads Garage site Abingdon | 56 |
| LAA1 Performance Reward Grant CDRP capital element | 23 |
| s106 Cotswold Homes - land rear of Winslow House, Coxwell Road F'don | 2 |
| | **1,032** |

## 33. Related parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers 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 party's ability to bargain freely with the council.

Related parties include:

**Central Government**. Central Government has effective control over the general operations of the council – it is responsible for providing the statutory framework, within which the council operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Details of transactions with Government departments are set out in a note to the cash flow statement.

**Precepts**. Precept transactions in relation to Oxfordshire County Council, Thames Valley Police Council and the various Town and Parish Councils, are shown within a note to the collection fund.

**Other local authorities**. Payments to Oxfordshire County Council and the Royal Borough of Windsor and Maidenhead for pension costs are included in note 41 to the income and expenditure account.

**Members of the Council**. Councillors have direct control over the council's financial and operating policies. During the year no Councillors have undertaken any declarable, material transactions with the council. Details of any transactions would be recorded in the register of Members' Interests, which is open to public inspection at the council's offices. This is in addition to a specific declaration obtained from all councillors in respect of related party transactions. Members have declared an interest in one of the following organisations:

- Abingdon Town Council
- Faringdon Community Bus
- The council's sewage treatment works
- PT Hannaby Builders Ltd
- Sovereign Housing Group
- VoWHDC (family member employed by)

At the time of publication four elected members had yet to return their declarations:

- Councillor Samantha Bowring
- Councillor Gareth Jennings
- Councillor James McGee
- Councillor Chris Wise

A check of previous year's declarations showed that previously these councillors had not declared any related party transactions (except Councillor McGee who also failed to return a declaration in 2009/10.

Members represent the council on various organisations. Appointments are reviewed annually, unless a specific termination date for the term of office applies. None of these appointments places the Member in a position to exert undue influence or control.

**Officers of the Council**. The senior officers of the council who have control over the day to day management of the council (management team members and all heads of service) have been asked to declare any related party transactions. In 2010/11 all officers returned their declarations and there were no related party transactions declared.

**Other organisations**. The council awards grants to support a number of voluntary or charitable bodies and individuals. The council does not attempt to exert control on these organisations through this.

## 34. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. There have been no assets acquired under finance leases. Where capital expenditure is financed in future years by charges to revenue as assets are used by the council, (i.e. by borrowing) this would result in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically that has yet to be financed. The council does not currently fund its capital expenditure from borrowing. The CFR is analysed in the second part of this note.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| **(22)** | **Opening Capital Financing Requirement** | **(22)** |
| | Capital investment* | |
| 489 | Property, plant and equipment | 2,895 |
| 33 | Investment properties | 8 |

| | | |
|---|---|---|
| 74 | Intangible assets | 12 |
| 1,540 | Revenue expenditure funding from capital under statute | 1,812 |
| | Sources of finance | |
| (1,358) | Capital receipts | (4,134) |
| (778) | Government grants and other contributions | (593) |
| | Sums set aside from revenue: | |
| | Direct revenue contributions | |
| **(22)** | **Closing Capital Financing Requirement** | **(22)** |
| | Explanation of movements in year | |
| | Increase in underlying need to borrow (supported by government financial assistance) | |
| | Increase in underlying need to borrow (unsupported by government financial assistance) | |
| | Assets acquired under finance leases | |
| **0** | **Increase/(decrease) in Capital Financing Requirement** | **0** |

*These figures should match the 'additions' lines in the notes detailing movements on the non-current asset balances.

## 35. Leases

### Council as lessee

Operating leases – the council uses operating leases on a limited basis.

The future minimum lease payments due under non-cancellable leases in future years are:

| 31 March 2010 £000 | | 31 March 2011 £000 |
|---|---|---|
| | Not later than one year | 75 |
| 60 | Later than one year and not later than five years | 131 |
| none | Later than five years | none |

The expenditure charged to the CL31 Commercial service in the comprehensive income and expenditure statement during the year in relation to these leases was:

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 60 | Minimum lease payments | 131 |
| none | Contingent rents | none |

### Council as lessor

**Finance leases** – the council has no property or equipment leased out under finance leases as at 31 March 2011.

**Operating leases** – the council leases out property under operating leases for the purpose of investments.

The future minimum lease payments receivable under non-cancellable leases in future years are:

| 31 March 2010 £000 | | 31 March 2011 £000 |
|---|---|---|
| 1,779 | Not later than one year | 1,632 |
| 8,895 | Later than one year and not later than five years | 6,981 |
| 14,675 | Later than five years | 10,222 |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 no contingent rents were received by the Council. (2009/10 was also nil)

## 36. Private finance initiatives and similar contracts

The council has no private finance initiatives or similar contracts.

