

## **ADOPTION AND APPROVAL OF FINAL ACCOUNTS**

Corporate Director (Resources)

### **1 Purpose**

- 1.1 To update members of the Audit Committee on the progress in terms of adopting, approving and sign off of the Final Accounts for 2008/09.

### **2 Recommendations/for decision**

- 2.1 The Committee is asked to note the changes to the Final Accounts for Aylesbury Vale District Council for the financial year 2008/09.
- 2.2 The Committee is asked to re-adopt and approve the Final Accounts for Aylesbury Vale District Council for the financial year 2008/09 in light of the additional changes requested by the Auditor.

### **3 Supporting information**

- 3.1 At the last meeting of the Audit Committee members approved the accounts to be subjected to the Audit review process.
- 3.2 The Committee also delegated authority to the Head of Finance to make such minor changes as might be necessary to the Cash Flow Statement note in consultation with the Chairman prior to the 30<sup>th</sup> June 2009 deadline.
- 3.3 No subsequent changes were made to this note within the delegated timeframe.
- 3.4 With the exception of one issue the Auditors have now completed their work and their findings are set out in the Annual Governance Report considered elsewhere on this agenda.
- 3.5 As mentioned within their report the one outstanding issue relates to the valuation of certain properties. We are seeking additional information from the valuers in relation to this issue and expect that the matter will be resolved prior to the meeting of this Committee with an update being provided verbally by the Auditor.
- 3.6 The minor errors identified by the Auditors as part of the review process have been amended within the Accounts and a revised version is now attached (Appendix 2) for re-adoption and approval, prior to the District Auditor formally signing them off.
- 3.7 Subject to the resolution of the outstanding issue the Auditor has indicated that he intends to issue an unqualified report.
- 3.8 A table of the changes made are set out in Appendix 1.

### **4 Options considered**

- 4.1 None

**5 Reasons for Recommendation**

- 5.1 The Final Accounts are a public document which requires formal reporting and adoption by a full Committee of the Council.

**6 Resource implications**

- 6.1 None.

**7 Response to Key Aims and Objectives**

- 7.1 None.

Contact Officer  
Background Documents

Tony Skeggs 01296 585273  
Audit Committee reports 29/06/2009

<b>ADDITIONS / AMENDMENTS TO THE STATEMENT OF ACCOUNTS</b>	
<b>Page</b>	<b>The following is a summary of the changes to the text / tables Within the Statement of Accounts.</b>
3	<p><u>EXPLANATORY FOREWORD</u> <b>5 Capital.</b> The following sentence has been added to this section:</p> <p>“At the end of the year the council had £51.530m available to finance its capital expenditure plans, the majority of which came from external sources. The ability to generate new external resources is limited.”</p>
4	<p><u>STATEMENT OF ACCOUNTING POLICIES</u> <b>2 Accruals of Income and Expenditure.</b> The following sentence has been added to this section:</p> <p>“The preparation of the financial statements requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Statement of Accounts and the reported amounts of income and expenditure during the reporting period. Actual results could differ from those estimates. Where it is necessary to choose between different estimation techniques, the council selects whichever technique is judged to be the most appropriate to its particular circumstances for the purposes of presenting the financial position in the accounts fairly. Estimates are used principally when accounting for certain government grants, depreciation, asset revaluations and impairment, employee pensions, provision for liabilities and charges.”</p>
7	<p><u>STATEMENT OF ACCOUNTING POLICIES</u> <b>19 Financial Assets / Liabilities.</b> The following sentences have been added to this section:</p> <p>“Realised and unrealised gains and losses, interest and other items of income and expenditure are accounted for in the financial year to which they relate and are shown at actual value or received.</p> <p>“Available For Sale Assets – These are initially measured and carried in the Balance Sheet at fair value. Where the asset has fixed or determinable payments, credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective interest rate for the instrument. Where they are no fixed or determinable payments, income is credited to the Income and Expenditure Account when it becomes available.”</p>
12	<p><u>CASHFLOW STATEMENT</u> The following figures in the table have been changed. These changes do not affect the bottom line figure, that remains £688,000.</p> <p>Other Income – was £-30,875,000 now £-30,727,000. Net Cash Inflow From Revenue Activities – was £6,863,000 now £7,011,000. Interest Received – was £-6,786,000 now £-6,263,000. Capital Grants Received – was £0 now £-661,000.</p>
14	<p><u>AUDIT COSTS</u> The table has been amended to show the cost of auditing the accounts as an “External Audit Service” rather than a “Statutory Inspection”. The figures are now External Audit Service £158,000, previously £18,000 and Statutory Inspection £0, previously £140,000.</p>
14	<p><u>OFFICERS' REMUNERATION</u> The table has been updated to show ‘1’ against the £130,001 – £140,000 banding as the original report did not pick up the redundancy costs paid out in the year.</p>
21	<p><u>FIXED ASSETS</u></p>

	<p>The table has been amended to show 'Community Assets' as Operational Assets rather than Non Operational Assets.</p> <p>Under Land &amp; Buildings the figure for 'Charge for 2008/09' now reads £-519,000 previously £-1,493,000 whilst the figure for 'Revaluations' now reads £-12,777,000 previously £-11,792,000. This was due to the charge for depreciation being reclassified as impairment.</p>
22	<p><u>FUTURE CAPITAL COMMITMENTS</u></p> <p>As reported at the committee in June, this table has been updated to include the £3.5m contract for the conferencing facility.</p>
30	<p><u>PENSIONS</u></p> <p>The last table showing expected rate of returns has had two figures in 2007/08 amended. The 'Gilts' percentage is now 4.3% previously 4.2% and the 'Rate of Increase in Salaries' is now 5.2% previously 5.5%.</p> <p>A new table has been added showing the asset allocation of the whole fund.</p>
33	<p><u>CAPITAL RECEIPTS / CAPITAL GRANTS UNAPPLIED</u></p> <p>The table has been extended to show 'Unapplied Capital Grants' and 'Unapplied Contributions' as two separate columns rather than one.</p>
34	<p><u>AVAILABLE FOR SALE FINANCIAL ASSETS RESERVE</u></p> <p>The table has been amended to split the 'Gains on Derecognition' figure £456,381, to show it as a 'Realised Capital Loss' £59,771 and 'Loss on Derecognition' £396,610.</p> <p>Also, the 'Interest Income' figure for Loans &amp; Receivables has been increased by £125,775 to show the call account interest earned in the year. The new figure is now £4,971,510.</p>
36	<p><u>NOTES TO THE CASHFLOW</u></p> <p>The following figures in the note have been changed.</p> <p>Gain / -Loss on Sale of Fixed Assets – was £0 now £75,000.  Gain / -Loss on Sale of Financial Instruments – was £-449,000 now £0.  -Increase / Decrease in Creditors - was £-1,395,000 now £-1,258,000.  Investment Income – was £6,786,000 now £6,273,000.  Net Cash Flow from Revenue Activities – was £6,863,000 now £7,011,000.</p>



# **Aylesbury Vale District Council Statement of Accounts For the Year Ended 31st March 2009**



## **EXPLANATORY FOREWORD**

The accounts for the year 2008/09 are set out on the following pages and are supported by explanatory notes together with a statement of the Council's and Head of Finance responsibilities and a statement of the main policies that were adopted.

The accounts are prepared in accordance with the provisions of the Accounts and Audit Regulations 2003, issued under Sections 27 of the Audit Commission Act 1998, and the Chartered Institute of Public Finance Accountancy Code of Practice on Local Authority Accounting (June 2009).

### **1. The Financial Statements.**

The Code of Practice requires the following core financial statements:

- i) Income and Expenditure Account  
This shows the revenue activities of both the Council's main accounts, General Fund and Housing, covering income and expenditure on all services.
- ii) Statement of Movement on General Fund Balance  
This is a reconciliation showing how the balance on the Income and Expenditure account links with the statutory requirements of raising the council tax.
- iii) Statement of Total Recognised Gains and Losses  
This demonstrates how the movement in net worth in the Balance Sheet is identified to the net balance on the Income and Expenditure account and to other unrealised gains and losses.
- iv) Balance Sheet  
This sets out the financial position of the Council on 31st March 2009 and incorporates the General Fund Account, Collection Fund Account and Company Accounts.
- v) Cash Flow Statement  
This summarises all of the inflows and outflows of cash for the Council arising from transactions with third parties for revenue and capital purposes.

### **2. Statutory Changes and Changes to Accounting Policies**

- i) Accounting Policies  
The accounting policies adopted by the Council comply with the relevant legislation and recommended accounting practices and are outlined in the Statement of Accounting Policies. The following provides a background to the Council's financial transactions, affected by major legislative areas.
- ii) Revenue Expenditure Funded from Capital under Statute  
The above category replaces the previous category of "Deferred charges". The definition remains the same, which is a payment of a capital nature is made but no fixed asset is created. They are then written off to the capital adjustment account in the year in which they arose. The change in 2008/09 is that the expenditure is now charged directly to the appropriate revenue account rather than the balance sheet. However, there is no impact on the bottom line as the charge is still ultimately met from the Capital Adjustment Account. There is also no requirement to include a note to the accounts.
- iii) Pensions  
Under the 2008 SORP Aylesbury Vale District Council has adopted the amendment to FRS 17, Retirement Benefits. As a result quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market price. The effect of this change is that the value of scheme assets at 31st March 2008 has been restated from £71.479m to £70.754m, a decrease of £725,000, resulting in an increase of the pension deficit of £715,000. Current and prior year surplus have been unaffected by this change.

### 3. Financial Summary 2008/09

#### i) General Fund Revenue

In 2008/09 the District General Fund net expenditure was £1,089,000. A summary of the financial position is shown below:

General Fund Revenue	2008/09 Budget £'000	2008/09 Actual £'000
Expenditure	94,673	166,526
Income	-69,970	-136,191
<b>Net Cost of Services</b>	<b>24,703</b>	<b>30,335</b>
Other Costs	-84	-267
Investment Interest	-4,224	-6,786
Income from Grants	-11,619	-13,848
<b>Net Expenditure</b>	<b>8,776</b>	<b>9,434</b>
Local Taxpayers	-8,346	-8,346
<b>Net Balance</b>	<b>430</b>	<b>1,088</b>

General Fund Balances	2008/09 Budget £'000	2008/09 Actual £'000
Balance 1st April	-5,331	-5,331
Trans To General Fund	430	430
Net Balance to Fund	-4,901	-4,901
Balance 31st March	0	658
	-4,901	-4,243

The 2008/09 outturn showed an overspend of £240,362 in excess of the £430,000 planned use of general fund working balances. The reasons for this were largely attributable to the wider economic downturn and the impacts of this on demand for Council services.

In total the Council used £670,362 of general fund working balances during 2008/09 together with a further £418,000 of what was formerly residual Housing Revenue Account working balances in support of the Council's 3 year plan to reduce support service costs following the large scale voluntary transfer of the housing stock. The total use of balances was therefore £1,088,625.

The increased used of balances required during 2008/09 represents the first overspend by the Council in many years. However, the expected impacts of the recession were forecast well in advance of the year end and as a consequence managed within expected levels.

The actual figures presented above in the table are much higher than budget in the year due to the year end accounting entries that are required covering FRS17, depreciation, impairment (See 7. Significant Items Affecting the Accounts), revenue expenditure funded from capital under statute and contributions to and from reserves. These entries are not normally budgeted for as their exact values are not normally known until after the year end and also because they do not impact on the council tax requirement.

As previously stated the main areas where net costs exceeded budgets during the year were largely attributed to the recession with those services which are related to the housing or house building sectors suffering as a result of the collapse in demand for such services. These areas included lower demand for Land Charge searches where income fell short of targets by £236,000 and lower numbers of Development control applications where income fell short of target by £147,000. Additionally, the global recession impacted on other areas of the Council's business in ways not obviously apparent. For example lower demand for products in the US reduced both demand and prices for recycled materials collected kerbside here in Aylesbury Vale. As a consequence income from the sale of recycled materials fell short of target by £177,000 during in 2008/09.

Higher energy costs, which were also a factor in the early part of the year, impacted on some services such as the Civic Centre where higher operating costs and lower income from events resulted in an increased net cost of £225,000.

Higher costs and lower income in some areas was partially offset by savings and higher income in others. Court Cost income is one area which saw an increase in income. The Council also undertook a number of significant restructuring exercises during 2008/09 including one amongst senior management and this saved substantial sums which partly benefited in year.

The overspend is also lower by virtue a refund of £92,492 from Her Majesty's Customs and Exercise relating to VAT on car parking excess charges going back many years.

In 2008/09 the Council used £3.6 million of earmarked reserve in support of revenue spend and transferred £5.9 million into reserves. The majority of the transfers to reserves (£4.2 million) represented additional investment income generated in the year in excess of the general fund budgeted requirement. This is in accordance with the Authority's policy of smoothing the use of investment income. The higher reserve balance will be used to offset lower returns in future years resulting from lower base rates and the application of capital balances in the deliver of the Council's major projects.

#### **4. Collection Fund**

The average Band D Equivalent Council Tax for 2008/09 was £1,344.66. This comprised an average District Council Charge of £190.31 (including special expenses and parish precepts), a Buckinghamshire County Council Charge of £1,018.91, a Thames Valley Police Authority Charge of £144.76, and a Buckinghamshire and Milton Keynes Fire Authority Charge of £54.95.

The Council also collects non-domestic rates for its area which are based on local rateable values multiplied by the uniform rate. The total amount, less certain relief's and other deductions, is paid to a central pool managed by Central Government. The amount of redistributed NNDR is shown in the Income and Expenditure Account.

