

GUIDE TO UNDERSTANDING THE STATEMENT OF ACCOUNTS

Changes to the Presentation of the Accounts

The Statement of Accounts for 2007/08 have a couple of changes from the statements produced last year. One change focuses on the valuation of fixed assets, so the Fixed Asset Restatement Reserve has been replaced by the Revaluation Reserve with the balance on the old reserve being transferred to the new Capital Adjustment Account, which replaces the old Capital Financing Account. The other change is the accounting for Financial Instruments. Financial instruments cover loans, investments and trade debtors, note 20 (page 21) within the accounts gives more information on this area.

The 2007/2008 Statement of Accounts

This can be broken down in to 4 distinct sections:

Section 1: Consists of the Explanatory Foreword and Accounting Policies.	Pages 1 to 7.
Section 2: Core Financial Statements.	Pages 8 to 11.
Section 3: Notes to Core Financial Statements.	Pages 12 to 31.
Section 4: Housing Revenue Account and Collection Fund.	Pages 32 to 34.

Section 1: Explanatory Foreword and Accounting Policies

This gives a high level summary of the year's performance for the General Fund, Housing Revenue Account and Capital. The detail for each of these areas is subject to separate reporting to members. The section on Accounting Policies lays out the principles that have been used in certain areas of the accounts and highlights some terms that may otherwise be confusing.

Section 2: Core Financial Statements

It is now a requirement to run the five key statements together with the notes following. This section briefly describes the individual statements:

1. Income and Expenditure Account. – As the title suggests this shows the revenue activities of the Council's General and Housing accounts. This equates to the Profit and Loss Account of a private company and indicates the position of the Council compared to the precept requirement. The account this year shows a deficit of £4.330m and this will be charged against general reserves.

Although this account equates to the Private Sector Profit and Loss account there are in practice considerable differences which mean that the deficit cannot be realistically treated as a true loss in the Private Sector sense.

For example some of the charges for the use of Council's assets are not charged to Council Tax payers even though they appear in the statement. Their inclusion here is intended to make our accounts more comparable with standard practice in the private sector, but this fails to take account of the unique way in which local government is funded.

To compensate for this local government accounts have an extra statement (Statement of Movement on the General Fund Balance) which removes some of the notional transactions and reflect the actual movement on Council Funds during the year.

2. Statement of Movement on the General Fund Balance. – This is a reconciliation of the balance on the Income and Expenditure account to the amount raised through requirements of raising the council tax. This statement shows the contributions to and from reserves, which were previously shown in the Consolidated Revenue account, and produces the net contribution to or from the reserve.

3. Statement of Total Recognised Gains and Losses. – This analyses the movement on the Balance Sheet from one year to the next and identifies the balance on the Income and Expenditure account from other gains and losses.
4. Balance Sheet. – This statement shows the net worth of the Council.
5. Cash Flow Statement. – This summarises all the inflows and outflows of cash with third parties.

Section 3: Notes to the Core Financial Statements

Income and Expenditure Account

Accompanying the statement are some notes that aim to explain some of the figures in the revenue account. The notes focus on the following areas:

- Partnerships / Agency Working. Pages 12 and 13.
- Payments to Senior Officers and Members. Pages 13 and 14.
- Payments made under certain Legislation. Pages 14.
- Payments to Voluntary Bodies. Page 15.
- Contributions to / from Specific Reserves. Page 16.

The main areas are:

1. Partnership / Agency Working, this shows the activities in which the Council is working with other outside bodies in order to deliver a uniform service to the public. This area is expected to continue to grow each year. In 2007/08 the Special Parking Area deficit reduced slightly to £159,000 from £195,000, mainly due to a increase in the level of income offset and a reduced bad debts contribution.
2. Contributions to / from Reserves, this shows how much was taken in to or paid out of the Councils specific earmarked reserves. In 2007/08 there was a net contribution of £6.8m to reserves, this was an increase of £2.20m compared to 2006/07. The increase is mainly due to the high contribution to the Interest Equalisation Reserve, brought about the high level of investments still being held pending work on the theatre. The contribution was £3.5m, which slightly up on 2006/07. Other significant contributions were to the new LABGI reserve and the Housing Benefit Subsidy reserve. These reserves are there to provide against fluctuations in future levels of interest rates and benefit subsidy and to pay for irregular activities. During the year £8m was taken from the Interest Equalisation reserve and used to create two new reserves; £5m was placed in a Property Sinking Fund, this is to provide for major repairs and equipment replacement in buildings such as the new theatre and Aqua Vale and Swan pools; and £3m was placed in a industrial rent loss reserve, this is to cover shortfalls in industrial rent income as units become vacant. Each year as part of the budget setting process there is a requirement to review and report on the level of these reserves.
3. Payments to Senior Officers and Members, any officer whose remuneration is over £50,000 has to be included within a table along with the total amount of allowances paid to members.
4. Payments to Voluntary Bodies, this shows the majority of bodies that receive financial help from the Council. The amount paid to voluntary bodies was £57,000 more in 2007/08 than 2006/07, in total just under £600,000 is paid out each year.

