

Supplementary Papers

AUDIT AND GOVERNANCE COMMITTEE

Guildhall, Abingdon
Tuesday, 25th September, 2007 at 7.00 pm

Open to the Public including the Press

9. 2006/07 Financial Statements (Pages 2 - 48)

This Committee approved the draft 2006/07 Statement of Accounts at its meeting on 27th June. Since that date the External Auditor has been conducting her audit. This note provides the Committee with a progress report.

Under the closedown arrangements the statutory deadline for completing the Audit is 30 September 2007. The Audit will be completed by that date and the accounts will be finalised by the inclusion of the Auditor's signed audit report, including his opinion and certificate.

During the Audit a number of adjustments have been agreed with the Auditor to provide additional information or clarification. These adjustments will be explained by the Strategic Director and Chief Finance Officer at the meeting.

A copy of the Statement of Accounts as now amended (report 64/07) has been circulated as a separate document.

Recommendation

that the amended 2006/07 financial statements be approved and the imminent completion of the Audit process be noted.



Report No 64/07
AMENDED AFTER AUDIT
VERSION 2

**VALE OF WHITE HORSE
DISTRICT COUNCIL
STATEMENT OF ACCOUNTS
2006/2007**

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Foreword by the Strategic Director (Chief Finance Officer)

1.0 Introduction

- 1.1 The Original Budgeted Medium Term Plan to 2009/10 provided for gradually increasing costs of service provision, against stable, annual, Council Tax increases, and the use of funds and balances to help smooth out the cycle. By the end of the period a final year use of Balances was forecast. Overall these trends will strengthen the Council's financial base. They are principally dependent upon achievement of the Council's ambitious cost-cutting programme of Service Prioritisation Plans.
- 1.2 The 2006/07 Revised Budget was reprofiled to partially reflect the organisational restructuring which had taken place. Some 2005/06 budgets had been carried forward which increased the 2006/07 Revised Budget. Changes in capital financing charges rules significantly altered the revised service costs, however net expenditure was very close to that originally budgeted. Funds and Reserves were reviewed, which resulted in a lower, revised, contribution requirement. This in turn allowed the Council to return a larger proportion to balances than originally planned.
- 1.3 The actual outturn for 2006/07 demonstrated significant under spending. Service costs were significantly lower than budgeted, income from trading undertakings slightly lower than expected and investment income slightly down. As a consequence the Council made less use of earmarked funds than anticipated and working balances are only slightly down on those predicted in February 2007, before the receipt of the Local Authority Business Growth Incentive grant. As planned, the Council will start 2007/08 in the healthy position it needs to be in order to meet future challenges.
- 1.4 Late in 2006-07 the Council received £787,553 from central government in respect of the Local Authority Business Growth Incentive scheme. This grant is both a reward and incentive to encourage economic growth. The grant is based upon the increase in rateable value in the District. The Council is free to decide how best to spend the money.
- 1.5 The Statement of Accounts is a formal document, which sets out the Council's overall financial position, which as I have indicated above, is in a healthy state. Detailed below is a summary of each of the key elements, with references to the complete analysis within the accounts.

2.0 General Fund

- 2.1 The Original Estimate for 2006/07 for the Authority's expenditure after accounting for the use of balances and investment income was £11.272m. This was below the level set by the Government, through the Formula Spending Share, of £14.864m. The Original Estimate was derived from a net cost of services, after adjusting for capital finance charges, of £14.930m and the use of £0.182m General Fund balances.
- 2.2 The Original Estimate was revised in February 2007, marginally increasing the net cost of services, after the reversal of capital financing, to £15.051m. The projected contribution from balances was changed to a contribution to balances of £0.355m being somewhat offset by increased use of funds and reserves – up from £0.404m to £0.947m. The Income and Expenditure Account on page 16 shows the final position for 2006/07 after the adjustments required to comply with FRS17 and the 2006 SORP relating to capital financing. This shows a net cost of services of £16.446m. Deducting the capital financing charges of £2.084m and adding back the FRS17 (Pensions) adjustments of £0.1m gives an adjusted net cost of services of £14.462m, a saving of £0.589m on the revised budget of £15.051m approved in February 2007. The resulting £0.332m surplus (excluding the £0.788m L.A.B.G.I. grant) was only £0.023m down on the revised forecast even after taking into account a reduced use of funds and reserves.
- 2.3 It is interesting to note that the District Council Tax raised £4.634 million which represents 31% of the adjusted net cost of services, with 44% being met by Central Government and of the remainder 21% comes from the Council's investments and 4% from funds and reserves.