#### **5. Capital**

In 2008/09 the Council spent £12.617m on capital projects, compared with the forecast budget of £22.879m. The bulk of the expenditure during the year was on the new theatre to replace the Civic Centre which amounted to 82%, whilst work on the new Council Chamber accounted for 8%. The remaining spend covered existing projects that included work on Waterside 2%, and other schemes, 8%.

The actual outturn figure is below the forecast budget due to slippage on the enabling grants plus the budgets for the Theatre scheme assumed more expenditure in the year when realistically the budgets should have been programmed more over the next couple of years.

In 2008/09 capital receipts arising from the sale of assets amounted to £944,647. The Council did receive a further £3.369m from non asset backed receipts, of which the majority was from house sales as part of the transfer agreement. The Council's capital expenditure in 2008/09 was financed by several sources, the largest being capital receipts. Of the available receipts £15.323m were used during the year. At the end of the year the council had £51.530m available to finance its capital expenditure plans, the majority of which came from external sources. The ability to generate new external resources is limited.

#### **6. Significant Factors Affecting the Accounts**

There are two significant factors affecting the accounts both of which are associated with the wider economic position.

Property prices decreased significantly during 2008/09 in response to recessionary concerns. The Authority has significant assets holdings and so commissioned a full impairment valuation exercise in March 2009 to assess the impact on its own property values. This highlighted an average reduction in values of approximately 1/3 over the course of the year. In accordance with proper accounting practices the majority of this reduction in value has been charged to the Income and Expenditure Account.

The second issue relates to investments in Iceland. At the point the Icelandic banking system collapsed in October 2008 this Authority has two investments totalling £3 million in Icelandic banks. The Authority is actively working with the administrators and others in order to recover these sums, but in accordance with recommended practice the Authority has taken a view on the total which will be recovered in time and the difference has been charged to the accounts as an impairment. The Government enacted legislation to allow Authorities to defer the impact of this impairment on their accounts until 2009/10 when it is expected that the situation in terms of recovery will become clearer. This Authority has sought to take advantage of this deferral and so the net impact in 2008/09 is only marginal.

**Further Information about these accounts is available from:**

**The Head of Finance  
Friars Square Offices,  
4 Great Western St.  
Aylesbury, Bucks HP20 2TW**



## STATEMENT OF ACCOUNTING POLICIES

The following principles have been adopted in compiling the Authority's Accounts. There has been no variations between the stated policies and those applied in producing the accounts.

### **1. GENERAL PRINCIPLES**

The general principles adopted are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), which has prepared guidance notes on the application of Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs) to local authority accounts. The accounts comply with all the relevant standards covered by the guidance notes, except where departures are disclosed in the following paragraphs. In some cases, there may be small discrepancies between figures appearing in different accounting statements; these are due to the rounding necessary when producing summarised statements. The figures on the left of each financial statement are included for comparison purposes and relate to the year ended 31st March 2008.

### **2. ACCRUALS OF INCOME AND EXPENDITURE**

All revenue and capital transactions have been recorded on an income and expenditure basis. Provision has been made on an actual or estimated basis for all debtors and creditors as at 31 March 2009. Provisions made for doubtful debts are shown as a note to the Balance Sheet and in the appropriate Revenue Accounts. There is a requirement for Local Authorities to analyse services based upon the CIPFA standard classification as detailed in the Best Value Accounting Code of Practice.

The preparation of the financial statements requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Statement of Accounts and the reported amounts of income and expenditure during the reporting period. Actual results could differ from those estimates. Where it is necessary to choose between different estimation techniques, the council selects whichever technique is judged to be the most appropriate to its particular circumstances for the purposes of presenting the financial position in the accounts fairly. Estimates are used principally when accounting for certain government grants, depreciation, asset revaluations and impairment, employee pensions, provision for liabilities and charges.

### **3. ALLOCATION OF EXPENDITURE ON SUPPORT SERVICES**

The costs of support services during the year have been allocated to the revenue and capital accounts of the Authority on a variety of bases. These allocation bases are a combination of actual time spent by staff and staff numbers on the various services, together with a number of fixed price agreements. Service Level Agreements (SLAs) have been adopted as the methodology for charging between service areas.

### **4. GOVERNMENT GRANTS**

Grants and subsidies have been credited to the appropriate revenue and capital accounts and accruals have been made for balances known to be receivable for the period to 31 March 2009. Grant received for the purchase of fixed assets are deferred and amortised over the useful economic life of the assets. Deferred government grants are now charged directly to service accounts rather than as a corporate income item.

### **5. TANGIBLE FIXED ASSETS**

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts, provided that the fixed asset yields benefits to the Authority and the services it provides, for a period of more than one year. The Council has established a de-minimis level of £10,000 on capital transactions. Expenditure on fixed assets under this level is not capitalised, with the exception of IT equipment where similar items (monitors etc) are added together for a group total. Expenditure on routine repairs and maintenance of fixed assets is charged direct to service revenue accounts and is not capitalised. Income from the disposal of fixed assets is accounted for on an accruals basis.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into groupings required by the 2008 Statement of Recommended Practice on Local Authority Accounting. All assets were last valued on the 21 March 2007, with 100% being revalued as at 31<sup>st</sup> March 2009, on the following basis:

Properties regarded by the Authority as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

Properties regarded as non-operational, including investment properties, have been valued on the basis of open market value.

Community assets are included in the balance sheet at a nominal value of £1 each.

Re-valuations of land and buildings are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur, including an annual assessment of indications of impairment. The Councils property assets were revalued in the spring and the new valuations have been reflected in the accounts. A de minimis value of £30,000 has been set for valuations although this has not been applied to property already included in the existing valuation.

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation), apart from investment properties. Newly acquired assets and assets in the course of construction are not depreciated until they are brought into use. Where depreciation is calculated, the straight-line method is used over the following periods:

Buildings	20 – 70 years
Infrastructure	30 – 70 years
Vehicles and Equipments	3 – 5 years

The Council will review all properties at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service line of the income and expenditure account.
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service line of the income and expenditure account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

#### **6. CHARGING FOR THE USE OF CAPITAL ASSETS**

All service centres are charged with the following amounts to record the real cost of holding fixed assets during the year. Depreciation attributable to the assets used by the relevant service, impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and amortisation of intangible fixed assets attributable to the service. This is different to previous years where a notional interest charge was also charged to the service centres.

#### **7. INTANGIBLE ASSETS**

Intangible Assets represent expenditure that do not have physical substance but are identifiable and controlled by the council (e.g. software licenses) is capitalised when it will bring benefits to the council for more than one year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

#### **8. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Expenditure incurred during the year that may be capitalised under statutory provisions does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or grants, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax. In the main this relates to expenditure on home improvement grants, grants to housing associations for affordable housing and grants to local voluntary organisations.

#### **9. CAPITAL RECEIPTS**

Capital receipts from the disposal of assets are held in the Usable Capital Receipts Account until such time as they are used to finance capital expenditure, these can be applied at the Council's discretion. Since April 2004 Government regulations require that all Local Authorities must pay up to 75% of housing capital receipts, excluding stock transfer receipts, to a Central Government Pool. Although, the Council has transferred its housing stock, receipts in the form of repaid discounts and mortgage repayments fall under this regulation. From 2007/08 all gains and losses on the disposal of fixed assets are now recognised in the income and expenditure account.

#### **10. FINANCE AND OPERATING LEASES**

Assets held under finance leases are included in the Balance Sheet and depreciated over their useful lives. The present value of future rentals is shown as a long term liability with the interest element being charged to the income and expenditure account over the period of the lease. The council currently has no finance leases.

Assets held under operating leases have their rentals accrued and accounted for through the income and expenditure account in the period to which they relate. The Council has acquired some assets, mainly wheeled bins, recycling baskets vehicles and photocopiers, under operating leases.

The amount of outstanding payments of material items acquired under operating leases is recorded as a note to the Balance Sheet. The amount of operating lease rentals paid during the year is also shown.

## 11. STOCKS AND STORES

Stocks and stores held by the Council are recorded in the accounts at the lower of cost or net realisable value.

## 12. FINANCIAL RELATIONSHIPS WITH RELATED COMPANIES

The Council holds a majority stake in the Aylesbury Vale Development Holding Company and its two subsidiaries, shown in the Council's accounts under 'Investments'. The accounts of the three companies have been consolidated within the overall AVDC accounts. The Council also has a 25% holding in the Aylesbury Sports Company. Further details are contained in the notes to the Balance Sheet.

## 13. RETIREMENT BENEFITS

Employees of Aylesbury Vale District Council are members of the Local Government Pensions Scheme, administered by Buckinghamshire County Council. The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Bucks County Council pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method.
- The assets of the pension scheme attributable to the council are included in the Balance Sheet at their fair value.
- The change in the net pensions liability is analysed into seven components.
  1. Current Service Cost
  2. Past Service Cost
  3. Interest Cost
  4. Expected Return on Investments
  5. Gains/Losses on Settlements and Curtailments
  6. Actuarial Gains and Losses
  7. Contributions Paid to the Fund

In 2008/09, the pension costs that were previously charged to the Council's accounts in respect of its employees are now charged to the pension asset / liability reserve. The actual costs paid have been replaced in the accounts by a new current service cost. The costs that arise in respect of certain pensions paid to retired employees on an unfunded basis, and the provision made for future liabilities arising from recent retirements and redundancies are now charged to the pension asset / liability reserve.

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements.

## 14. PROVISIONS

Provisions are established for any liabilities or losses, which are likely to be incurred or certain to be incurred but uncertain as to the amounts, or the dates on which they will arise. The provisions established are disclosed by way of a note to the core financial statements and indicate the purpose for establishing the provision.

## 15. EARMARKED RESERVES.

The Council sets aside amounts for specific policy purposes and balances, which represent general contingencies and cash flow management. Section 25 of the Local Government Act 2003 requires the Head of Finance to report to the Council on the robustness of estimates and adequacy of reserves implicit in each year's budget proposals, this report is considered each January. The Statement of Total Recognised Gains and Losses summarises all movements of the revenue and capital reserves. The following paragraphs provide an explanation of those reserves, whose balance is in excess of £1 million.

### (a) Benefit Subsidy Reserve

The Council has established a reserve for the purpose of meeting fluctuations in respect of housing benefit subsidy. Additional year end subsidy received during the following year will be available to meet future fluctuations once the final benefit subsidy position is known.

### (b) Repairs and Maintenance (Corporate Property) Reserve

The Council maintains a reserve for the purpose of providing for the future refurbishment of General Fund property assets.

### (c) Interest Equalisation Reserve

The Council has established a reserve for the purpose of maintaining the level of interest transferred to the General Fund annually. The reserve helps to counteract any fluctuations in interest rates.

### (d) Amenity Areas

The Council has established a reserve to hold commuted sums and sums received by way of section 106 agreements. The sums are invested and the interest transferred to the general fund to meet on going revenue costs.

### (e) Superannuation Reserve

This reserve has been established for the purpose of meeting back funding contributions and pension strain costs in respect of deleted posts.

**(f) Property Sinking Reserve**

In December 2007 the Council established a Property Sinking Fund for the purpose of meeting large maintenance and refurbishments costs associated with operational buildings, particularly the offices and the new theatre.

**(g) Property Strategy Reserve**

The Council has established a Property Strategy reserve for the purpose of meeting the industrial rent loss caused by major tenants vacating industrial premises. The reserve will also finance the professional fees that will be incurred in relation to a property strategy exercise currently being undertaken.

**(h) Planning Reserves**

The Council has established a number of reserves for the purpose of meeting fees and costs associated with major planning enquiries.

**(i) LABGI (Local Authority Business Growth Incentive) Reserve**

The Council has created a reserve from the grant income received from the DCLG pending the allocation to specific areas that have been identified within the District.

**16. INVESTMENTS**

All investments have been recorded in the accounts at cost, including brokerage and other fees, including the 5.5% Government stocks held by the Council that were re-valued to the lower of cost or net realisable value.

**17. RELATED PARTIES**

All District Councillors and senior officers of the Council have been asked to declare any transactions with the Council by themselves, their close family, or any organisation that they are involved with. The disclosure in note 9 to the Income and Expenditure account details any responses received by the Head of Finance.

**18. REVALUATION RESERVE / CAPITAL ADJUSTMENT ACCOUNT**

From the 1<sup>st</sup> April 2007 a revaluation reserve was created replacing the Restatement Reserve and the old Capital Financing Account was replaced with the Capital Adjustment Account. The balance on these reserves do not represent resources available to support capital financing but record the accumulated gains on the fixed assets held by Aylesbury Vale District Council.

**19. FINANCIAL ASSETS / LIABILITIES**

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 and Available For Sale Assets, which are managed by our Fund Managers, - assets that have a quoted market price and/or do not have fixed or determinable payments.

Financial Liabilities - Financial Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure for interest payable are based upon the carrying amount of the liability multiplied by the effective rate of interest for the instrument. - Gains and losses on the repurchase or early settlement of borrowing are required to be credited/debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase / settlement. No such transactions took place in the year.

Realised and unrealised gains and losses, interest and other items of income and expenditure are accounted for in the financial year to which they relate and are shown at actual value paid or received.

Loans and Receivables - Loans and receivables are initially measured at fair value and carried at their amortised costs. Annual credits to the Income and Expenditure Account for interest receivable are based upon the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The Council has not made any loans at less than market rate (soft loans).