Balance Sheet

This reports on the Council's position as at the 31st March and shows the value of its assets and liabilities for all its activities.

Accompanying the statement are a number of notes that aim to explain some of the figures further. Once again this Statement can be broken down in to sections to ease understanding:

- Long Term Assets. Pages 19 to 21.
- Current Assets. Pages 21 to 24.
- Current Liabilities. Page 24.
- Pensions. Pages 24 and 25.
- Financing. Pages 26 to 31.

1. Long Term Assets. This is the value of the Council's assets, from its offices to its industrial estates and land. During March 2008, 20% of the council's assets were revalued in order to comply with the accounting requirements, a further 20% of the assets will be reviewed next year. This section shows the capital expenditure during the year and the value of contracts AVDC is contractually committed to.

2. Current Assets. This section equates to items that could be turned into cash at short notice and is made up of debtors (money owed to the Council from external bodies / public) and short term investments. Short term investments is money invested through the money market for less than one year mainly with building societies together with a small amount held on deposit to aid cash flow. The figure invested at the end of 2007/08 was £96.7m compared to £93.5m at the end of 2006/07. The invested funds will be made available to the major capital schemes that are progressing, primarily, the new theatre and the new council chamber at the Gateway. The amount owed to the Council from third parties fell by £3.8m, as less money was outstanding at the year end.

3. Current Liabilities. This is the opposite of current assets and relates to money the Council owes to external bodies / public and is relatively small compared to other figures on the balance sheet. The amount owed has remained constant as around £12m, although Capital creditors increased by £2m whereas money owed to the Government fell by £1.8m.

4. Pensions, the information reporting requirements on this area has grown over the last couple of years with the aim of explaining how the pension fund works. This is a specialised area but the main issue to come out of the figures is that the Council's long term liability fell from £44.2m to £38.9m during the year. The figure shown against the Pensions Reserve is a pure accounting entry and offsets the figure shown against Pensions Liability. All entries to and from these reserves have no affect on the Council's cash flow position as only actual payments to the Pension Fund are included in the Income and Expenditure Account.

5. Financing. This section shows how all of the previous assets and liabilities are funded. In 2007/08 the Fixed Asset Restatement Account and Capital Financing Account were replaced by the Revaluation Reserve and the Capital Adjustment Account, the balances on these accounts no not represent available resources but record the accumulated gains on the fixed assets held by Aylesbury Vale District Council. Most of the entries in these accounts are internal transactions and therefore do not create extra income or expenditure. Of the remaining items the figure for Capital Receipts / Reserves shows how much is available to finance the capital programme. The end of year balances on funds available for capital have decreased this year as capital spend was greater than the capital receipts generated, this will continue to be the pattern over the next few years.

The figure for Specific Revenue Reserves shows how much has been set aside for specific functions. As mentioned earlier there was a net contribution of £6.8m to these reserves, the main beneficiaries were the Interest Equalisation reserve, £3,470,000, Benefit Subsidy reserve, £981,000, Repairs and Renewals, £1,332,000 and the new LABGI reserve, £1,273,000. These contributions were offset by the following use of funds, Planning Related, £278,000, Amenity Areas, £115,000, Benefit Subsidy, £500,000 and District Elections, £101,000. These reserves are shown in detail in the statement and is an area that needs to be regularly reviewed to ensure that there is a clear programme of spend for the reserves.

Section 4: Housing Revenue Account and Collection Fund

Housing Revenue Account (HRA), this covered the income and expenditure of the Council's housing stock. Although, the housing stock was transferred to the Vale of Aylesbury Housing Trust the authority needed the Government's permission to formally close the account. Closure could only be granted once the final housing subsidy implications had been agreed with the auditor. This was done during 2007/08 and Aylesbury Vale received authority to close the HRA on the 18th March 2008. The balance on the HRA was then transferred to the General Fund and will be earmarked to fund the residual costs of the HRA.

The Collection Fund account is a separate account which receives all council tax and non domestic rate income. This account then pays out money in the form of precepts to Bucks County Council, Aylesbury Vale, the Fire and Police authorities and all the parish councils. The account also absorbs any bad debts that may arise. The surplus or deficit in any one year is then paid out or recovered from the 4 main beneficiaries in the following year.

In 2007/08 the Fund paid out £778,000 to the main beneficiaries, this related to the surplus generated from 2006/07. During 2007/08 the Fund paid out in the form of precepts £88.0m compared to £83.2m in 2006/07 an increase of £4.8m, whilst it collected an extra £5.3m. This was collected from an equivalent properties figure of 65,427 up by 257 on 2006/07. The extra income collected for re-distribution is a result of more properties being due for council tax than was estimated and very good collection performance. The council tax section continues to achieve a high collection rate, 98.9%, which is above the district average and in line with the section's collection rate target.