3.0 Capital

3.1 Capital Programme

Capital expenditure in the year amounted to £2.97 million and involved over 35 projects. Details of the expenditure and its funding are shown in the notes to the Balance Sheet from page 26.

The main source of funding for the programme was capital receipts (£1.9 million), but a substantial

proportion came from grants from Government departments and some contributions from developers.

3.2 Capital Receipts

The Authority has capital receipts unapplied at 31 March 2007 of £13.9 million after financing capital expenditure as set out above and taking into account receipts during the year. The analysis of movements in the year is set out on page 30.

4.0 Investments

4.1 The Authority has had no long-term debt for some time. Temporary Investments at the start of the year totalled £21.535 million, £15.755 million of this being placed with the Council's Fund Manager. At the year end, the Fund Manager's holding was shown in the Balance Sheet as £16.380 million. Temporary investments managed in-house amounted to £4.401 million at the year end.

4.2 Interest arising from these investments was less than anticipated due mainly to a disappointing performance by the Fund Manager, whose brief is to maximise returns over a 3 year period. The net interest from internally and externally managed investments credited to the Revenue Account totalled £1.229 million.

4.3 The Council has an investment policy which provides for a proportion of the reserves and balances to be invested in property which, at the moment, provides greater returns than cash. The Property Trading Statement, which is included on page 39, shows that net income of £1.853 million was credited to the Income and Expenditure Account in 2006/07.

5.0 Collection Fund

5.1 The Collection Fund brings together the income raised by the Council Tax and National Non Domestic Rates. Against this it records expenditure to be met from the Fund, i.e. the precept requirements of the District Council, the County Council, the Thames Valley Police Authority and Parishes, together with provision made for non-payment.

5.2 For 2006/07 the Council Tax for the average property in the Vale amounted to £1,282.68. Of this, 8% (£97.22) was for the benefit of the District Council and 3% (£44.13) for the average Town and Parish levy, with the majority, 79% (£1,008.75) being for the County Council and 10% (£132.58) for the Thames Valley Police Authority.

5.3 During 2006-07 the Collection Fund Balance changed from a surplus to a deficit. Reasons for this change are a large increase in the single persons discount provision, a more prudent provision for bad debts and a smaller increase in the tax base than anticipated.

6.0 Conclusion

6.1 The overall revenue outturn position for 2006/07 is a combination of under spending on services and reduced use of earmarked funds. Given the Service Prioritisation Plans approved in February 2007 the Council will face 2007/08 and the medium term in a strong and sustainable position.

6.2 My personal thanks go to all those who have ensured the flow of information required to manage the Council's finances and especially to those involved in the production of these accounts.

STEVE BISHOP
STRATEGIC DIRECTOR (CHIEF FINANCE OFFICER)

Statement Of Responsibilities For The Statement Of Accounts

1 The Authority's Responsibilities

The Authority is required:

- (a) to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those arrangements;
- (b) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and,
- (c) to approve the statement of accounts having received the external auditor's report and the Chief Finance Officer's commentary.

2 Responsibilities of the Chief Finance Officer

The Chief Finance Officer's responsibilities include the preparation of the Authority's statement of accounts, which, in terms of the Chartered Institute of Public Finance and Accountancy (CIPFA/LASAAC) Code of Practice on Local Authority Accounting in Great Britain ('the Code') is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

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

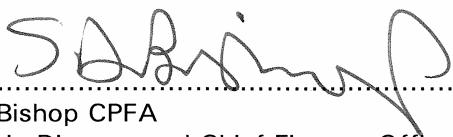
- (a) selected suitable accounting policies and then applied them consistently;
- (b) made judgements and estimates that were reasonable and prudent;
- (c) complied with the Code of Practice and the Best Value Accounting Code of Practice.

The Chief Finance Officer has also:

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

3. Statement by the Strategic Director

I certify that this Statement of Accounts presents fairly the financial position of the authority at the 31 March 2007 and its income and expenditure for the year ended 31 March 2007.



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Steve Bishop CPFA
Strategic Director and Chief Finance Officer

29 June 2007

4. Statement by the Chair of the Audit and Governance Committee

This Statement of Accounts for 2006-07 was considered and approved at the Audit and Governance Committee meeting on 27 June 2007

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Tony de Vere
Chair of Audit and Governance Committee

29 June 2007

STATEMENT ON INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

The Vale of White Horse District Council is responsible for ensuring that its activities are conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Vale of White Horse District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Vale of White Horse District Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to an acceptable level (rather than to eliminate all risk of failure) to achieve its policies, aims and objectives. It therefore provides reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Vale's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at the Vale for the year ended 31 March 2007. In April 2007 the Council, in partnership with South Oxfordshire District Council, introduced a new financial management system. During 2007/08 the two councils will harmonise many of their financial processes in order to achieve the significant efficiency savings highlighted in earlier reports to the Executive. In addition to a uniform financial management system, financial and audit staff are being transferred to form single teams, and financial processes will be streamlined by spreading best practice across the two councils.