Available For Sale Assets – These are initially measured and carried in the Balance Sheet at fair value. Where the asset has fixed or determinable payments, credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective interest rate for the instrument. Where they are no fixed or determinable payments, income is credited to the Income and Expenditure Account when it becomes available.

**STATEMENT OF RESPONSIBILITIES FOR THE**

**STATEMENT OF ACCOUNTS**

**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 affairs. In this authority, that officer is the Head of Finance.
- To manage its affairs: to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts

**THE HEAD OF FINANCE'S RESPONSIBILITIES**

The Head of Finance is legally and professionally responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2008.

In preparing this statement of accounts, the Head of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Statement of Accounts.
- Complied with the Code.

The Head of Finance has also:

- Kept proper accounting records which were up to date:
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts set out on pages 1 to 34 presents fairly the financial position of Aylesbury Vale District Council as at 31<sup>st</sup> March 2009 and its income and expenditure for the year ended 31<sup>st</sup> March 2009.

The accounts have been approved by the Audit Committee at its meeting on the 29th June 2009.

.....CPFA Head of Finance

.....Date

.....Chairman of the Audit Committee

.....Date

**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2009**

This account summarises the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day-to-day expenses and related income on accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

<b>2007/08 Net Expenditure £'000</b>	<b>EXPENDITURE ON CONTINUING SERVICES</b>	<b>2008/09 Gross Expenditure £'000</b>	<b>2008/09 Gross Income £'000</b>	<b>2008/09 Net Expenditure £'000</b>
	<b><u>Housing Services</u></b>			
-137	Housing Revenue Account	0	0	0
5,947	General Fund Housing	35,227	29,057	6,170
<b>5,810</b>		<b>35,227</b>	<b>29,057</b>	<b>6,170</b>
	<b><u>Central Services</u></b>			
2,794	Corporate & Democratic Core	3,295	99	3,196
5,508	Non Distributed Costs	4,651	0	4,651
1,848	Central Services to the Public	10,866	8,890	1,976
<b>10,150</b>		<b>18,812</b>	<b>8,989</b>	<b>9,823</b>
	<b><u>Cultural, Environmental &amp; Planning Services</u></b>			
6,230	Cultural & Related Services	17,013	3,885	13,128
8,099	Environmental Services	11,521	2,677	8,844
4,085	Planning & Development Services	10,610	7,310	3,300
<b>18,414</b>		<b>39,144</b>	<b>13,872</b>	<b>25,272</b>
	<b><u>Highways, Roads &amp; Transport Services</u></b>			
97	Street Lighting	147	2	145
1,082	Parking Services	6,420	2,426	3,994
881	Public Transport	1,382	428	954
<b>2,060</b>		<b>7,949</b>	<b>2,856</b>	<b>5,093</b>
<b>36,434</b>	<b>NET COST OF SERVICES (Notes 1 to 9)</b>	<b>101,132</b>	<b>54,774</b>	<b>46,358</b>
2,861	Parish Precepts			3,373
-3,036	Trading Activities (Note 10)			19,701
587	-Gain / Loss on Disposal of Fixed Assets			-75
0	- Gain / Loss on Disposal of Financial Assets			-62
100	HRA Capital Receipts Pooling Levy (Note 11)			77
-6,143	Interest and Investment Income			-6,449
0	Impairment of Icelandic Investments			727
1,657	Interest Cost / Return on Pensions			2,709
688	Other Operating Costs			554
-4,716	Post Stock Transfer Capital Receipts			-768
-91	Commuted Sum Income			-127
-4,573	Capital Income			-2,601
<b>23,768</b>	<b>NET OPERATING EXPENDITURE</b>			<b>63,417</b>
-11,736	Precepts on the Collection Fund			-12,601
-103	Transfer from Collection Fund of Surplus			-47
-557	Other Government Grants			-539
-1,639	Revenue Support Grant			-1,420
-9,766	NNDR share of Pool			-10,199
<b>-23,801</b>				<b>-24,806</b>
<b>-33</b>	<b>DEFICIT / -SURPLUS FOR THE YEAR TAKEN TO GENERAL FUND</b>			<b>38,611</b>

**STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE**  
**FOR THE YEAR ENDED 31 MARCH 2009**

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts payable to pension funds and pensioners, rather than as future benefits earned.
- Impairment and depreciation of fixed assets is shown against individual service lines in the Income and Expenditure account but is met from the capital adjustment account rather than council tax.

The Statement of Movement on the General Fund Balance compares the Council's spending against the council tax it raised for the year, taking account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance. The table below the Statement of Balances gives a further analysis of the other amounts required under statutory and non statutory proper practices.

2007/08 £,000	STATEMENT OF BALANCES	2008/09 £,000
-4,858	Balance In Hand at 1st April 2008	-5,331
-33	Income and Expend -Surplus / Deficit for the Year	38,611
-440	Net Amount Required by Statute and Non Statutory Proper Practices	-37,523
-473	General Fund -Surplus / Deficit For The Year	1,088
-5,331	<b>Balance In Hand at 31st March 2009</b>	<b>-4,243</b>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 MARCH 2009**

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase or decrease in its net worth. In addition to the deficit generated in the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Year Ending 2007/08 £'000	STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	Year Ending 2008/09 £'000
-33	Deficit / -Surplus on the Income and Expenditure Account for the Year	38,611
-4,499	-Gains or Losses on Revaluation of Fixed Assets	-7,493
0	-Surplus / Deficit on Revaluation of Available for Sale Financial Assets	-397
99	Movement on the Collection Fund Balance	82
-6,594	Actuarial -Gain/Loss relating to pensions	1,814
<b>-11,027</b>	<b>Total Recognised -Gains and Losses for the Year</b>	<b>32,617</b>

**BALANCE SHEET**  
**AS AT 31ST MARCH 2009**

2007/08 £'000		Notes	2008/09 £'000	2008/09 £'000
	<b>Intangible Assets</b>	18		0
	<b>TANGIBLE ASSETS</b>			
	<b>Operational Assets</b>			
57,800	Other Land and Buildings	17	54,702	
1,920	Vehicles, Equipment and IT	17	2,130	
12,549	Leased Properties	17	12,425	
	<b>Non Operational Assets</b>			
169	Community Assets	17	169	
3,427	Surplus Assets	17	3,427	
9,720	Assets Under Construction	17	21,190	
68,247	Investment Properties	17	44,446	
<b>153,832</b>				<b>138,489</b>
	54 Investments	20	2	
176	Long Term Debtors	22	164	
<b>230</b>				<b>166</b>
<b>154,062</b>	<b>LONG TERM ASSETS</b>			<b>138,655</b>
	<b>CURRENT ASSETS</b>			
54	Stocks in Hand		29	
14,789	Sundry Debtors	23	7,945	
588	Cash at Bank / In Hand		5	
96,634	Short Term Investment	20	93,963	
<b>112,065</b>			<b>101,942</b>	
	<b>CURRENT LIABILITIES</b>			
	0 Short Term Loans		0	
-11,827	Sundry Creditors	24	-14,071	
0	Cash Overdrawn		-105	
<b>-11,827</b>			<b>-14,176</b>	
<b>100,238</b>	<b>NET CURRENT ASSETS</b>			<b>87,766</b>
<b>254,300</b>	<b>TOTAL ASSETS Less CURRENT LIABILITIES</b>			<b>226,421</b>
-39,592	Pensions Liability	26	-44,280	
-854	Deferred Capital Contributions	27	-837	
-9	Provisions	28	-76	
<b>-40,455</b>			<b>-45,193</b>	
<b>213,845</b>	<b>NET ASSETS</b>			<b>181,228</b>
	<b>FINANCED BY</b>			
-57	Deferred Capital Receipts	29		-39
-4,499	Revaluation Reserve	31	-11,261	
0	Financial Instruments Adjustment Account	34	626	
0	Available For Sale Financial Instruments Reserve	35	-397	
-155,798	Capital Adjustment Account	32	-130,051	
-57,240	Capital Receipts Unapplied	33	-42,785	
-3,782	Capital Reserve Unapplied	33	-5,845	
0	Capital Grants Unapplied	33	-2,900	
-5,532	General Revenue Reserves	36	-4,420	
-26,529	Earmarked Revenue Reserves	37	-28,436	
39,592	Pension Reserve	26	44,280	
<b>-213,788</b>				<b>-181,189</b>
<b>-213,845</b>	<b>TOTALS</b>			<b>-181,228</b>



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2009**

2007/08 £'000		2008/09 £'000	2008/09 £'000
	<b>Revenue Activities</b>		
	<b>Expenditure</b>		
22,810	Employment Costs	23,726	
27,151	Other Operating Costs	35,198	
23,840	Housing Benefits	25,965	
-31	Housing Subsidy	0	
64,357	Bucks County Council Precept	67,717	
9,187	Thames Valley Police Authority Precept	9,621	
3,454	Bucks & Milton Keynes Fire Authority	3,652	
2,861	Parish Precepts	3,373	
40,934	Payments to National Pool	43,579	
194,563	<b>Total Payments</b>		212,831
	<b>Income</b>		
-83,025	Council Tax Income	-87,802	
0	Collection Fund Disbursements	0	
-41,662	N.N.D.R. Income	-45,560	
-1,639	Revenue Support Grant	-1,420	
-31,614	DSS Rebate Grants	-32,839	
-2,118	Other Government Grants	-7,472	
-32,371	Other Income	-30,727	
-192,429	<b>Total Receipts</b>		-205,820
2,134	<b>Net Cash Outflow From Revenue Activities</b>		7,011
	<b>Returns on Investments and Servicing of Finance</b>		
0	Interest Paid	0	
-6,198	Interest Received	-6,273	
-6,198	<b>Net Cash -Inflow / Outflow</b>		-6,273
	<b>Capital Activities</b>		
	<b>Cash Outflows</b>		
14,092	Purchase of Fixed Assets / Enhancements	11,375	
0	Capital Grants and Advances	0	
14,092	<b>Total Payments</b>		11,375
	<b>Cash Inflows</b>		
-6,079	Sale of Fixed Assets	-4,764	
-3,378	Capital Grants Received	0	
-3,389	Other Income	-3,990	
-12,846	<b>Total Receipts</b>		-8,754
1,246	<b>Net Cash -Inflow/Outflow From Capital Activities</b>		2,621
	<b>Management of Liquid Resources</b>		
3,084	-Decrease / Increase in short term investments		-2,671
	<b>Financed By</b>		
0	New short term Loans (Cash inflow)	0	
0	Repayment of Short Term Loans (Cash outflow)	0	
0	Repayment of Long Term Debt (Cash outflow)	0	0
266	<b>-Increase / Decrease in Cash</b>		688

**NOTES TO THE CORE FINANCIAL STATEMENTS**  
**INCOME AND EXPENDITURE ACCOUNT**

**SERVICE EXPENDITURE ANALYSIS / CONTINUING SERVICES**

**1. SPECIAL EXPENSE AREA**

Under the Local Government Finance Act 1988, Special Expenses are levied on Aylesbury for services which are provided by the District solely for this area, and which are provided elsewhere in the District by the Town and Parish Councils. A summary revenue account is shown below.

2007/08	AYLESBURY SPECIAL EXPENSES AREA SUMMARY REVENUE ACCOUNT 2008/09			2008/09
Net Expenditure £'000s		Expenditure £'000s	Income £'000s	Net Expenditure £'000s
590	Parks & Recreation Grounds	618	-86	532
261	Community Centres	531	-225	306
17	Cemetery	0	0	0
-23	Open Air Market	29	-50	-21
-6	Small Scale Enhancements	10	0	10
-5	Interest on Balances	0	-5	-5
44	Transfer to Town Council	0	0	0
878	Total	1,188	-366	822
-945	Precept For The Year			-882
-67	-Surplus For The Year			-60
-114	Balance In Hand 1 <sup>st</sup> April 2008			-181
<b>-181</b>	<b>Balance In Hand 31st March 2009</b>			<b>-241</b>

**2. AGENCY SERVICES**

**Highway Verges Maintenance**

The District Council cuts the highway verges within the towns and villages on behalf of Buckinghamshire County Council. In 2008/09 AVDC received £238,362 for providing this service, (2007/08 - £228,754). The expenditure relating to this service was £302,171, leaving £63,809 funded by the District Council.

**Special Parking Areas**

In 2003/04 the District Council took responsibility for administering the Special Parking Areas in Aylesbury and Buckingham on behalf of Buckinghamshire County Council. The agreement is for 5 years with the yearly surplus or deficit being carried forward each year until the end of the agreement. In the case of a deficit Aylesbury Vale has to meet the first £312,000 after that the deficit will be met by Bucks County Council. In 2008/09 the expenditure relating to this service was £432,095, whilst the income was £339,915 resulting in a deficit of £92,180. The agreement was extended under the same terms until a renegotiated deal can be agreed. The cumulative deficit that has to met by Aylesbury Vale and Bucks County Council at the 31st March 2009 is £92,180.