## 37. Impairment losses and reversals of previous impairments

The council is required to disclose by class of assets, the amounts for impairment losses and impairment reversals charged to the suplus or deficit on the provision of services and to other comprehensive income and expenditure. These disclosures are consolidated in Notes 12, 14 and 15 reconciling the movement over the year in the property, plant and equipment and intangible asset balances and the investment asset balance.

During 2010/11 the council has recognised an impairment loss of £22,007 in relation to long-term investments (see Note 15). Impairment losses on property amounted to £1.327 million and a revaluation reversal against impairment charged in previous years to the other comprehensive income and expenditure of (£1.487 million).

## 38. Capitalisation of borrowing costs

The council has not capitalised any borrowing costs during 2010/11.

## 39. Termination benefits

The council terminated the contracts of a number of employees in 2010/11 incurring liabilities of £1,479,093 (£598,552 in 2009/10).

Total costs for 2010/11 include £966,387 payable to 30 officers from various services as a part of the council's continuing programme of shared services with South Oxfordshire District Council. The Vale applied to the government to capitalise these restructuring costs and was subsequently given authority to, and has capitalised costs amounting to £189,447 in the year.

## 40. Pensions schemes accounted for as defined contribution schemes

The council has no staff employed in defined contribution schemes which are unfunded e.g. teachers, fire fighters, police.

## 41. Pensions schemes accounted for as defined benefit schemes

In accordance with International Accounting Standard 19 – Employee Benefits (IAS 19), the Vale of White Horse District Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

Vale of White Horse District Council participates in the Local Government Pension Scheme which is a defined benefit scheme based on final pensionable salary.

The most recent valuation was carried out as at 31 March 2010 and has been updated by independent actuaries to the Oxfordshire County Council Pension Fund (the Fund) to take account of the requirements of IAS 19 in order to assess the liabilities of the Fund as at 31 March 2011.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has had the effect of reducing the Vale of White Horse District Council's liabilities in the Oxfordshire County Council Pension Fund by £5,979,000 and this has been recognised as an actuarial gain in accordance with the guidance set down in UITF Abstract 48 since the change is regarded as an adjustment to the actuarial assumptions previously used to estimate the liability. There is no impact upon the General Fund.

Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the statement of movement in the general fund balance. The following transactions have been made in the income and expenditure account and statement of movement in the general fund balance during the year:

| **2009/10** | **Comprehensive income & expenditure statement** | **2010/11** |
|---|---|---|
| **£000** | | **£000** |
| | Net Cost of Services: | |
| 912 | Current service cost | 1,212 |
| 0 | past service cost | (5,979) |
| 106 | Losses on curtailments | 389 |
| | Net Operating Expenditure: | |
| 3,758 | • interest cost | 3,617 |

| | | |
|---|---|---|
| (1,540) | • expected return on assets in the scheme | (2,577) |
| 3,236 | Net charge to the comprehensive income & expenditure statement | (3,338) |
| | Statement of movement in the general fund balance | |
| (3,236) | • reversal of net charges made for retirement benefits in accordance with IAS19 | 3,338 |
| | Actual amount charged against the general fund balance for pensions in the year: | |
| 1,879 | • employers' contributions payable to scheme | 1,717 |

In addition to the recognised gains and losses included in the comprehensive income and expenditure statement, actuarial gains of £20.97 million (a loss of £13.39 million was recorded in 2009/10) were included in the statement of total recognised gains and losses. The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £3.64 million.

## Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities:

**Local Government Pension Scheme**

| **Funded liabilities 2009/10 £000** | **Unfunded liabilities 2009/10 £000** | | **Funded liabilities 2010/11 £000** | **Unfunded liabilities 2010/11 £000** |
|---|---|---|---|---|
| 54,530 | 2,250 | Opening present value of liabilities | 78,303 | 2,399 |
| 912 | 106 | Current service cost | 1,212 | |
| 3,566 | 192 | Interest cost | 3,489 | 128 |
| 457 | 0 | Contributions by participants | 348 | |
| 21,473 | 0 | Actuarial (gains)/losses on liabilities | (17,028) | (427) |
| (2,635) | (149) | Net benefits paid out | (3,589) | (147) |
| 0 | 0 | Past service cost | (5,839) | (140) |
| 0 | 0 | Entity Combinations | 0 | |
| 0 | 0 | Curtailments | 389 | |
| 0 | 0 | Settlements | 0 | |
| **78,303** | **2,399** | **Closing present value of liabilities** | **57,285** | **1,813** |

Reconciliation of fair value of the scheme assets:

| **Period ending 31 March 2010** | | **Period ending 31 March 2011** |
|---|---|---|
| **£000** | | **£000** |
| 26,790 | **Opening fair value of assets** | 35,936 |
| 1,540 | Expected return on assets | 2,577 |
| 8,086 | Actuarial gains/(losses) on assets | 3,513 |
| 1,847 | Contributions by the employer (incl unfunded) | 1,571 |
| 457 | Contributions by participants | 348 |
| (2,784) | Net benefits paid out (incl unfunded) | (3,736) |
| **35,936** | **Closing fair value of assets** | **40,209** |

The Vale of White Horse District Council employs a building block approach in determining the rate of return of fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at 31 March 2011.