Other than specific procedural changes associated with the introduction of the new financial management system, there were no significant changes to the internal control environment up to the date of approval of the annual report and accounts. However, during 2007/08 further changes may arise, which will be reflected in next year's Statement on Internal Control.

The Strategic Director (and Chief Finance Officer) is responsible for any changes made to the internal control environment at the Council.

3. THE INTERNAL CONTROL ENVIRONMENT

The Council has set out below each of the seven key elements of its Internal Control Environment, along with the mechanisms through which they are managed and the mechanisms by which they are monitored and reviewed. The timing of recent reviews is provided in brackets.

Mechanisms for managing Internal Control		Review Mechanisms
Key Element of Internal Control 1: Achievement of objectives		
<ul style="list-style-type: none"> Adoption of a comprehensive Constitution which sets out how the Council operates, its decision-making process and procedures 	1	<ul style="list-style-type: none"> Constitution Working Party which meets as required at least once per year Regular review of the Constitution by the Monitoring Officer.
	2	<ul style="list-style-type: none"> Democratic Services Officers refer issues arising from committee meetings
	3	<ul style="list-style-type: none"> Periodic review of financial limits
	4	<ul style="list-style-type: none"> Annual Strategic Service Review
	5	<ul style="list-style-type: none"> Integrated Service & Financial Planning (ISFP) Process
<ul style="list-style-type: none"> Adoption of clear corporate priorities to focus resources into the most important activities 	6	<ul style="list-style-type: none"> Corporate priorities are annually reviewed & updated to keep them relevant (June 2006),

Mechanisms for managing Internal Control		Review Mechanisms
	7	<ul style="list-style-type: none"> Active engagement with Local Area Agreement process
<ul style="list-style-type: none"> Authority's objectives are communicated to staff and stakeholders 	8	<ul style="list-style-type: none"> Corporate Plan & associated communications
	9	<ul style="list-style-type: none"> Best Value Performance Plan and Corporate Plan process
	10	<ul style="list-style-type: none"> Using a matrix of national, regional and local issues
	11	<ul style="list-style-type: none"> Support for Local Area Agreement process
	12	<ul style="list-style-type: none"> Community Strategy - Consultation Budget-setting – Statutory consultation with local businesses ('business breakfasts')
	13	<ul style="list-style-type: none"> Internal Communications strategy (e.g. monthly Team Brief)
<ul style="list-style-type: none"> Each service's contribution to the corporate priorities is regularly assessed through the service planning & reporting process 	14	<ul style="list-style-type: none"> Portfolio Holders personally validate and sign off service plans with Director and Deputy Director (July 2006)
	15	<ul style="list-style-type: none"> Service Plans, Best Value Performance Plan and Corporate Plan – Demonstrate links to corporate aims
	16	<ul style="list-style-type: none"> Service plan – Member review of full & half year reports
	17	<ul style="list-style-type: none"> Deputy Directors / Line managers monitoring of operations
	18	<ul style="list-style-type: none"> Regular service performance review meetings
<ul style="list-style-type: none"> An Integrated Service & Financial Planning process has been developed to ensure resources match planned service levels 	19	<ul style="list-style-type: none"> Process is reviewed and updated annually by senior officer group
	20	<ul style="list-style-type: none"> Directors group and committee minutes
	21	<ul style="list-style-type: none"> Input from Deputy Directors, line managers and Portfolio Holders
	22	<ul style="list-style-type: none"> Quarterly Corporate governance reporting of financial performance, service performance (BVPIs, key projects, action plans), staff performance (turnover & sickness), etc.
	23	<ul style="list-style-type: none"> Executive Reports consider ISFP issues throughout the year and the Scrutiny process ensures rigorous challenge is applied to the process
<ul style="list-style-type: none"> The Council's annually published Best Value Performance Plan sets out the Council's intentions and targets for the years ahead 	24	<ul style="list-style-type: none"> Annually reviewed and updated by the Leader, Leader of the Opposition, Chief Executive, Strategic Directors and Principal Performance Management Officer.
	25	<ul style="list-style-type: none"> Local Performance Indicators (LPIs) allied to Council corporate aims where Best Value Performance Indicators (BVPIs) inadequate. LPIs reviewed at performance management meetings
Element 2: Facilitation of policy & decision-making		
<ul style="list-style-type: none"> A range of committees are able to suggest or formulate new policies including the Executive; the Scrutiny Committee; the Personnel, Regulatory and Appeals Committee; the Strategic Review Committee – all of which have to be approved by full Council 	26	<ul style="list-style-type: none"> Policies are reviewed by the Strategic Review Committee, Scrutiny Committee and Strategic Management Group The Council created a new 'Audit & Governance Committee' which replaces the Accounts Committee, to further strengthen corporate governance and internal control arrangements (2006) – First meeting in 2007.
	27	<ul style="list-style-type: none"> Member Advisory Groups which advise the Executive and Council on specific policy matters e.g. Strategic & Local Planning Advisory Group; Reservoir Advisory Group
<ul style="list-style-type: none"> Council meetings are open to the public except for restricted range of confidential reports 	28	<ul style="list-style-type: none"> Public speaking at committees; adherence to confidentiality rules enforced by Monitoring Officer & Democratic Services Officers
<ul style="list-style-type: none"> Consultation with stakeholders on priorities/objectives 	29	<ul style="list-style-type: none"> Consultation with public and stakeholders on key policy issues e.g. Budget; Local Plan/Local Development Framework, Vale Views Maintenance and regular use of Vale Voice Panel
<ul style="list-style-type: none"> Publication of the Forward Plan, which contains details of planned decisions, including key decisions 	30	<ul style="list-style-type: none"> Reviewed & updated monthly, including at Directorate Management Team meetings
	31	<ul style="list-style-type: none"> Informal briefings to Members