2007/08 £'000	Special Parking Areas	2008/09 £'000	2008/09 £'000
	<b>Expenditure</b>		
4	Bailiffs Commission	4	
20	Bad Debts Contribution	19	
381	Management Costs	409	432
	<b>Income</b>		
-196	Penalty Notices	-280	
-44	Residents Parking	-53	
-6	Visitor Parking	-7	-340
<b>159</b>	<b>Deficit for the Year</b>		<b>92</b>

2007/08 £'000	Special Parking Areas Overall Position	2008/09 £'000	2008/09 £'000
721	Balance Brought Forward		880
159	-Surplus / Deficit for the Year	92	
0	Contribution in Year	-880	-788
<b>880</b>	<b>Balance Carried Forward</b>		<b>92</b>

### 3. PARTNERSHIPS

#### County Sports

Aylesbury Vale District Council (the host authority) is in partnership with Buckinghamshire County Council, Chiltern District Council, Milton Keynes Council, South Bucks District Council and Wycombe District Council. The partnership, known as County Sports, has been established to "coordinate, develop and improve the sporting opportunities available to all people in Buckinghamshire". The work is undertaken in cooperation with Sport England who provides Lottery grants to AVDC to fund the work. All income and expenditure is recorded within the revenue account, total expenditure in the year was £1,898,197 against income of £2,570,433, and the unspent money is carried forward into 2009/10. The sports that benefited during 2008/09 were basketball, cricket, hockey, netball, girls' football, rugby swimming and athletics along with the introduction of a new Community Coaching Scheme.

### 4. AUDIT COSTS

In 2008/09 Aylesbury Vale incurred the following fees, payable to the Audit Commission, relating to external audit and inspection:

2007/08 £'000	Audit Costs		2008/09 £'000
127	External Audit Services	*	158
0	Statutory Inspection	*	0
46	Certification of Grant Claims and Returns	#	35
<b>173</b>	<b>Total</b>		<b>193</b>
* = Planned, # = Estimate			

### 5. SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972 (as amended by the Local Authorities (Discretionary Expenditure Limits) (England) Order 2005) enables a local authority to spend for the benefit of the people in their area on activities or projects not specifically authorised by other powers. Following amendments under the Local Government Act 2000 the Council is obliged to publish details of grants contributed to certain charitable funds, not-for-profit bodies providing a public service in the UK and mayoral appeals. The amount spent under this power was £124,432, mainly on grants to voluntary bodies. Grants made under this section are detailed in section 9. There is a small amount of staff time involved in administering the grants but it is considered immaterial for reporting.

### 6. SECTION 5 EXPENDITURE

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of publicity.

2007/08 £'000	Publicity Account	2008/09 £'000
80	Staff Advertisements	59
158	Other Publicity	109
<b>238</b>	<b>Publicity Costs</b>	<b>168</b>

### 7. OFFICERS' REMUNERATION

The following information is required under the Accounts and Audit Regulations 2003. This note gives the number of officers, employed during the year, whose remuneration exceeded £50,000 in 2008/09. For this purpose remuneration includes all taxable benefits, but excludes pension contributions.

31st March 2008	Remuneration Band £	31st March 2009
13	50,001 ↔ 60,000	17
8	60,001 ↔ 70,000	5
2	70,001 ↔ 80,000	0
2	80,001 ↔ 90,000	0
0	90,001 ↔ 100,000	2
0	100,001 ↔ 110,000	0
0	110,001 ↔ 120,000	0
1	120,001 ↔ 130,000	1
0	130,001 ↔ 140,000	1

## 8. MEMBERS' ALLOWANCES

In line with Government requirements the Council's scheme of allowances consists of a Basic Allowance of £5,148 (£5,004 in 2007/08) and a Special Responsibility Allowance that depends on each Member's role in the Council. The total allowances paid to members during the year are shown below. Detailed information on individual allowances paid is available on the Council's website.

2007/08 £'000	Members' Allowances	2008/09 £'000
312	Basic Allowance	320
133	Special Responsibility	143
<b>445</b>	<b>Total Allowances</b>	<b>463</b>

## 9. RELATED PARTY TRANSACTIONS

The Council is required to disclose the existence of related parties and material transactions with them. 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 parts ability to bargain freely with the Council.

The related parties of Aylesbury Vale District Council are considered to be Central Government, Local Authorities and other bodies' precepting on the council tax, the Vale of Aylesbury Housing Trust, associated bodies, Members, senior officers and the Pension Fund. The majority of transactions with these parties are disclosed elsewhere in the accounts and are therefore not repeated again here.

One member of the Council is Chairman of the Vale of Aylesbury Housing Trust board.

### Transactions with elected Members and Senior Officers

A review has been made of the register of Members' Interests and of declarations of interests made by Members during the year. In addition, Members and Chief Officers have been requested to sign a form declaring whether there were any related party transactions during the year. All members apart from Councillor Stefan Balbuza completed the related party disclosure form. No related party issues arose.

### Transactions with Voluntary Organisations

During 2008/09 the Council gave grants to the following voluntary organisations where it also appointed Councillor(s) to sit on the Management Committee or board.

31st March 2008 £'000	Grants To Voluntary Bodies	31st March 2009 £'000
3	Aylesbury Vale Advocates	3
72	Aylesbury Dial - A - Ride	73
21	Aylesbury Vale Age Concern - *	21
15	Aylesbury Vale Arts Council	23
36	Aylesbury Vale Council for Racial Equality - *	40
12	Aylesbury Vale Volunteer Council - *	12
28	Aylesbury Womens Aid - *	28
20	Quarrendon & Meadowcroft Comm Association	20
8	Aylesbury Vale Rape Crisis	8
86	Citizens Advice Bureau - Aylesbury	88
72	Citizens Advice Bureau - Buckingham	73
10	Dove Centre	10
10	Haydon Hill Comm Association	10
15	Healthy Living Centre	20
9	Luncheon Club Grants - *	9
22	Minor Grants - Sports Council	23
20	Multicultural Centre	19
42	Play Association	35
30	Queens Park Centre	31
13	Relate - *	14
13	Southcourt Project	14
16	Uptown Coffee Bar	16
17	Walton Court Community Association	18
<b>590</b>	<b>TOTAL</b>	<b>608</b>
- * = Payments made under Section 137(3).		

## 10. TRADING SERVICES

The net surplus shown as Trading Services in the General Fund Income and Expenditure Account covers the operation of the industrial and commercial holdings. The net trading position shows a deficit of £19.701 million, this is due to the impairment of the industrial units due to a fall in value caused by the current economic climate. The income and expenditure for all the operations is shown below:

2007/08 £'000	Trading Services	2008/09 £'000
-4,153	Income from Operations	-3,793
1,117	Expenditure	23,494
<b>-3,036</b>	<b>Net Trading Position</b>	<b>19,701</b>

## BUILDING CONTROL ACCOUNT

The Building (LA Charges) Regulations 1998 require an authority to determine a Scale of Charges for Building Regulation activity. The regulations also require that the income that is derived shall not be less than the costs incurred in performing the Building Regulation function over a continuous three year period. The income and expenditure arising from the Scheme in the financial year 2008/09 is shown below.

Chargeable		Building Control Services	Chargeable £'000	Non Chargeable £'000	Total 2008/09 £'000
2006/07 £'000	2007/08 £'000				
-592	-627	Income from Building Control	-542	-23	-565
575	560	Expenditure	607	213	820
<b>-17</b>	<b>-67</b>	<b>Net Trading Position</b>	<b>65</b>	<b>190</b>	<b>255</b>

## 11. HOUSING CAPITAL RECEIPT LEVY

From the 1<sup>st</sup> April 2004, the Government changed the way the set aside element of capital receipts was treated. Prior to this date 75% of Housing receipts had to be set aside unless you were debt free but from April 2004 it had to be paid over to the DCLG. During 2008/09 AVDC paid a capital receipt levy of £76,779.

## 12. APPROPRIATIONS

The total of the discretionary transfers is shown in note 16 and is a combination of three figures, detailed in the table below.

	£'000
Gain & Loss on Sale of Fixed Assets	75
Transfers Made at Discretion of Council to or from Reserves which have been earmarked for a specific purpose.	7,593
Total Transfers Made at Discretion of Council	7,668
Receipts from Post Stock Transfer Sales	768
	<b>8,436</b>

2007/08	Appropriations Made During the Year	2008/09	2008/09
£'000		£'000	£'000
	<b>REVENUE RESERVES</b>		
	<b>Contribution –from Earmarked Reserves</b>		
-77	Insurance	0	
-101	Elections	0	
-82	Business Transformation	-94	
-50	LABGI	0	
-189	Commercial Property Repairs	0	
-8,000	Interest Equalisation	0	
-500	Housing Benefit Subsidy	0	
-278	Planning Fees and Appeal Costs	-512	
-492	Repairs and Renewals	-526	
-115	Parish Council Commuted Sums	0	
-2323	HRA Reserve	0	
-50	Olympic Action Plan	0	
-319	Industrial Rent Loss	-2,033	
0	Pathfinder	-56	
0	Licensing	-68	
0	Car Parking Reserve	-312	
0	Corporate Improvement	-6	
0	Land Registry Fees	-3	
0	Housing Needs and Section 106	-6	
-181	Miscellaneous	-7	-3,623
	<b>Contribution to Earmarked Reserves</b>		
5,000	Property Sinking	0	
3,881	Industrial Rent Loss	195	
36	Insurance	38	
91	Information Technology	5	
175	Business Transformation	21	
161	Superannuation	200	
3,935	Interest Equalisation	3,846	
1,273	LABGI	411	
85	Pathfinder	6	
134	Housing Needs and Section 106	0	
201	Planning Fees and Appeal Costs	190	
1332	Repairs and Renewals	255	
64	Car Parking Reserve	0	
91	Open Spaces Section 106s	127	
21	District Council Elections	53	
6	Other	3	
0	Land Registry Fees	20	
0	Licensing	4	
0	Recycling and Composting	33	
173	Fairford Leys Riverine Corridor	125	
60	Corporate Improvement	0	
981	Benefit Subsidy	0	5,532
<b>4,943</b>	<b>Total of Discretionary Revenue Transfers</b>		<b>1,909</b>
-109	Aylesbury Special Expenses		59
	<b>CAPITAL RESERVES</b>		
-5,061	<b>Contribution - from Capital Adjustment Acc</b>		-49
-1,434	<b>Contribution - from Capital Reserve</b>		-124
	<b>Contribution to Capital Reserves</b>		
5,171	Capital Reserves	945	
9,143	Capital Receipts Unapplied Account	2,797	
0	Capital Grants Unapplied	2,900	6,642
<b>7,819</b>	<b>Total of Discretionary Capital Transfers</b>		<b>6,469</b>
<b>12,653</b>	<b>Total of Discretionary Transfers</b>		<b>8,437</b>

### **13. THE EURO**

Officers have considered the impact of the Euro and have decided that no action will be taken until such time as the Government should decide to hold a referendum. No significant costs have been incurred to date connected with the Euro. However, all future financial systems that are procured will be capable of switching to the Euro.

### **14. CHILTERNNS CREMATORIUM JOINT COMMITTEE**

AVDC is one of three constituent members of the Chilterns Crematorium Joint Committee along with Chiltern and Wycombe District Councils, which manages the crematorium situated in Amersham. Under the terms of the Joint Committee any deficit / surplus earned is shared between the constituent authorities on the basis of cremations from each area. However, it has been agreed by all the authorities that any surplus will not be distributed, but retained for use in funding replacement capital expenditure and to meet future deficits.

In the event that the Joint Committee ceases to exist any assets held are vested in the authority in which the assets are held, so the assets would transfer to Chiltern District Council.

The assets and liabilities are not consolidated within the Council's accounts because of the statutory nature of the service and as it currently receives no share of the service.

Further details on the financial affairs and a full Statement of Accounts of the Joint Committee can be obtained from the Treasurer, Chilterns Crematorium Joint Committee, Council Offices, King George V Road, Amersham, Bucks. HP6 5AW.

### **15. PERFORMANCE REWARD GRANT**

AVDC is entitled to Performance Reward grant that is administered by Buckinghamshire County Council earned by meeting targets set out in the Local Area Agreement. No instalments were been received during 2008/09 and until the Council can feel confident that it has met its targets, no Performance Reward grant will be recognised in the Income and Expenditure account.



**16. EXPLANATION OF THE SIGNIFICANCE OF THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

The movement for the year on the General Fund was £37.523m (£440,000 surplus in 2007/08) and is explained as follows. The Income and Expenditure Account discloses the income and expenditure incurred in operating the authority's services for the year and is equivalent to the Profit and Loss Account of a business. There are, however, other items that need to be credited or debited to the General Fund as laid down in statute and non-statutory 'proper practices' and these are shown in the table below. Whilst, the surplus or deficit on the Income and Expenditure Account is one measure of the Council's financial result for the year in accordance with Generally Accepted Accounting Practice, the movement on the General Fund Balance is also an important aspect of the Council's stewardship.