The actual return on scheme assets in the year was £3.182 million (2009/10 gain of £9.626 million).

Scheme history

**Local Government Pension Scheme**

| 2006/07 £000 | 2007/08 £000 | 2008/09 £000 | 2009/10 £000 | | 2010/11 £000 |
|---|---|---|---|---|---|
| (56,790) | (53,920) | (56,780) | (80,702) | Present value of liabilities Funded + unfunded | (59,098) |
| 38,890 | 34,690 | 26,790 | 35,936 | Fair value of assets in the scheme | 40,209 |
| **(17,900)** | **(19,230)** | **(29,990)** | **(44,766)** | **Surplus/(deficit) in the scheme:** | **(18,889)** |

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £18.89 million (2009/10 was a liability of £44.76 million) has a substantial impact on the net worth of the council as recorded in the balance sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 are £1.236 million.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The latest actuarial valuation of Vale of White Horse District Council's liabilities took place as at 31 March 2010. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the fund were:

| **Principal financial** |
|---|

| | | | assumptions<br>(% per annum) | |
|---|---|---|---|---|
| 31 March 2008 | 31 March 2009 | 31 March 2010 | | 31 March 2011 |
| 3.7 | 3.4 | 3.9 | Inflation (RPI) * | 3.5 |
| | | | Inflation (CPI) * | 2.7 |
| 5.2 | 4.9 | 5.4 | Rate of general increase in salaries # | 5.0 |
| 3.7 | 3.4 | 3.9 | Rate of increase to pensions in payment | 2.7 |
| 6.8 | 6.7 | 5.5 | Discount rate | 5.5 |

* Change in inflation uplift from RPI in 2009/10 to CPI in 2010/11
# Salary increases are assumed to be 1.5% above RPI for all members earning less than £21,000 pa

**Principal demographic assumptions**

| 31 March 2010 | Post-retirement mortality | 31 March 2011 |
|---|---|---|
| | Longevity at 65 for current pensioners: | |
| 23.1 | Men | 21.5 |
| 25.0 | Women | 24.1 |
| | Longevity at 65 for future pensioners: | |
| 25.4 | Men | 23.4 |
| 27.3 | Women | 25.9 |

| Long-term expected rate of return at 31 March 2009 (%pa) | Asset split at 31 March 2009 (%) | Long-term expected rate of return at 31 March 2010 (%pa) | Asset split at 31 March 2010 (%) | | Long-term expected rate of return at 31 March 2011 (%pa) | Asset split at 31 March 2011 (%) |
|---|---|---|---|---|---|---|
| 7 | 62.3 | 7.5 | 73 | Equities | 7.4 | 72 |
| 6 | 4.5 | 6.5 | 5 | Property | 6.4 | 6 |
| 4 | 14 | 4.5 | 12 | Government bonds | 4.4 | 9 |
| 5.8 | 7.9 | 5.5 | 6 | Corporate bonds | 5.5 | 5 |
| 0 | 0 | 0 | 0 | Alternative assets | 7.4 | 5 |
| 1.6 | 11.3 | 3 | 4 | Cash/Other | 3 | 3 |
| **5.8** | **100** | **6.8** | **100** | **Total** | **6.8** | **100** |

## History of experience gains and losses

The actuarial gains identified as movements on the pensions reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

**History of experience gains and losses - Funded benefits:**

| Period ending 31 March | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2007 | 2008 | | 2009 | | 2010 | | | 2011 | |
| £000 | £000 | % | £000 | % | £000 | % | | £000 | % |
| 140 | (6,290) | (18.1%) | (10,830) | (40.4%) | 8,086 | 22.5% | Experience gains/(losses) on | 3,513 | 8.7% |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (130) | (1,060) | (2.0%) | (230) | (0.5%) | (21,473) | (22.1%) | assets<br>Experience gains/(losses) on liabilities | 17,455 | 29.7% |

**History of experience gains and losses - Unfunded benefits**

| Period ending 31 March | | | | | |
|---|---|---|---|---|---|
| 2007 £000 | 2008 £000 | 2009 £000 | 2010 £000 | | 2011 £000 |
| Unknown | (20) | (30) | 0 | Experience gains/(losses) on liabilities | 427 |

## 42. Contingent liabilities

At 31 March 2011, the council had the following contingent liabilities:

- Last year the Council was being pursued by a software company regarding non-payment of software licences. At present this matter seems to have been avoided but it is possible that the company may start pursuing the matter more robustly. Liability has not been established and, if liable, for how much but the exposure of the Council could be in excess of £100,000. It is unlikely to have an impact on the 2010/11 accounts and no provision has been made in these accounts for this item.
- During 2008/09, three operators under the concessionary fares scheme appealed to the Secretary of State against the council's 2009-10 scheme on the grounds that they were "prejudicially affected" or inadequately reimbursed. One holding company that owns two of the three has issued judicial proceedings against the council. The case is similar to several other cases against local authorities that are currently being pursued through the legal system. The indications are that these cases will be settled by consent without significant financial implications for the council but the settlement has not yet been concluded.
- One of the council's leisure services contractors is pursuing the council for a shortfall in pensions paid to OCC of c.£160,000 which came about when the leisure centres were contracted out. The contractor argues that the liability for the shortfall falls on the council as it relates to unforeseen costs. The legal opinion of the council is that the liability falls to the contractor as the current employer, however, there is a possibility that the liability would still fall on the council (as guarantor) if the contractor defaulted on its payments.
- An ex-employee has taken a case to the Pensions Ombudsman; the Ombudsman has found in his favour and has made a charge of liability against the Oxfordshire County Council Pension Fund. The Pension Fund has indicated its belief that the Council is liable for part of the award made against them. Whilst the council does not admit any liability in this case, it is considered prudent to recognise a contingent liability of a compensatory award of not more than £53,590 due in 2012 and a possible future pension cost of £66,666 in 2014.
- The council has agreed a Payment and Performance Mechanism with one of its contractors that would compensate the council should performance targets for council tax, business rates and benefits administration fall below specified

standards. Similarly, should performance exceed specified standards then the council would be liable to pay a performance-related bonus.

2010/11 performance has yet to be finalised. Based on provisional data the contractor would be entitled to receive a performance bonus in respect of council tax collection and benefits processing of around £18,000. However, performance against other benefits indicators is subject to audit, the outcome of which may result in a change in the payment due. Provision has not been made for these items as the amount cannot be reliably estimated at this time.

- Compensation Claims for injury and or damage. The majority of claims for compensation are individually immaterial. They relate to personal injuries sustained where the Authority is alleged to be at fault (for example, through a failure to repair a pavement properly). Provision has not been made for such claims as the authority's liability is limited to the individual excess on the policy, which in most cases is £5,000. Until claims are settled by the authority's insurers, the cost of the excess cannot be recognised. It is also considered that collectively the sum of these claims in any one year is immaterial.

## 43. Contingent Assets

The council had no contingent assets at 31 March 2011.

## 44. Nature and extent of risks arising from financial instruments

The council is required to disclose the risk to which it is exposed in its dealings with financial instruments and how they are managed. The main risks are:

- Credit risk – the possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party
- Liquidity risk – the possibility that a party will be unable to raise funds to meet its commitments associated with financial instruments.
- Market risk – the possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates, etc.

**Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. The council has adopted *CIPFA's Treasury Management in the Public Services: Code of Practice* and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code. The treasury management and investment strategy is agreed by the council's Executive at the start of each financial year.

The following analysis summarises the council's potential maximum exposure to credit risk, based on experience of default and non-collection over the last five financial years, adjusted to reflect current market conditions.

Maximum exposure to credit risk:

| | Amount at 31 March 2011 £000 | Historical experience of default % | Historical experience adjusted for market conditions at 31 March 2011 % | Estimated maximum exposure to default and non-collection £000 |
|---|---|---|---|---|
| Deposits with banks and financial institutions | 15,897 | 0% | 0.95% | 151 |
| Bonds | 0 | 0% | 0% | 0 |
| Customers | 5,861 | 18% | 17.2% | 1,010 |

The council does not generally allow credit for customers and a provision is made for bad debt based on the debtors information as at year end.

## Liquidity risk

The council has no debt to finance and is currently able to meet all its ongoing commitments, all trade and other payables due to be paid in less than one year, from cash balances.

## Market risk

Interest rate risk

The council is exposed to some risk in terms of its exposure to interest rate movements on its investments. In the current financial climate the council's balances are deposited in instruments with returns in a range of between 0.40% to 2.65% return. For this reason the council has a diversified investment holding in property and temporary investment and maintains a level of usable revenue reserves at least equal to five per cent of the annual budget requirement.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. Borrowing to cover temporary cash-flow shortages is always at fixed rates.

