Notes from the question and answer session on the statement of accounts 2011/12
Held on 19 September 2012

As part of the process for providing assurance to members that the council's 2011/12 statement of accounts have been correctly compiled, the committee held a question and answer session to look at the detail behind the accounts. Here is a synopsis of the questions asked and answers provided. The page number references refer to the draft statement of accounts considered by the committee at its 11 July 2012 meeting.

Question		Answer
1	Page 8 of the draft statement of accounts - Greater than budgeted costs of housing/council tax benefits - given the hot topic changes to this for next year, it would be helpful to understand this £1.045m number, and how it is derived?	This figure was derived from the benefits paid out, and should be netted off the £1.130m over-achieved subsidy received from government during the year. The figures are unlikely to balance in any one year due to complexity of benefits payments and unforeseeable caseload volumes. However, this figure represents less than 5 per cent of the benefits payments made during the year. The breakdown between housing benefits and council tax is as follows: **Income:** Housing benefits £1,200k Council tax benefit £-70k **Total £1,130k** **Expenditure:** Housing benefits £1,184k Council tax benefit £-139k **Total £1,045k**

Question		Answer
2	p.10 decrease in fixed asset value - £5m - I thought that the SWP [Scottish Widows] deal [for the Abbey Shopping Centre in Abingdon] and book loss of £1.95m, plus sale at negative value of the Guildhall was in 2013? If so, what was this made up of? On this point ref. material event post balance sheet date, how confident are we of the valuation reduction of sub £2m (bearing in mind its implications for state aid rules) - is this a matter for 2013?	The decrease in fixed asset value is made up from depreciation of operational property, net revaluations downwards, loss on property disposals, and revaluations of investment property downwards. These figures were provided by the property team. However, an answer will be sought on how they arrived at this figure.
3	p.11 - revenue reduction due to reduction in grant funding - whilst this is a net decrease, it has increased in some areas (eg housing delivery - or is this just 2013?), are we comfortable with this bald statement as it reads?	The total government grant funding to the council comprises Revenue Support Grant which is definitely expected to fall from 2013/14, New Homes Bonus which is definitely expected to rise and retention of Business Rates which is an unknown. The total government funding estimates built into the approved medium term financial plan (MTFP) do show a net rise to 2016/17. However, the figures do not include the 10 per cent planned reduction in council tax benefit, nor the latest "bleak" predictions indicated by the Government. Officers are therefore expressing caution. However, the words are currently inconsistent with the MTFP estimates and officers will revise the wording to bring them into line.

Question		Answer
4	p.11 - increased pension costs - is this due to the increased costs of purchasing annuities (c/f reduction in pension vale of £10m on balance sheet) - is this not set off by the changes to the pension scale calculations (hot topic for consultation and industrial action across the country last year?). Last year with change in actuaries we had a large movement the other way I recall… was this overstated in retrospect?	The pressure from increased pension costs on page 11 refers to the employer contribution payments which the Vale makes to the county in accordance with triennial reviews. The MTFP includes increases in the fixed cost element of this arising from the 2010 valuation and the statement of accounts has been amended to reflect this. This is different to the 'net pension liability' on the balance sheet which is revalued every year for the purpose of the accounts. After the optimistic revaluation of the pension fund liability by new actuaries last year, the picture now looks more pessimistic. Councillors expressed disappointment in this and asked the officers to seek clarification so that the council can have confidence in the actuary's assessment as the council prepares its budget for 2013/14 and beyond.
5	p.21 - are there any amortisations of intangible fixed assets? And if so what? Is software a fixed asset? Also on that page, what proportion of the £239k non-distributed costs was to termination benefits (the majority of which happened in the year? c/f £347k on p63?)	Software is classified as an intangible fixed asset. In the final accounts, the figure on page 63 has fallen to £219k. The difference between the exit packages cost of £219k shown in table 31d and the termination benefits cost of £348k shown in table 37 represents the in-year non-distributed costs.
6	p.43 - revaluations - is it correct to assume there is no deleterious material for the vale? Is there really no asbestos in Botley for example? If maintenance works are required, should the CV not be to reflect the required capex less sinking fund?	The officers agreed to ask the property team to see if any of the council's fixed asset values are being overstated by not deducting the cost of maintaining property. After the meeting the property team confirmed that there is no evidence of any deleterious/hazardous substances present in the council's West Way property and officers have no knowledge of such substances. Therefore it is correct that the valuations were made assuming no such contamination problems.
7	p.44 heritage assets - Guildhall, Royce rooms etc sold to Town Council - are we saying that these are not relevant due to their transfer out? Do the dates fit?	These buildings are not classified as heritage assets as they were operational properties before being sold.

Question		Answer
8	p51 - what interest rate do CIPFA [the Chartered Institute of Public Finance and Accountancy] use to discount the Landsbanki receipts? It seems considerably ahead of market interest rates if recovery is anticipated to be 100%?	The interest rates used by CIPFA are around 4.5 per cent. This may be optimistic in the current economic conditions but the council is obliged to follow CIPFA's advice.
9	p.53 - presumably short term debtors under 3 months (the vast majority) are eg council tax debts not yet collected?	The debtors figure has changed in the final version to £2.855m. This is mainly housing benefit and council tax overpayment, with the remainder being sundry debts.
10	p.65 - do we know the status of the councillors who have not completed their 'related party transactions' form?	There are three current district councillors who have not signed the 'related party transactions' form. Councillors asked for copies of the form so they could ask these councillors to complete the form before the statement of accounts deadline.
11	Page 7: Disabled Facility Grant/Payment information...just a question around whether normally this should be an Income/Expenditure offset or actually it is normal for a net Cost to the Vale?	The council receives a government grant but this does not cover the cost of the service. The grant is capped. However, the difference between the grant and the service cost was expected, is an annual mandatory burden met from capital receipts and is comparable to South Oxfordshire District Council.
12	Page 8: the major variations are summarised....is there some reason why whilst the waste variance is positive in terms of more recycling is achieved, there is also an overspend...as a -ve. Thus as a reader of the accounts I read this that the net increase in recycling achieved has cost us net £200k?	Referring to the Cabinet report, the outturn variance for 2011/12 is £246k for the waste service, whilst the payment to the contractor was £225k so this was a net saving. However, the £417k increased cost for recycling comprised two other one-off costs which were not annual recycling costs. Details of these are provided in the separate outturn report.

Question		Answer
13	Note 38 on Pensions. There is a significant increase in the liability, which as is noted in the explanatory section has a £10m reduction in the "net Worth" of the Balance Sheet. I wonder if we could have a very high level explanation of the drivers behind this - it would be helpful to understand if it is because of the decrease in assumed return on assets, or the future assumptions around mortality etc.	See answer to question 4.