<b>RECONCILIATION OF SURPLUS / DEFICIT TO INCOME &amp; EXPENDITURE ACCOUNT</b>			
<b>2007/08 £,000</b>	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the General Fund surplus or deficit for the year.</b>	<b>2008/09 £'000</b>	<b>2008/09 £,000</b>
-8,097	Depreciation, amortisation and impairment of fixed assets (excluding depreciation charged to HRA services)	-39,083	
0	Impairment of Icelandic Investments	-626	
16	Government Grants Deferred amortisation matching depreciation	16	
-587	Gain / -Loss on Disposal of Fixed Assets (Note 12)	75	
4,716	Post Stock Transfer Capital Receipts (Note 12)	768	
-3,796	Write Down of Capital Expenditure funded from Revenue	-3,315	
-4,681	Amounts by which pension costs are different from the contributions due under the pension scheme regulations.	-6,419	
<b>-12,429</b>			<b>-48,584</b>
	<b>Amounts not included in the Income and Expenditure Account but required by statute to be excluded when determining the General Fund surplus or deficit for the year.</b>		
-100	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	-77	
3,428	Employer's Contributions payable to the Pension Fund and retirement benefits payable direct to pensioners.	3,545	
<b>3,328</b>			<b>3,468</b>
	<b>Transfers to or from the General Fund that are required by statute to be taken into account when determining the General Fund surplus or deficit for the year.</b>		
137	Statutorily required transfer of the statutory surplus/deficit for the year on the HRA to the HRA Reserve.	0	
8,524	Transfers made at the discretion of the Council to or from reserves that have been earmarked for specific purpose. (Note 12)	7,593	
<b>8,661</b>			<b>7,593</b>
<b>-440</b>	<b>NET AMOUNT REQUIRED BY STATUE AND NON-STATUTORY PROPER PRACTICES TO BE DEBITED OR CREDITED TO THE GENERAL FUND BALANCE</b>		<b>-37,523</b>

**NOTES TO THE BALANCE SHEET**

**17. FIXED ASSETS**

Movements in fixed assets during the year were as follows:

	Operational Assets					Non Operational Assets				Total Fixed Assets £'000
	Land & Buildings £'000	Leased Properties £'000	Vehicles & Equipment £'000	Community Assets £'000	Total £'000	Development Sites £'000	Assets Under Construction £'000	Investment Properties £'000	Total £'000	
	<b>Gross Value 1 April 2008</b>	77,368	13,114	2,939	1,748	95,169	3,780	9,720	74,323	
Additions	3,886		233		4,119		12,126		12,126	16,245
Donations					0				0	0
Disposals	-60				-60			-42	-42	-102
Reclassification	190				190		-656	466	-190	0
Revaluations	6,182	1,978	410		8,570			1,268	1,268	9,838
<b>As At 31 March 2009</b>	<b>87,566</b>	<b>15,092</b>	<b>3,582</b>	<b>1,748</b>	<b>106,240</b>	<b>3,780</b>	<b>21,190</b>	<b>76,015</b>	<b>100,985</b>	<b>208,973</b>
<b>Depreciation &amp; Impairment</b>										
As At 1 April 2008	-19,568	-565	-1,019	-1,579	-22,731	-353		-6,076	-6,429	-29,160
Charge for 2008/09	-519	-335	-421		-1,275				0	-1,275
Disposals					0				0	0
Reclassification					0				0	0
Revaluations	-12,777	-1,767	-12		-14,556			-25,493	-25,493	-40,049
<b>As At 31 March 2009</b>	<b>-32,864</b>	<b>-2,667</b>	<b>-1,452</b>	<b>-1,579</b>	<b>-38,562</b>	<b>-353</b>	<b>0</b>	<b>-31,569</b>	<b>-31,922</b>	<b>-70,484</b>
<b>Net Value 31 March 2009</b>	<b>54,702</b>	<b>12,425</b>	<b>2,130</b>	<b>169</b>	<b>67,678</b>	<b>3,427</b>	<b>21,190</b>	<b>44,446</b>	<b>69,063</b>	<b>138,489</b>
<b>Net Value 1 April 2008</b>	<b>57,800</b>	<b>12,549</b>	<b>1,920</b>	<b>169</b>	<b>72,438</b>	<b>3,427</b>	<b>9,720</b>	<b>68,247</b>	<b>81,394</b>	<b>153,832</b>

**Fixed Asset Valuation**

A partial revaluation of 20% of the assets, along with some significant changes, was carried out by the Colin Hammond M.R.I.C.S. of the Valuation Office. There was also a desktop valuation of all operational and non-operational property carried out by Edwin Bray of Drivers Jonas LLP. The valuation was undertaken due to the downturn in the economic environment, in particular with the fall in property prices. See note 5 on page 4 of the Statement of Accounting Policies. During the valuation exercise the properties were assessed for impairment of which there was some and this is reflected in the table above. Community assets consist of the Council's parks plus a number of small areas of open space.

An analysis of the number of Fixed Assets held can be found below:

	Civic Centre	Community Centres	Council Offices	Public Conveniences	Car Parks	Swimming Pools	Homeless Hostels	Vehicles	Sports Pavilions	Open Spaces	Property Rented Out
March 2008	1	8	4	4	19	2	1	38	6	620 acres	203 units
March 2009	1	8	4	4	18	2	1	20	6	620 acres	203 units

## 18. INTANGIBLE ASSETS

The Council has one software licence that covers a three year period but the fee is paid annually rather than upfront and so is written off in year. All other software licenses held are on an annual basis and are written off in the year.

## 19. CAPITAL EXPENDITURE AND FUNDING STATEMENT

This statement shows the Council's total capital expenditure and how it was funded. In note 17-Fixed Assets, the total additions is £16.245m, the difference of £3.628m represents the cost of Walton Street multi storey car park that was built in lieu of receiving a capital receipt for a land sale.

	2007/08	2008/09
	£'000	£'000
<b>Capital Investment</b>		
Operational Assets	3,400	562
Non Operational Assets	6,517	12,055
Revenue Expenditure Funded from Capital Under Statute	3,796	5,290
	13,713	17,907
<b>Sources of Finance</b>		
Capital Receipts	-11,491	-15,323
Government Grants & Other Contributions	-1,790	-1,975
Sums Set Aside From Revenue	-432	-609
	-13,713	-17,907

## FUTURE CAPITAL COMMITMENTS

The Council has an approved capital expenditure programme for the next 5 years that totals £83.194 million. The ability to fully undertake the programme is dependent upon resource availability. Schemes in the programme that are earmarked total £45.286 million, plus another £37.908 million actually committed.

The following table shows some of the major projects over the next five years:

	Contract Value	Amount Outstanding
	£'000	£'000
Theatre - Architects	5,602	2,964
Theatre - Project Managers	492	170
Theatre - Piling & Sub Structure	3,450	142
Theatre - Main Construction	31,320	23,824
Conference Centre	3,500	3,500
<b>TOTAL</b>	<b>44,364</b>	<b>30,600</b>

## CAPITAL EXPENDITURE CONTROLS

The system of allocating credit approvals to finance expenditure by credit arrangement has been replaced by a system known as 'The Prudential Framework'. This new framework allows the Council to determine its own plans based upon affordability. The basis of the framework is as follows:

- Authorities set their capital programme on the basis of long term affordability, taking into account the consequences of investment for future years' revenue accounts.
- Capital grants and receipts are applied to finance capital expenditure. The balance is paid for when the charges hit the revenue accounts, usually in the form of revenue provisions / principal and external interest arising from any borrowing that was necessary to finance expenditure.
- The Council must set their spending plans in accordance with the CIPFA Prudential Code, which sets the process by which members need to set limits on expenditure, borrowing and monitor prudential indicators.

## OPERATING LEASES

The Council leases a number of buildings, the majority of which are on a peppercorn lease, the amount paid under these arrangements in 2008/09 was £9,500. The Council holds various capital assets in the form of operating leases, principally refuse and recycling vehicles, plus a few items consisting of printers and recycling baskets. The Authority currently has no finance leases. A total of £124,388 was spent on leasing charges during the year and un-discharged leasing obligations for the next 2 years, relating to printers, are estimated to be £35,000 per annum dropping to £29,000 thereafter.

With regard to the Authority's activity as a lessor, the gross value of assets held for use in operating leases was £44.446m, all of which relate to investment properties.

## 20. INVESTMENTS

The Council has investments of £93.965 million of which £25.650 million is managed by an external fund manager. The external investments reflect accumulated usable capital receipts, revenue reserves and general receipts. During the year the 5.5% Treasury Stock 2008/12 matured and was not reinvested. The Council made a gain on the maturity of £62,000, this is shown in the Income and Expenditure Account.

31st March 2008 £'000		31st March 2009 £'000
52	5.5% Treasury Stock 2008/12	0
1	3.5% War Stock	1
1	2.5% Consolidated Stock	1
0	Aylesbury Vale Dev. Co.	0
54	Total Long Term Investments	2
96,634	Short Term Investments	93,963
<b>96,688</b>	<b>TOTAL</b>	<b>93,965</b>

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £3m deposited across 2 of these institutions, with varying maturity dates and interest rates as follows:

Bank	Amount Invested	Maturity Date	Interest Rate
Landsbanki	£2,000,000	18 <sup>th</sup> March 2009	6.43%
Heritable	£1,000,000	4 <sup>th</sup> August 2009	6.30%

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers. The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

### Heritable Bank

Heritable bank is a UK registered bank under Scots law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 09 outlined that the return to creditors was projected to be 80p in the £ by end 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. The authority has therefore decided to recognise an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore in calculating the impairment the Authority has made the following assumptions re timing of recoveries:

July 2009 – 15%      July 2010 – 30%      July 2011 – 15%      July 2012 – 10%      July 2013 – 10%

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6 October 2008.

### Landsbanki

Landsbanki Islands is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. Old Landsbanki's latest public presentation of its affairs was made to creditors on 20 February 2009 and can be viewed on its website. This and other relevant information indicates that recovery of between 90-100 % could be achieved, and the authority has taken a mid point position and assumed recovery at 95% by 2012. The authority has therefore decided to recognise an impairment based on it recovering 95p in the £.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the authority has used the estimated repayment timetables for Heritable and KS&F as a basis for its assumption about the timing of recoveries. It is therefore assumed that the repayment will be split roughly evenly between March 2010, December 2010, December 2011 and December 2012.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 14 November 2008.

### Impairment of Investments

Investments included in current assets figure in the Balance Sheet include the following investments that have been impaired because of the financial difficulties being experienced by Icelandic Banks.

Bank	Date Invested	Maturity Date	Amount Invested	Interest Rate	Carrying Amount	Impairment
Landsbanki	29/09/2008	18/03/2009	£ 2,000,000	6.43%	£ 1,656,615	£ 403,281
Heritable	05/08/2008	04/08/2009	£ 1,000,000	6.30%	£ 717,185	£ 323,894

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate. The expected repayments have been estimated as follows, based on the statements made by the administrator:

Date	Landsbanki	Heritable
31 March 2010	£ 453,833	£ 148,463
31 March 2011	£ 432,522	£ 278,842
31 March 2012	£ 405,655	£ 130,930
31 March 2013	£ 364,606	£ 81,971
31 March 2014	£ -	£ 76,979

Interest credited to the Income and Expenditure Account in respect of the investments is as follows:

Bank	Credited 2008/09	Received 2008/09
Landsbanki	£ 59,896	0
Heritable	£ 41,079	0

### Investments in Related Companies

The Council holds 99% of the £100 share capital of the Aylesbury Vale Development Holding Company Ltd, which has two wholly owned subsidiaries - the Aylesbury Vale (Upper Hundreds) Company Ltd, and the Aylesbury Vale Property Development Company Ltd. They have now elected for dormant status.

The Council holds 49% of the share capital of the Buckingham Borough Development Company Ltd., consisting of 49 fully paid £1 ordinary shares. Buckinghamshire County Council holds the majority stake of 51 shares. In October 2001 the Company decided to go into voluntary liquidation. The Company's accounts are now in the hands of the liquidator, Mr Stephen Treharne of KPMG based in St Albans, for the process of winding up the company.

The Council holds £25 of shares in the Aylesbury Sports Company. This company has effectively been dormant for a number of years.

The total investment in related companies is £173 valued at the cost of the share capital.

## 21. INVESTMENTS PORTFOLIO

### Key Risks

Aylesbury Vale District Council's activities expose it to a variety of financial risks. The Council does not require debt financing and currently does not have any debt exposure. As such the key risks are in relation to financial assets and are:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing Risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - The maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented by a treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practice and are reviewed regularly.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summaries the Authority's potential maximum exposure to credit risk, based upon experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions. The figure includes the full amount invested with Icelandic Banks and does not include any allowance for impairment.

Deposits with Banks and Financial Institutions	Amount at 31 March 2009 £'000	Historical Experience of Default %	Adjustment for market conditions at 31 March 2009 %	Estimated Maximum Exposure to Default £'000
AAA rated counterparties	0	0	0	0
AA rated counterparties	23,812	0.027%	0.027%	6
A rated counterparties	35,520	0.627%	0.627%	223
Other counterparties	35,317	0.627%	0.627%	221
Bonds - AAA rates	0	0.001%	0.001%	0
Trade Debtors	1,831	5.000%	5.000%	92
	96,480			542

Following a review of the Council's Treasury Management policy, the council no longer invests in non UK institutions. The criteria for lending was also reviewed with the limits and loan periods for smaller institutions reduced.

Two breaches of the Council's counterparty criteria occurred during the reporting period. The Dunfermline and Nottingham Building Societies were lent money in excess of their agreed limits. As soon as this was realised the building societies were contacted and the sums repaid to the Council. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its trade debtors, such that £1.6m of the £1.8m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£,000
Month to three months	458
Three to six months	240
Six to twelve months	280
More than one year	659
<b>TOTAL</b>	<b>1,637</b>

Collateral – During the reporting period the council held no collateral as security.

### Liquidity Risk

The Council manages its liquidity position through the risk management procedures above as well through cash flow management procedures required by the Code of Practice. In the event of an unexpected cash requirement the Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Act 1992, which ensures sufficient monies are raised to cover the annual expenditure. Therefore, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

### Refinancing and Maturity Risk

The Council maintains an investment portfolio, whilst the cash flow procedures are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer term financial assets.

The approved prudential indicator limits investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council has no long term financial liabilities as all maturities are less than one year.

### Interest Rate Risk

The Council is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Income and Expenditure account will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

Changes in interest payable and receivable on variable rate investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated Fair Value through the Income and Expenditure Account.

The Council has strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, fixed rate investments may be taken for longer periods to secure better long term returns.