According to this assessment strategy, at 31 March 2011, if interest rates had increased or decreased by one per cent with all other variables held constant, the financial effect would be:

| | £000 |
|---|---|
| Increase in interest payable on variable rate borrowings | N/A – nil holding |
| Increase in interest receivable on variable rate investments | No variable – all fixed term deposits |
| Increase in government grant receivable for financing costs | No supported borrowing (SCE(R)) |
| **Impact on surplus or deficit on the provision of services** | Nil |
| Decrease in fair value of fixed rate investment assets | Nil – all short term and fixed |
| Impact on other comprehensive income and expenditure | Nil |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure) | All fixed rate borrowings are very short term – nil effect |

**Price risk**

The council does not invest in equity shares nor owns any shareholdings in joint ventures or local industry; consequently the council has no exposure to loss arising from movements in the prices of shares.

**Foreign Exchange risk**

The council has no financial assets or liabilities denominated in foreign currencies, and therefore has no exposure to loss arising from movements in exchange rates.

# Collection Fund 2010/11

| 2009/10 £000 | Income and Expenditure Account | £000 | £000 |
|---|---|---|---|
| | **Income** | | |
| (65,240) | Council Tax Payers | | (67,968) |
| | Transfers from General Fund | | |
| (5,102) | Council Tax Benefits | | (5,427) |
| (53,475) | Income from Business Ratepayers | | (53,352) |
| | Adjustments | | |
| (6) | Council Tax Transitional Reduction Scheme grant | | (2) |
| **(123,823)** | **Total Income** | | **(126,749)** |
| | **Expenditure** | | |
| | Precepts | | |
| 54,118 | - Oxfordshire County Council | 55,993 | |
| 7,241 | - Thames Valley Police Authority | 7,437 | |
| 7,897 | - Vale of White Horse D C (inc. Parishes) | 8,489 | |
| 69,256 | | | 71,919 |
| | Business Rates | | |
| 53,278 | - Payment to National Pool | 53,162 | |
| 197 | - Cost of Collection | 190 | 53,352 |
| 347 | Provision for bad debts – Council Tax | | 9 |
| | Contribution towards previous year's estimated Collection Fund surplus | | |
| 864 | - Previous years estimated surplus\(deficit) on CT OCC | 827 | |
| 115 | - Previous years estimated surplus\(deficit) on CT TVPA | 111 | |
| 125 | - Previous years estimated surplus\(deficit) on CT VWHDC | 121 | 1,059 |
| **124,182** | **Total Expenditure** | | **126,339** |
| 359 | (Surplus)/deficit for the year | | (410) |
| (1,167) | Balance on the Collection Fund brought forward | | (808) |
| (808) | Balance on the Collection Fund carried forward | | **(1,218)** |

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

# COLLECTION FUND 2010/11

| Balance Sheet | | | | | | |
|---|---|---|---|---|---|---|
| 2009/10 | | | | 2010/11 | | |
| Oxfordshire County Council | Thames Valley Police Authority | Vale of White Horse District Council | | Oxfordshire County Council | Thames Valley Police Authority | Vale of White Horse District Council |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 1,816 | 241 | 275 | Share of council tax arrears | 1,902 | 253 | 290 |
| (833) | (111) | (126) | Share of impairment allowance for doubtful debts | (796) | (106) | (121) |
| (991) | (132) | (150) | Share of council tax overpayments & prepayments | (1,043) | (138) | (159) |
| (632) | (85) | (91) | Share of Collection Fund (surplus)/deficit | (948) | (126) | (144) |
| 640 | 87 | 92 | Share of council tax cash balances | 885 | 117 | 134 |

## NOTES TO THE NON-CORE FINANCIAL STATEMENTS

## NOTES TO THE COLLECTION FUND

CF1 The statement of accounts are prepared in accordance with the 2010 Code of Practice. The Code determines that billing authorities act as agents on behalf of the major preceptors (Oxfordshire County Council and Thames Valley Police) and itself. Council tax transactions and balances therefore need to be allocated between the billing authority and major preceptors, as shown by the collection fund balance sheet.

Council tax arrears, overpayments, prepayments and provision made for doubtful debt are allocated out between the Vale, Oxfordshire County Council and Thames Valley Police Authority in proportion to their precepts for the financial year in question.

On the 15th January each year an estimate is made of the collection fund (surplus)/deficit expected at the 31st March. This estimate is divided between the major preceptors proportionally by reference to their precepts for the year in question. At the year end, the actual collection fund (surplus)/deficit is compared to this estimate with any resulting (under)/over distribution being shared between the Vale, Oxfordshire County Council and Thames Valley Police Authority by reference to the proportion of their precepts for the coming financial year.

The following amounts are included within debtors/(creditors) in respect of council tax cash balances held on behalf of the major precepting bodies:-

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| (640) | Oxfordshire County Council | (885) |
| (87) | Thames Valley Police Authority | (117) |
| **(727)** | **Debtors/(Creditors)** | **(1,002)** |

The share of the collection fund (surplus)/deficit carried forward as at 31 March is shown in the Council's reserves:-

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| **(91)** | Vale of White Horse District Council | **(144)** |

CF2 The total non-domestic rateable value at the 31 March 2011 was £151,672,304. The standard non domestic rate multiplier for 2010/11 was 41.4 pence in the pound. The small business non domestic rate multiplier was 40.7 pence in the pound.

CF3 The number of chargeable dwellings in each Council Tax Band after adjustment for exemption, discounts etc:

| | No of Properties | Weighting | Band D Equivalent £ |
|---|---|---|---|
| Band A | 1,518 | 6/9 | 1,012 |
| Band B | 5,179 | 7/9 | 4,028 |
| Band C | 14,812 | 8/9 | 13,166 |
| Band D | 11,312 | 1 | 11,313 |
| Band E | 8,601 | 11/9 | 10,512 |
| Band F | 4,754 | 13/9 | 6,867 |
| Band G | 3,760 | 15/9 | 6,267 |
| Band H | 409 | 2 | 818 |
| | 50,345 | | 53,983 |
| Discounts and exemptions | | | (5,839) |
| Class O exempt properties | | | 1,018 |
| Year end adjustment, appeals and losses on collection | | | (963) |
| | | | **48,199** |
| i.e. a levy of £1 would raise | | | 48,199 |

CF4 Precepts payable to parishes in 2010/11 amounted to £2,864,426 (2009/10: £2,521,242). Parish precepts are minor precepts and are deemed to be part of the precept levied on the Collection Fund by the District Council.

CF5 The average band D Council Tax for the year was made up as follows:-

| 2009/10 £ | | 2010/11 £ |
|---|---|---|
| 1,130.62 | Oxfordshire County Council | 1,161.71 |
| 112.31 | Vale of White Horse District Council | 116.69 |
| 151.27 | Thames Valley Police Authority | 154.30 |
| 1,394.20 | | 1,432.70 |
| 52.67 | Parish Council (Average) | 59.43 |
| 1,446.87 | | 1,492.13 |

## ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement forms part of the council's annual statements and should be read alongside this Statement of Accounts.

The Annual Governance Statement for 2010/11 is published on the council's website and can be found at the following link:

****** link to webpage and URL address to be added when published ******

## EXPLANATION OF FINANCIAL TERMS

**Accounting Policies** – Those principles, bases, conventions rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- recognising,
- selecting measurement bases for, and
- presenting

assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in the financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or Balance Sheet it is to be presented.

**(BV)ACOP** - (Best Value) Accounting Code of Practice

**Accrual** - A fundamental accounting principle is that income and expenditure should be accounted for in the period to which it relates, irrespective of the date of settlement. An accrual is a sum included in the accounts to cover income or expenditure attributable to goods or services received within the accounting period but for which payment has not been received or made.

**Actuarial Gains And Losses** - Changes in the net pension liability that arises because events have not coincided with assumptions. Not charged to revenue.

**Agency** - The provision of services by one organisation on behalf of another organisation. The organisation directly providing the services is reimbursed by the responsible organisation.

**Amortisation** - The planned writing-down of the value of an asset (tangible or intangible) over its limited useful life.

**Area Based Grant** - Together with revenue support grant (see below) this comprises the council's general government grant income.

**Asset** - The creation or purchase of an item/building that has a monetary value. Those assets of the Council which are readily marketable are valued at market value. Those which have a specialised use, such as leisure centres, are valued at depreciated replacement cost, which assesses the cost of providing a similar facility as a replacement but also allows a discount for the age of the asset. Plant, equipment and community assets are valued at historic cost.

**Balance Sheet** - The balance sheet is a statement of the assets and liabilities at the end of the accounting period. It is a "snapshot" of the accounts at a single point in time.

**Capital Expenditure** – expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

**Capital Financing** - Assembling the money to pay for capital expenditure. The majority of the resources necessary to finance this Council's capital programme is capital receipts. Other significant sources are Government grants and contributions from developers. Also available are revenue monies and borrowing. The Authority does not currently borrow to finance capital expenditure.

**Capital Receipts** - Proceeds from the sale of an asset, e.g. land, buildings, equipment, vehicles.

**Central Administration Charges** - Central administration charges are an allocation of the net cost of the administrative and professional departments that support all of an authority's services, e.g. finance, personnel.

**Central Support Services** - The costs of providing those central functions which are concerned with the whole range of services and undertakings of the Council and are not in the main identifiable with any particular service, e.g. the cost of office accommodation.

**Collection Fund** - A fund maintained by collecting authorities into which is paid council taxes, NNDR, and community charges. The fund then meets the requirements of the county, district and parish Councils and, the Thames Valley Police Authority, as well as paying NNDR to the national pool.

**Community Assets** – Assets that the Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

**Consistency** – The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

**Contingent Asset** - A contingent asset is a potential asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control.

**Contingent Liability** - A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or

- a present obligation arising from past events where it is not possible to measure the amount of obligation with sufficient reliability.