### Price Risk

The Council does not invest in equity shares and is not exposed to losses arising from movements in the prices of the shares.

### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. Therefore, it has no exposure to loss arising from movements in exchange rates.

### Environmental Risk

The Council has taken out a rolling 10 year environmental warranty to safeguard against the risk of contaminated land that was transferred to the Vale of Aylesbury Housing Trust as part of the stock transfer. The risk of having to make use of the warranty is minimal.

### Category Of Instruments

The investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31-Mar-08 £'000	31-Mar-09 £'000	31-Mar-08 £'000	31-Mar-09 £'000
Loans and Receivables	0	0	72,764	68,313
Available for Sale Financial Assets	0	0	23,870	25,650
Unquoted Equity Investment at Cost	54	2	0	0
	54	2	96,634	93,963

### 22. LONG TERM DEBTORS

This represents the amount of loans outstanding, of over one year, from car purchase advances. The balance outstanding as at 31<sup>st</sup> March was £163,640.

### 23. ANALYSIS OF DEBTORS

Debtors are shown net of bad debt provisions.

Net Debtors 31/03/2008 £,000		Gross Debtors £,000	Bad Debts Provision £'000	Net Debtors 31/03/2009 £,000
1,578	Central Government	2,425	0	2,425
1,100	Other Local Authorities	758	0	758
8,968	Capital	1,127	0	1,127
92	Car Purchase Scheme	72	0	72
2,330	Other Debtors	4,282	-1,156	3,126
49	Prepayments	8	0	8
552	Council Tax Payers	2,082	-1,747	335
115	Non Domestic Rate Payers	89	0	89
5	Community Charge Payers	5	0	5
<b>14,789</b>	<b>TOTAL</b>	<b>10,848</b>	<b>-2,903</b>	<b>7,945</b>

The capital debtor relates to the proportion of receipts from council houses sold by the Vale of Aylesbury Housing Association, which are due to Aylesbury Vale District Council under the transfer agreement.

### Provision for Doubtful Debts

Provisions were made for doubtful debts in 2008/09 from the General Fund Revenue and Collection Fund Accounts. Closing balances were £1,155,855 and £1,747,158 respectively. For a breakdown on the movement on the provisions see note 28.

### 24. ANALYSIS OF CREDITORS

31st March 2008 £,000		31st March 2009 £,000
-842	Central Government	-765
-193	Other Local Authorities	-613
-1,798	Other Creditors	-3,683
-1,265	Income In Advance	-1,171
-260	Council Tax Payers	-259
-1,593	Non Domestic Rate Payers	-1,567
-5,876	Capital	-6,013
<b>-11,827</b>	<b>TOTAL</b>	<b>-14,071</b>



## 25. LOANS OUTSTANDING

There were no loans outstanding to external lenders (banks, financial institutions and Government) as at 31st March.

## 26. PENSIONS

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme, administered locally by Buckinghamshire County Council – this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

In 2008/09 the Council paid, in accordance with FRS 17, "Retirement Benefits", an employer's contribution of £3,228,669 (£3,225,567 – 2007/08) based on 22.3% (22.3% - 2007/08) of employees' pensionable pay, into Buckinghamshire County Council's Superannuation Fund, which provides members with defined benefits related to pay and service. The contribution rate determined by the County Fund's Actuary at the last triennial actuarial valuations on 31 March 2007 was set under Superannuation Fund Regulations to meet 100% funding over a 20 year period. Current level at 31<sup>st</sup> March 2007 was 81%, of the overall liabilities of the Fund. The rate for employer contributions from April 2008 to March 2011 will remain fixed for the 3 year period.

During the year a payment of £23,059 (£4,937 – 2007/08) was made to the Superannuation Fund in respect of discretionary payments or expenditure on added years, this equates to approximately 0.17% of employees pensionable pay.

The employer's contributions certified by the actuary to the Fund in respect of the period 1 April 2005 to 31 March 2008 when expressed as a percentage of members' contributions are as follows:

1 April 2005 to 31 March 2006	375%
1 April 2006 to 31 March 2007	375%
1 April 2007 to 31 March 2008	375%

As a result of the implementation of FRS 17, "Accounting for Pensions", a pension's asset / liability account has been established to reflect the current position of the Authority's share of the Pension Fund. As the fund is currently under funded, the account is shown as a liability.

There is no provision for unitising the assets of a Fund under the LGPS. The above assets as a whole are allocated to participating bodies on a consistent and reasonable basis. The latest actuarial assessment of the scheme in March 2007 placed a value on the assets of the total fund of £1,223 million, whilst the past service liabilities totalled £1,501 million.

Aylesbury Vale 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 reverse 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:

Income and Expenditure Account	2007/08 £'000's As restated	2008/09 £'000's
Net Cost of Services		
Current Service Cost	2,993	3,247
Past Service Costs	0	350
Net Operating Expenditure		
Interest Cost	6,411	7,234
Expected Return on Scheme Costs	-4,783	-4,525
Losses / -Gains on Curtailments / Settlements	31	113
Net Charge to the Income and Expenditure Account	4,652	6,419
Statement of Movement on the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS 17	-4,652	-6,419
Actual Amount charged against the General Fund Balance for pensions in the year		
Employers' Contributions payable to scheme	3,428	3,545
Actual Return on Scheme Assets	-1,528	-12,856

In addition to the recognised gains and losses included in the Income and Expenditure account, actuarial gains and losses of £1,814,000 were included in the Statement of Total Recognised Gains and Losses.

Reconciliation of Present Value of the Scheme Benefits

Reconciliation of Present Value of the Defined Scheme Obligation	2007/08 £'000's	2008/09 £'000's
Opening Defined Benefit Obligation	118,577	110,347
Current Service Costs	2,993	3,247
Interest Cost	6,411	7,234
Actuarial (Gains) / Losses	-15,707	-15,567
(Gains) / Losses on Curtailments	31	113
Estimated Benefits Paid Net of Transfers in	-2,694	-5,512
Past Service Costs	0	350
Contributions by Scheme Participants	917	972
Unfunded Pension Payments	-181	-209
<b>Net Deficit at End of the Year</b>	<b>110,347</b>	<b>100,975</b>

Reconciliation of Fair Value of the Scheme Assets

Reconciliation of Fair Value of the Defined Scheme Assets	2007/08 £'000's	2008/09 £'000's
Opening Defined Benefit Obligation	73,614	70,754
Expected Return on Scheme Assets	4,783	4,525
Actuarial (Gains) / Losses	-9,113	-17,381
Contributions by Employer including unfunded benefits	3,428	3,545
Contributions by Scheme Participants	917	972
Estimated Benefits Paid including unfunded benefits	-2,875	-5,720
<b>Net Deficit at End of the Year</b>	<b>70,754</b>	<b>56,695</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £-12,856,000, (2007/08 - £-1,528,000)

Scheme History

Scheme History	2004/05 £'000's	2005/06 £'000's	2006/07 £'000's	2007/08 £'000's	2008/09 £'000's
Local Pension Scheme in the LGPS	-103,846	-121,727	-118,577	-110,347	-100,975
Fair Value of Assets in the LGPS	53,198	71,026	73,614	70,754	56,695
Surplus / -Deficit in the Scheme	-50,648	-50,701	-44,962	-39,592	-44,280
Experience Adjustments on Scheme Assets	950	12,685	1,097	-9,113	-17,381
Experience Adjustments on Scheme Liabilities	3,752	0	0	365	0

History of Experience Gains and Losses	2004/05 %	2005/06 %	2006/07 %	2007/08 %	2008/09 %
Differences between the Expected and Actual Return on Assets	1.79	17.86	1.49	-12.88	-30.66
Experience Gains and Losses on Liabilities	-3.61	0.00	0.00	-0.33	0.00

Aylesbury Vale District Council has elected to restate the fair value of the scheme assets for the previous years. The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £44m has an impact on the net worth of the authority as recorded in the Balance Sheet, resulting in an overall balance of £181m.

#### 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 County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1<sup>st</sup> April 2007.

<b>Long term expected rate of return on assets in the scheme</b>	<b>2007/08 Return</b>	<b>2008/09 Return</b>
Equities	7.1%	7.3%
Gilts	4.3%	4.0%
Other Bonds	6.6%	6.5%
Property	6.6%	6.8%
Cash	5.0%	3.0%
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners		
Men	n/a	22.21
Women	n/a	25.26
Longevity at 65 for future pensioners		
Men	n/a	22.96
Women	n/a	25.99
Retail Price Inflation	3.7%	3.0%
Rate of Increase in Salaries	5.2%	4.5%
Increase in Pensions and Deferred Pensions	3.7%	3.0%
Discount Rate	6.6%	6.7%
Discount Rate (Real)	2.8%	3.6%

The estimated asset allocation of the Whole Fund as at 31<sup>st</sup> March 2009 is as follows:

<b>Estimated Asset Allocation of the Whole Fund</b>	<b>2007/08 %</b>	<b>2008/09 %</b>
Equities	64.1%	61.1%
Gilts	17.1%	20.1%
Other Bonds	7.1%	7.5%
Property	6.9%	5.9%
Cash	4.8%	5.4%
	100.0%	100.0%

However, statutory funding arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the LGPS 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 LGPS by the council in the year to 31<sup>st</sup> March 2010 is £3.4m.

Further information can be found in Buckinghamshire County Council's Superannuation Fund Annual Report which is available upon request from Buckinghamshire County Council, County Hall, Aylesbury.

## **27. DEFERRED CAPITAL CONTRIBUTIONS**

There is a deferred capital contribution account that is maintained for the Aqua Vale swimming pool. The capital grant received for this asset is written off to revenue over the same time period as the swimming pool is depreciated, which is 60 years. The balance still to be written off over the next 52 years is £837,247.

<b>2007/08 £,000</b>	<b>Movements in Deferred Capital Resources</b>	<b>2008/09 £,000</b>
-870	Balance Brought Forward at 1 April 2008	-854
0	Amounts receivable in 2008/09	0
16	Transfer to Income & Expenditure	17
16	Total increase/(decrease) in realised capital resources in 2008/09	17
<b>-854</b>	<b>Balance Carried Forward at 31 March 2009</b>	<b>-837</b>

## 28. PROVISIONS

Closing Balance 31/03/2008 £,000	Provisions	Movements in the Year		Closing Balance 31/03/2009 £'000
		Income £,000	Expenditure £'000	
-9	Refundable Bonds	-5	0	-14
0	Parking Revenue Account	-62	0	-62
<b>-9</b>	<b>TOTAL</b>	<b>-67</b>	<b>0</b>	<b>-76</b>

### Refundable Bonds

This balance relates to refundable bonds, an agreed amount is repaid annually following the successful inspection of the open space.

### Parking Revenue Account

This represents the contribution from AVDC towards the deficit that could be incurred at the end of the present agreement of the Parking Revenue Account.

### Provision For Bad Debts

The following table shows the movement in the provisions for bad debts during the year. The balance on the provisions is shown under the Debtors section of the Balance Sheet. See note 23.

Closing Balance 31/03/2008 £,000	Provisions for Bad Debts	Movements in the Year		Closing Balance 31/03/2009 £'000
		Income £,000	Expenditure £'000	
-689	Housing Benefits	-186	58	-817
-56	Former Tenant Arrears	-3	34	-25
-69	Haywoods Way	0	19	-50
-114	Industrial Tenants	0	0	-114
-73	Other	-16	35	-54
-89	On Street Parking	-39	32	-96
-1402	Local Taxation	-485	140	-1,747
<b>-2,492</b>	<b>TOTAL</b>	<b>-729</b>	<b>318</b>	<b>-2,903</b>

## 29. DEFERRED CAPITAL RECEIPTS

These are amounts derived from sales of assets, which will be received in instalments over agreed periods of time.

31st March 2008 £'000	Sale of Council Houses	31st March 2009 £'000
-73	Balance Brought Forward	-57
16	Repaid in Year	18
<b>-57</b>	<b>Balance Carry Forward</b>	<b>-39</b>

## 30. MOVEMENT ON RESERVES

Reserves	Balance Brought Forward £'000	-Gains / Losses For The Year £'000	Transfers Between Reserves £'000	Net Movement in Year £'000	Balance Carried Forward £'000
Revaluation Reserve	-4,499	-7,493	731	-6,762	-11,261
Capital Adjustment Account	-155,798		25,747	25,747	-130,051
Usable Capital Receipts Reserve	-57,240		14,455	14,455	-42,785
Usable Capital Reserves	-3,782		-2,063	-2,063	-5,845
Pension Reserve	39,592	1,814	2,874	4,688	44,280
Deferred Capital Receipts	-57		18	18	-39
Financial Instruments Adjustment	0		626	626	626
Financial Instruments Reserve	0	-397		-397	-397
General Fund Reserves					
- General Fund Balance	-5,332	38,611	-37,523	1,088	-4,244
- ASE, Collection Fund & Upper 100s	-200	82	-58	24	-176
- Earmarked General Fund Reserves	-26,529		-1,907	-1,907	-28,436
<b>Total Reserves</b>	<b>-213,845</b>	<b>32,617</b>	<b>2,900</b>	<b>35,517</b>	<b>-178,328</b>

### 31. REVALUATION RESERVE

This is a new reserve and the purpose of the reserve is to record the accumulated gains on the fixed assets held by the authority arising from increases in value, as a result of inflation or other factors. The reserve is also debited with amounts equal to the part of depreciation charges on assets that has been incurred only because the asset has been revalued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Reserve represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

2007/08 £,000	Revaluation Reserve	2008/09 £,000
0	Balance Brought Forward at 1 April 2008	-4,499
-2,030	Acquisition and Enhancement	-2,333
-2,469	Revaluation of Assets	-7,494
0	Depreciation, Impairment and Disposal	3,065
<b>-4,499</b>	<b>Balance Carried Forward at 31 March 2009</b>	<b>-11,261</b>

### 32. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account (previously the Capital Financing Account) accumulates the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It also accumulates the resources that have been set aside to finance capital expenditure and revenue expenditure funded from capital under statute. The balance on the Account represents timing differences between the amount of the historical cost of fixed assets that have been consumed and the amount that has been financed.