**Council Tax** - A charge levied by all councils on domestic property values to contribute to the cost of providing local services. Council tax for the County Council, the Police Authority and local parishes is collected by this Authority and paid over to them throughout the year.

**Creditor** - The amount owed by the Authority for work done, goods received or services rendered to the Authority within the accounting period but for which payment has not been made.

**Current Asset** - An asset where the value changes on a frequent basis e.g. Stores, cash, debtors (as distinct from a fixed asset such as land and buildings).

**Current Liability** - An amount which will become payable or for which payment could be requested within the next accounting period, e.g. creditors, bank overdrafts, short term loans.

**Current Service Costs (Pensions) -** The increase in pension liabilities as a result of years of service earned this year. Allocated to the revenue accounts of services for which the employees worked.

**Debtor** - An amount due to the Authority within the accounting period but not received by the end of the financial year.

**Debt Redemption** - The repayment of loans raised to finance capital expenditure.

**Defined Benefit Pension Scheme** - A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

**Defined Contribution Pension Scheme** - A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**Depreciation** – The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use , passage of time or obsolescence through either changes in technology, legislation or demand for goods and service produced by the asset.

**Direct Revenue Financing** - The financing of capital expenditure from the current year's revenue account.

**Direct Service Organisation (DSO)** - An internally organised structure that manages a particular service area for the Authority. With the extension of competitive tendering there is an increasing trend to manage whole areas of the Council's activities along these lines with a clearer definition of 'client' and 'customer' being established. At the time of writing the Council does not have any statutory DSOs as the Housing Maintenance DSO transferred to the Vale Housing Association upon LSVT and the Grounds Maintenance DSO was wound up at the end of its first, unprofitable, year. During 2009/10 the Council operated a non-statutory team of technical operatives which it calls its "DSO" – this has since been wound up.

**Events After the Balance Sheet Date**. Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date (normally 31 March) and the date when the Statement of Accounts is authorised for issue – also referred to as **Post Balance Sheet Events (PBSE)**. These may be classed as 'adjusting' or 'non-adjusting'

**Exceptional Items**. Material items which derive from events of transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give a true and fair presentation of the accounts.

**Extraordinary Items**. Material items, possessing a high degree of abnormality, which derive from events of transactions that fall outside the ordinary activities of the authority 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 am arms-length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**Finance Lease** – This is a lease, usually of land or buildings, which is treated as capital borrowing and for which transfers substantially all of the risks and rewards of ownership of the asset to the lessee; or where the residual interest in the asset transfers to the lessee on completion of the lease term.

**Financial Instrument -** A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

**Financial Instruments Adjustment Account** - The financial instruments adjustment account provides a balancing mechanism between the different rates at which gains and losses are recognised and are required by statute to be met from the general fund.

**Financial Reporting Standard (FRS) -** Accounting practice recommended by the Accounting Standards Board (ASB) for adoption in the preparation of accounts by applicable bodies (see also SSAP).

**Fixed Asset** - Fixed assets are assets of the council that continue to have value and benefit for a period longer than one financial year.

**FRS 17** – Financial Reporting Standard 17 is the prior accounting standard under which the council used to account for assets and liabilities which are held in the pension fund administered by Oxfordshire County Council but relating to this authority, in the accounts of this authority. See also **IAS 19**.

**Gains/Losses On Settlements And Curtailments** - The results of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees. Debited to the net costs of services as part of non-distributed costs.

**General Fund** - The main revenue account of an authority, which summarises the cost of all services provided by the council which are paid for from amounts collected from council tax payers, government grants and other income.

**Going Concern**. The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

**Housing Revenue Account** - The main revenue account dealing with an Authority's housing activities with its tenants. This Authority's HRA was closed on 31 March 1995 after its housing stock had been disposed of.

**IAS 19** – International Accounting Standard 19 requires the Authority to account for assets and liabilities which are in held the pension fund administered by Oxfordshire County Council but relating to this authority, in the accounts of this authority.

**iBoxx** - iBoxx indices cover the cash bond market. Underlying bond prices and indices are available in real time.

**Impairment** - An unexpected or sudden decline in the value of a fixed asset, such as property or vehicle, below its carrying amount on the Balance Sheet.

**Intangible Fixed Assets** – Some capital expenditure does not give rise to a physical asset but the benefits last a number of years. These can be carried in the balance sheet as assets and written off over their useful life. An example is computer software.

**International Accounting Standards (IAS)** – The accounting standards under which these accounts are compiled.

**International Financial Reporting Standards (IFRS)** – The reporting standards under which these accounts are compiled.

**Liability** - An amount incurred by the organisation that is due to be paid at some time in the future.

**Liquid Resources** - Current asset investments that are readily disposable without disrupting the authority's business and are readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.