2007/08 £,000	Capital Adjustment Account	2008/09 £,000
-159,003	Balance Brought Forward at 1 April 2008	-155,798
-7,694	Capital Receipts Applied	-12,274
-2,223	Capital Expenditure Financed from Revenue	-343
-3,796	Revenue Expenditure Funded from Capital by Statute	-3,315
-36	Grants / Deferred Receipts in 2008/09	-35
11,893	Impairment, Depreciation and Items Under Statute	41,623
5,061	Revaluation, Disposal of Assets	91
<b>-155,798</b>	<b>Balance Carried Forward at 31 March 2009</b>	<b>-130,051</b>

### 33. CAPITAL RECEIPTS / CAPITAL GRANTS UNAPPLIED

Capital reserves are maintained by the Authority as a means of providing Capital Finance for spending portfolios or for repaying debt. Apart from sale of assets, contributions were made to the reserve by the General Fund, whilst other contributions came in the form of external contributions and grants. Within the carry forward figure for Unapplied Capital Grants and Contributions is an amount of £2.9 million grant which relates to GAF 3 funding of third party projects classed as revenue expenditure funded from capital under statute.

Movements in Realised Capital Resources	Capital Receipts Unapplied £'000	Capital Reserve Unapplied £,000	Capital Grants Unapplied £,000
Balance Brought Forward at 1 April 2008	-57,240	-3,782	0
Amounts receivable in 2008/09	-868	-2,797	-2,900
Amounts Applied to finance new capital investment	12,274	343	0
Revenue Expenditure Funded from Capital by Statute	3,049	266	0
Transfer to Revenue Reserve	0	125	0
Total increase/(decrease) in realised capital resources in 2008/09	14,455	-2,063	-2,900
<b>Balance Carried Forward at 31 March 2009</b>	<b>-42,785</b>	<b>-5,845</b>	<b>-2,900</b>

### 34. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

Regulations issued in March 2009 allow the authority not to charge amounts relating to impaired investments to the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The authority has taken advantage of the regulations, and has transferred the following amounts to the Financial Instruments Adjustment Account.

Bank	Amount Transferred to Financial Instruments Adjustment Account
Landsbanki	£343,385
Heritable	£282,815
<b>Total</b>	<b>£626,200</b>

Under the regulations, the authority must transfer the balance on the Financial Instruments Adjustment Account to the General Fund no later than 31 March 2011, and must also credit the Financial Instruments Adjustment Account with interest earned until such time as the balance has been transferred to the General Fund. The authority estimates that the following credits will be made to the Financial Instruments Adjustment Account:

Bank	Balance on FIAA at 31/03/09	Transfers during 2009/10	Transfers during 2010/11	Balance on FIAA at 31/03/11
Landsbanki	£343,385	-£109,716	-£233,669	£0
Heritable	£282,815	-£40,025	-£242,790	£0
<b>Total</b>	<b>£626,200</b>	<b>-£149,741</b>	<b>-£476,459</b>	<b>£0</b>

### 35. AVAILABLE FOR SALE FINANCIAL ASSETS RESERVE

The amount of interest earned in the year taken to the Available for Sale Financial Assets Reserve is shown in the table below:

Financial Assets	Available For Sale
Capital Appreciation	-396,610

The gains and losses recognised in the Income and Expenditure account of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

Financial Assets	Loans and Receivables	Available For Sale
Interest Expense	0	-37,843
Losses on Derecognition	0	-9,280
Impairment Losses	-727,175	0
<b>Interest Charges and Similar Charges</b>	<b>-727,175</b>	<b>-47,123</b>
Interest Income	4,971,510	1,370,722
Realised Capital Gain/-Loss		59,771
Gain/-Loss on Derecognition	0	396,610
<b>Interest and Investment Income</b>	<b>4,971,510</b>	<b>1,827,103</b>
Amounts Recycled to the I & E Account after Impairment	727,175	0
<b>Surplus Arising on Revaluation of Financial Assets</b>	<b>727,175</b>	<b>0</b>
<b>Net Gain / -Loss for the Year</b>	<b>4,971,510</b>	<b>1,779,980</b>

Realised and unrealised gains and losses, interest and other items of income and expense are accounted for in the financial year to which they relate and are shown at actual value paid or received.

### 36. GENERAL REVENUE RESERVES

Movement in Revenue Reserves	General Fund Balance £'000	Aylesbury Special Expenses £'000	Collection Fund £'000	Upper 100's Company £'000	Earmarked Revenue Reserves £'000	Pensions Reserve £'000
-Surplus / Deficit for 2008/09	38,638		82		-1,907	2,874
Appropriations (to) / from revenue	-37,550	-59	0		0	0
Actuarial -gains and losses on pensions	0		0		0	1,814
	1,088	-59	82	0	-1,907	4,688
Balance B/Forward at 1 April 2008	-5,331	-182	8	-26	-26,529	39,592
<b>Balance C/Forward at 31 March 2009</b>	<b>-4,243</b>	<b>-241</b>	<b>90</b>	<b>-26</b>	<b>-28,436</b>	<b>44,280</b>
<b>-4,420</b>						

The Collection Fund is a statutory fund in which the Council records transactions for council tax, business rates and residual community charges. The deficit on the Fund will be recovered from the Council, the County, Thames Valley Police Authority and the Bucks & Milton Keynes Fire Authority in the next financial year to the value of £89,851, £481,064, £68,345 and £25,944 respectively. Only the figure due from Aylesbury Vale is shown in the table above as the amounts due from the precepting bodies are shown within the debtors section of the overall accounts. The Upper 100's Company reserve is a dormant company set up to build a car park a number of years ago and this represents the level of its reserves.

### 37. EARMARKED REVENUE RESERVES

Earmarked revenue reserves are as detailed in the following table, with the purpose of some of the major reserves explained after the table.

Closing Balance 31/03/2008 £,000	Specific Reserves	Movements in the Year		Closing Balance 31/03/2009 £'000
		Income £,000	Expenditure £'000	
-736	Self Insurance	-38	0	-774
-635	Information Technology	-5	55	-585
-1,347	Superannuation	-200	0	-1,547
-5,400	Interest Equalisation	-3,846	0	-9,246
-315	Business Transformation	-21	39	-297
-1,206	Amenity Areas	-127	0	-1,333
-16	Other Investments	0	0	-16
-5000	Property Sinking	0	0	-5,000
-3562	Industrial Rent Loss	-195	2,033	-1,724
-2,297	Benefit Subsidy	0	0	-2,297
-1244	Planning Fees	-190	512	-922
-470	Car Parking	0	312	-158
-262	Historic Buildings	0	0	-262
-32	District Elections	-53	0	-85
-44	Market Research	0	0	-44
-1,893	Repairs & Renewals	-255	526	-1,622
-36	Rent Guarantee Scheme	0	0	-36
-12	Land Registry Fees	-20	3	-29
-225	Health Licensing Income	-4	68	-161
0	Recycling & Composting	-33	0	-33
-72	Corporate Improvement	0	6	-66
-80	Future Vehicle Costs	0	0	-80
-30	Other	-1	7	-24
-173	Fairford Leys Riverine	-125	0	-298
-1223	LABGI	-411	0	-1,634
-134	Housing Needs & S.106	0	6	-128
-85	Pathfinder	-6	56	-35
<b>-26,529</b>	<b>TOTAL</b>	<b>-5,530</b>	<b>3,623</b>	<b>-28,436</b>

### **Self Insurance Reserve including MMI Potential Claims**

The Council has decided that the following areas will not be insured with an external body, theft of council contents, all risks and motor credit; these will be covered within an insurance reserve. The excess on public liability claims fall on the reserve, during the year interest on the reserve balance of £17,000 and a contribution to cover the cost of the Environmental warranty of £21,000 were made to the reserve. The balance at the end of the financial year was £774,250. This reserve also relates to sums set aside to cover possible liabilities that could arise from finalisation of MMI liabilities. The latest possible liability was notified as £413,000, the fund covers 42% of that figure. However, it is increasingly unlikely that the Council will have to meet this liability.

### **Information Technology Reserve**

Contributions are made to provide for future corporate technology requirements. The balance as at 31<sup>st</sup> March 2009 was £584,924.

### **Amenity Areas and Other Reserves**

This represents sums received for the future upkeep of areas of open spaces and of children's play areas. The money is invested and the annual interest funds the yearly repair and maintenance of these areas.

### **Interest Equalisation Reserve**

Interest earned in the year from investments is paid into the general fund, after all contributions have been made to other reserves; the balance is transferred in to the reserve. The reserve is maintained to ensure that there is sufficient interest available in future years to meet the needs of the general fund and to even out fluctuations in interest rates.

### **Superannuation**

The Council makes annual contributions to the Bucks CC Superannuation Fund based upon employees' pensionable pay. The contribution rate is set to eventually ensure that 100% of the fund liabilities are covered. The reserve is used to cover the back funding element of the employer's costs.

### **Property Sinking**

The purpose of this reserve is to meet large maintenance and refurbishment costs associated with operational buildings, particularly the offices and the new theatre.

### **Property Strategy (includes Industrial Rent Loss)**

The purpose of this reserve is to meet rent loss from industrial premises caused by tenants vacating their premises. It will also finance the professional fees that will be incurred in relation to a property strategy exercise being undertaken.

## **38. ANALYSIS OF NET ASSETS EMPLOYED**

This note shows the assets (both revenue and capital) attributable to the General Fund and Collection Fund.

<b>31st March 2008 £,000</b>		<b>31st March 2009 £,000</b>
213,906	General Fund	181,894
-61	Collection Fund	-666
<b>213,845</b>	<b>TOTAL</b>	<b>181,228</b>



### 39. NOTES TO THE CASHFLOW STATEMENT

The cash flow statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes during the year 2008/09.

#### ➤ Reconciliation of Revenue Surplus to Net Cash Flow

The purpose of this note is to reconcile the net cash flow from revenue activities in the Cash Flow Statement to the surplus or deficit for the year in the Income and Expenditure Account.

31 <sup>st</sup> March 2008 £'000		31 <sup>st</sup> March 2009	
		£'000	£'000
-33	General Fund -Surplus/ Deficit for the Year	38,611	
733	Collection Fund -Surplus / Deficit in Year	605	39,216
	<b>Non Cash Transactions</b>		
-8,097	: Depreciation / Impairment	-39,082	
-3,796	: Capital Expenditure Funded from Revenue	0	
13	: Contributions -to / from Provisions	-66	
9,289	: Unattached Capital Receipts	8,093	
-1253	: Net Changes on Retirement Benefits	-2,874	
-587	: Gain / -Loss on Sale of Fixed Assets	75	
22	: Deferred Government Grant / Other	16	
-100	: Capital Receipts Pooling	-77	-33,915
	<b>Change in current assets / liabilities</b>		
-16	-Increase / Decrease in stocks	-25	
2,116	-Increase / Decrease in debtors	-3,280	
-2355	Increase / -Decrease in creditors	-1,258	-4,563
	<b>Servicing of Finance</b>		
6198	Less: Investment Income		6,273
<b>2,134</b>	<b>NET CASHFLOW FROM REVENUE ACTIVITIES</b>		<b>7,011</b>

#### ➤ Movement in Cash

	Balance 1st April £'000	Balance 31st March £'000	Movement In the Year £'000
Cash at Bank and in Hand	588	6	582
Cash Overdrawn	0	-106	106
<b>Decrease in Cash</b>			<b>688</b>
Debt Due Within 1 Year	0	0	0
Current Asset Investments	96,634	93,963	2,671
<b>Net Investment at 31 March</b>	<b>97,222</b>	<b>93,863</b>	<b>3,359</b>

Current Asset Investments constitutes the amount of temporary loans that the council has made during the year and that are due to be repaid during the next financial year.

#### ➤ Analysis of Government Grants

Government Grants	£	Government Grants	£
Homelessness	38,750	Council Tax / NNDR	258,283
Housing Benefit Administration	819,482	Local Delivery Vehicle	1,044,905
Fraud Investigation	102,900	Area Based	127,500
Mandatory Rent Allowances	25,021,159	Planning Delivery	211,633
Rent Rebates	130,764	Growth Area Fund 3	4,788,443
Council Tax Benefit Subsidy	6,764,844	LABGI	553,428
Greening the Vale	125,234	Disabled Facility Grants	324,000

#### **40. POST BALANCE SHEET EVENTS**

##### **Waterside Development.**

The Council has entered into negotiations with developers to transform the Exchange Street area of Aylesbury. The development will see new shops, housing and a revitalisation of the canal basin area. As part of this development, work has begun on a new entertainment centre which is expected to be completed sometime during 2010.

##### **Leisure Trust.**

In June 2009, the Council established a Not For Profit Organisation Leisure Trust to run and manage the two council swimming pools in Aylesbury and Buckingham. Aylesbury Vale will continue to make a deficit payment to the operator's of the swimming pools so there will be no noticeable change to the financial information presented in the accounts.

##### **AVPIP (Aylesbury Vale Property Investment Portfolio).**

In August 2009, the Council is due to transfer ownership of its investment property portfolio to a joint venture company created specifically for the purpose. Aylesbury Vale District Council will be 50% owners of this company. The exact form of this arrangement is yet to be concluded, but under all potential structures the Council will continue to receive income at similar levels to that which it currently receives.

#### **41. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Council has no contingent liabilities or contingent assets that need to be reported within the accounts.

#### **42. AUTHORISATION FOR ISSUE**

The Statement of Accounts for the year ended 31 March 2009 was authorised for issue on 29 June 2009 by the Audit Committee. All events up to this date have been considered for inclusion in the accounts.

43. COLLECTION FUND

2007/08 £'000	INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2008	Notes	2008/09 £'000	2008/09 £'000
	<b>INCOME</b>			
81,616	Council Tax		86,201	
6,508	Council Tax Benefits		7,177	
40,020	NNDR		43,611	
<b>128,144</b>	<b>Total Income</b>			<b>136,989</b>
	<b>EXPENDITURE</b>			
63,793	Buckinghamshire County Council		67,464	
9,107	Thames Valley Police Authority		9,585	
3,424	Bucks & Milton Keynes Fire Authority		3,638	
11,735	Aylesbury Vale District Council		12,601	
88,059				93,288
	<b>Estimated Collection Fund Surplus 2007/08</b>			
564	Buckinghamshire County Council		253	
80	Thames Valley Police Authority		36	
30	Bucks & Milton Keynes Fire Authority		14	
104	Aylesbury Vale District Council		47	
778				350
	<b>Non Domestic Rates</b>			
32	Interest Payable (Gross)		51	
39,764	Payment to National Pool	2	43,336	
224	Cost of Collection Allowance		224	
40,020				43,611
20	Provision for Uncollectable Amounts		345	
20				345
<b>128,877</b>	<b>Total Expenditure</b>			<b>137,594</b>
<b>733</b>	<b>-Surplus / Deficit for the Year</b>			<b>605</b>

31st March 2008 £'000	Statement of Balances	31st March 2009 £'000
-672	Balance In Hand 1st April 2008	61
733	Deficit / -Surplus For The Year	605
<b>61</b>	<b>Balance -In Hand / Overdrawn March 2009</b>	<b>666</b>

2007/08 £'000	Increase In Levels of Precepts		2008/09 £'000	2008/09 Increase
	<b>INCOME</b>			
-81,616	Council Tax		-86,201	-4,585
-6,508	Council Tax Benefits		-7,177	-669
<b>-88,124</b>	<b>Total Income</b>		<b>-93,378</b>	<b>-5,254</b>
	<b>EXPENDITURE</b>			
63,793	Buckinghamshire County Council		67,464	3,671
9,107	Thames Valley Police Authority		9,585	478
3,424	Bucks & Milton Keynes Fire Authority		3,638	214
11,735	Aylesbury Vale District Council		12,601	866
88,059	Total Precepts		93,288	5,229
<b>-65</b>				<b>-25</b>

## NOTES TO THE COLLECTION FUND ACCOUNTS

### 1. GENERAL

These accounts represent the transactions of the Collection Fund, which is a statutory fund, drawn up on an accruals basis. The accounts have been consolidated with the Council's overall accounts. Precepts of local parish councils are met from the Council's General Fund, not the Collection Fund and are included within the District Council's demand on the Collection Fund.

The deficit on the Collection Fund (£665,204) as at 31 March 2009 will be allocated to the District Council, Bucks County Council, Thames Valley Police Authority and the Bucks & Milton Keynes Fire Authority pro rata to the value of the precepts. However, an amount, £60,374, based upon the estimated deficit position in January 2009, has already been received over in April 2009/10.

Any amounts in respect of Community Charges, are to be transferred to the General Fund so as to benefit or be borne by Council taxpayers of the billing authority.

### 2. INCOME FROM BUSINESS RATES

	2007/08 £'000	2008/09 £'000
Total non domestic rateable value at year end	105,904	107,674
National non-domestic rate multiplier	44.1	45.8
Product of year end value and multiplier	46,704	49,315
Outturn Payment to N.N.D.R. pool	39,764	43,336

### 3. COUNCIL TAX BASE

Band	Chargeable Dwellings Less Exemptions & Discounts	Band D Ratio	Net Dwellings	Allowance for Losses and MOD Properties	Band D Equivalent Dwellings
A*	4.75	5/9	3.17	-0.05	3.12
A	2,202.15	6/9	1,468.10	-22.02	1,446.08
B	9,799.70	7/9	7,621.99	-114.33	7,507.66
C	17,864.15	8/9	15,879.24	-222.99	15,656.25
D	10,756.20	9/9	10,756.10	55.66	10,811.76
E	9,503.35	11/9	11,615.21	-157.73	11,457.48
F	6,868.15	13/9	9,920.66	-33.11	9,887.55
G	5,336.45	15/9	8,894.08	-80.91	8,813.17
H	313.70	18/9	627.40	1.39	628.79
	<b>62,648.60</b>		<b>66,785.95</b>	<b>-574.09</b>	<b>66,211.86</b>

### 4. COUNCIL TAX ARREARS

The following shows the level of arrears still due for each financial year.

2008/09	£	1,412,658	2002/03	£	12,784
2007/08	£	592,028	2001/02	£	8,999
2006/07	£	239,668	2000/01	£	9,176
2005/06	£	135,691	1999/00	£	5,757
2004/05	£	69,062	1998/99	£	2,324
2003/04	£	23,750	96/97 & 97/98	£	2,598

## Glossary of Terms

### **Accounting Period**

This is the length of time covered by the accounts. It is normally a period of twelve months commencing on the 1<sup>st</sup> April. The end of the accounting period is the balance sheet date.

### **Accrual**

This is one of the main accounting concepts and ensures that income and expenditure are shown in the accounting period that they are earned or incurred and not as money received or paid.

### **Appointed Auditors**

These are the external auditors appointed by the Audit Commission. They may be from the Audit Commission's own operations directorate, as is the case at AVDC, or from a major accountancy firm.

### **Approved Institutions**

Funds that are not needed for day to day transactions may be invested but only with third parties meeting the credit rating criteria approved annually as apart of the Council's Treasury Management Policy.

### **Asset**

An asset is something that the Council owns that has a monetary value. Assets are either "current" or "fixed". A fixed asset provides benefits for a period of more than one year e.g. buildings. Whilst a current asset is one that will be used or cease to have material value by the end of the next financial year e.g. stock or debtors.

### **Audit of Accounts**

An audit is an examination by an independent expert of the Council's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

### **Balance Sheet**

A financial statement summarising an organisation's assets, liabilities, and other balances at the end of each accounting period.

### **Budget**

A budget is a financial statement that expresses an organisation's service delivery plans and capital programme in monetary terms.

### **Capital Expenditure**

Expenditure on the acquisition of a fixed asset that will be used to provide services beyond the current accounting period or expenditure that adds value to an existing asset.

### **Capital Financing**

This term describes the various sources of money used to pay for capital expenditure. There are a number of sources available, Aylesbury Vale District Council uses usable capital receipts, capital grants, capital contributions and earmarked reserves.

### **Capital Programme**

This is a financial summary of the capital schemes that AVDC intends to carry out over a specified period of time.

### **Capital Receipt**

A capital receipt is the income that results from the sale of land or property. Capital receipts cannot be used to fund revenue services.

### **Cashflow Statement**

A statement that summarises the inflows and outflows of cash within the council's accounts.

### **CIPFA**

This is the Chartered Institute of Public Finance and Accountancy.

### **Collection Fund**

A separate fund recording the expenditure and income relating to council tax and non domestic rates.

### **Community Assets**

This is land and property that AVDC intends to hold forever. They generally have no determinable useful life and there are often restrictions regarding their sale.

### **Consistency**

This is one of the fundamental accounting concept. It requires accountants to treat similar items of income and expenditure the same way – both within an accounting period and from one accounting period to another.

### **Contingent Liability**

A sum due to be paid which may arise in the future but which cannot be determined in advance.

**Council Tax**

This is one of the main sources of income to the council. Council tax is levied on households within its area by the billing authority and the proceeds are paid into the Collection Fund for distribution to precepting authorities and for use by the billing authorities own General Fund.

**Creditor**

This applies to money the Council owes to third parties for goods and services it has received but not paid for at the end of the accounting period.

**Debtor**

This applies to money that is owed to the Council from third parties for goods and services it has provided but not yet been paid for at the end of the accounting period.

**Depreciation**

This is a charge made to the revenue account each year that reflects the reduction in value of fixed assets used to deliver services.

**Estimates**

These are the amounts expected to be spent, or received , during an accounting period. They are also referred to as budgets. The original estimate is the estimate for a financial year approved by the Council before the start of a financial year and the forecast estimate is an updated version of the original estimate. The original estimate can be updated at any time during the accounting period.

**Exceptional Items**

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

**Extraordinary Items**

Material items possessing a high degree of abnormality which derive from events or transactions that fall outside the normal activities of the authority and which are not expected to recur.

**Finance Lease**

This is a lease, usually of land or buildings, which is treated as capital borrowing.

**Financial Reporting Standards (FRS)**

Financial Reporting Standards advice the accounting treatment and disclosure requirements of transactions so that an authority's accounts "present fairly" the financial position of the authority.

**Financial Year**

The period of time to which the Statement of Accounts relates. The financial year runs from 1 April to 31 March.

**Fixed Asset Revaluation Reserve**

A reserve containing revaluations arising after the initial valuation of fixed assets.

**Fixed Assets**

Tangible assets that yield benefits to the authority and its services for a period of more than one year.

**Government Grants**

Grants made by the central government towards either revenue or capital expenditure to help with the costs of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general purpose.

**Gross Expenditure**

The total cost of providing the council's services before taking into account income from fees, charges and government grants.

**Housing Benefits**

This is the national system for giving financial assistance to individuals towards certain housing costs. The cost of the service is subsidised by central government.

**Impairment**

This is a reduction in the value of a fixed asset as shown in the balance sheet to reflect its true value.

**Income**

This is the money that the Council receives or expects to receive from any source; fees, charges, sales, grants and interest.

**Income and Expenditure Account**

This account is the main revenue account. It reports the net costs for the accounting period of all the functions that AVDC is responsible for.

**Infrastructure Assets**

Inalienable fixed assets, expenditure on which is recoverable only by continued use of the asset created e.g. pedestrianisation.

**Intangible Assets**

These are non financial fixed assets that do not have any physical substance but are identifiable and are controlled by the authority through custom or legal rights e.g. computer software.

**Liability**

A liability arises when the Council owes money to others and it must be included in the financial statements.

There are two types of liability:

- A current liability is a sum of money that will or might be payable during the next accounting period e.g. creditors or cash overdrawn.
- A deferred liability is a sum of money that will not be payable until some point after the next accounting period or is paid off over a number of accounting periods.

**Long Term Investments**

Long term investments are investments intended to be held for use on a continuing basis in the activities of the authority. They should be classified as long term only where an intention to hold the asset for longer than one year can be clearly demonstrated.

**Materiality**

This is one of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

**National Non Domestic Rate (NNDR)**

This is a national scheme for collecting contributions from businesses towards the cost of local government services. Each business property has a rateable value. Central government determines how much a business has to pay per £ of rateable value each year.

**Non Operational Assets**

These are fixed assets owned by the Council that it does not directly occupy or use to delivery its services.

**Operating Lease**

This is a lease where ownership of the fixed asset remains with the lessor.

**Operational Assets**

These are fixed assets owned by the Council and used or consumed in the direct delivery of services.

**Post Balance Sheet Event**

These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed.

**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.

**Provision**

This is a sum of money that has been put aside in the accounts for liabilities or losses that are due but where the amount due or timing of the payment is not known with any certainty.

**Prudence**

This is one of the main accounting concepts. It ensures that an organisation only includes income in its accounts if it is sure it will receive the money.

**Rateable Value**

The annual assumed rental value of a property that is used for business purposes.

**Related Parties**

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party.
- The parties are subject to common control from the same source.
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing its own interests.
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interests.

**Reserves**

A reserve results from an accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the Council's discretion.

**Residual Value**

This is the net realisable value of an asset at the end of its useful life.

**Revenue Expenditure**

The day to day expenses associated with the provision of services.

**Revenue Expenditure Funded From Capital Under Statue (previously Deferred Charges)**

This is capital expenditure that does not create an asset that belongs to the Council. The value is written off to revenue in the year. An example of this type of expenditure is an improvement grant to another organisation.

**Revenue Support Grant**

A general grant paid by central government to local authorities as a contribution towards the cost of their services.

**SORP**

Statement of Recommended Practice is generally based upon those accounting principles that are incorporated within approved accounting standards, modified to reflect the statutory framework in which local authorities operate. The SORP states which accounts should be published as part of the Statement of Accounts and the information to be included in each account.

**Stocks**

These are items of stores that AVDC has bought to use on a continuing basis but has not yet used.

**Temporary Borrowing**

This is a sum of money borrowed for a period of less than one year.

**UK GAAP**

Accounting practices regarded as permissible by the UK accounting profession that are grouped together under the term "Generally Accepted Accounting Practices".

**Useful Life**

This is the period over which an organisation will derive benefits from the use of a fixed asset.

**Work in Progress**

The value of works that has been completed or is partially complete at the end of the accounting period that should be included in the financial statements.





Produced by the Financial Services Section

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