**National Non Domestic Rates (NNDR)** - NNDR is a tax charged on commercial properties. It is calculated by multiplying a property's 'rateable value' by a nationally set amount (known as the 'NNDR multiplier'). The council acts as a collecting agency for central government and passes all income to it. The government then redistributes the money it receives back to local authorities based on resident population.

**Net Book Value** - The amount at which fixed assets are included in the Balance Sheet; ie: their historical cost or current value less the cumulative amounts provided for depreciation.

**Net Current Replacement Cost**. The cost of replacing or recreating the particular asset in its existing condition and in its existing use.

**Net Debt**. The authority's borrowings less cash and liquid resources. Where the cash and liquid resources exceed borrowings, reference should be to **Net Funds** rather than net debt.

**Net Realisable Value**. The open market value of an asset in its existing use, less the expenses to be incurred in realising the asset.

**Non-operational Assets**. Fixed assets held by the authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include investment properties and assets that are surplus to requirements, pending their sale.

**Operating Lease –** This is a lease where ownership of the fixed asset remains with the lessor – generally any lease other than a finance lease.

**Operational Assets**. Fixed assets held and occupied, use or consumed by the authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

**Past Service Cost** - The increase in pension liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the net cost of services as part of non distributed costs interest cost, and the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to net operating expenditure**.**

**Post Balance Sheet Events (PBSE)** – See Events after the Balance Sheet Date

**Precept –** The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf. Precepts are paid from the Collection Fund.

**Prior Period Adjustment**. Those material adjustments applicable to prior years arising from changes in accounting policies or form the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**Remuneration**. All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than cash. Pension contributions payable by the employer are excluded.

**Revenue Expenditure Funded from Capital Under Statute (REFCUS)** - **(**formerly known as a deferred charge) arises where:

- expenditure is charged to capital but there is no tangible asset e.g. improvement grants, compensatory payments. When the expenditure is incurred it is charged to the income and expenditure account with a compensating entry in the statement of movement on the general fund balance to ensure that there is no impact on the council tax.

- assets are transferred to another organisation and the associated transferred debt is being repaid over time. These charges are written-down by the loan repayments so that the total equates to the relevant loan debt outstanding.

Since there are no long-term economic benefits in the control of the council, these are written off to revenue (Income and Expenditure Account) in the year incurred and no longer feature as assets in the balance sheet.

**Revenue Support Grant (RSG) -** This main non-specific grant paid by central government to local authorities to help fund the services that they provide. The allocation to each authority is determined by a complex formula. Together with area based grant (see above) this comprises the council's general government grant income.

**Statement of Standard Accounting Practice SSAP** – Statement of Standard Accounting Practices were introduced to ensure that all statements of accounts are compiled on the same or similar basis.

**Statement of Recommended Practice SORP** – The CIPFA Code of Practice for Local Authority accounting developed as part of the accounting standards to be followed in compiling this Statement of Accounts

**Trading Account** - A method of matching income and expenditure for a particular activity or group of activities. An example of this is Building Control.

**Transferred Debt** - This is the term given to housing assets transferred to another Council, for which the Council receives repayment in the form of a loan.

**Useful Life** - The period over which the authority will derive benefits from the use of a fixed asset.

## EXPLANATION OF FUNDS AND RESERVES

The purpose of each of the Council's earmarked funds and reserves is explained below.

**Building Regulations Trading Fund** – This is the accumulated profit or loss on the Building Control Service.

**Capital Adjustment Account** - The capital adjustment account provides a balancing mechanism between the different rates at which assets are depreciated and financed through the capital control system.

**Collection Fund Adjustment Account –** This is the Council's share of the collection fund surplus carried forward as at 31st March. See page 55

**Community Grants Awards Fund –** To meet the cost of grants awarded in the current year that will not be paid to the beneficiaries until later years

**Election Equalisation Fund –** To even out the expenditure peaks and troughs created by Council elections being held every 4 years.

**Local Development Framework Fund –** To even out the expenditure peaks and troughs created by the work involved in producing the Local Plan which is the framework against which planning applications will be judged.

**Lottery Grant Matched Funding** – To make capital grants to parishes and voluntary associations who have received lottery or other outside funding towards improving their assets, usually village halls or community centres.

**Revaluation Reserve** – The revaluation reserve records unrealised revaluation gains arising (since 1 April 2007) from the council holding fixed assets.

**Rent Deposit Guarantee Fund** – Resources to provide a bond for private tenants on low income who otherwise could not raise a deposit to rent accommodation.

**Reservoir Fund -** To meet sudden and unexpected costs arising from Thames Water's plan to create a new reservoir in the Vale.

**Self Insurance Fund –** Built up from recharges to service areas, this provides resources to meet small compensation claims not covered under the Council's insurance policies and to meet the voluntary excess on insurance cover.