Mechanisms for managing Internal Control		Review Mechanisms
Element 3: Compliance with established policies, procedures, laws and regulations		
<ul style="list-style-type: none"> • A corporate health and safety policy has been drawn up, formally approved, subject to regular reviews and communicated to all relevant staff 	32	<ul style="list-style-type: none"> • Health & Safety Management arrangements, Review of Health and safety policy, formal approval, dissemination to staff, report mechanism
<ul style="list-style-type: none"> • A corporate complaints policy/procedure has been drawn up, approved, communicated to staff, the public & stakeholders. 	33	<ul style="list-style-type: none"> • Complaints policy/procedure exists, is reviewed and updated, compliant with statutory requirements, disseminated to staff, promoted to members of the public, information recorded and evaluated. Also reported to Executive
<ul style="list-style-type: none"> • Responsibility for statutory obligations are formally established 	34	<ul style="list-style-type: none"> • Constitution- delegation scheme, recording of individual officer and members responsibilities, committee terms of reference, Job Description of key officers
<ul style="list-style-type: none"> • Reports must make reference to compliance or contravention with policies and strategies 	35	<ul style="list-style-type: none"> • Examples of reports
	36	<ul style="list-style-type: none"> • Compliance statement
	37	<ul style="list-style-type: none"> • Scrutiny Role
	38	<ul style="list-style-type: none"> • Pre-agenda meetings used to consider legal, financial, policy & contentious issues
<ul style="list-style-type: none"> • Service plans address current and new policies, laws and regulations 	39	<ul style="list-style-type: none"> • Three-way challenge of service plans (Portfolio Holder, Deputy Director and Strategic Director)
	40	<ul style="list-style-type: none"> • Executive and Scrutiny review of service plans
<ul style="list-style-type: none"> • Service plan objectives cascade to individuals' Service and Personal Plans 	41	<ul style="list-style-type: none"> • Periodic audit of Service and Personal Planning process, with improvements (November 2006) ; Commitments & Personal Development Planning new staff appraisal schemes
<ul style="list-style-type: none"> • The designated Monitoring Officer continually monitors and advises on legal compliance 	42	<ul style="list-style-type: none"> • The Monitoring Officer's duties are enshrined in the Constitutional Scheme of Delegation & Job Description Questionnaire – both of which are reviewed
	43	<ul style="list-style-type: none"> • The Monitoring Officer considers any significant reports and decisions, advising and intervening if necessary to ensure legal & regulatory compliance
<ul style="list-style-type: none"> • The designated s151 officer or 'Chief Finance Officer' holds the statutory qualification and continually monitors and advises on financial compliance 	44	<ul style="list-style-type: none"> • The duties of the chief finance officer are enshrined in the Constitutional Scheme of Delegation & Job Description – both of which are reviewed. Compliant qualification (Membership of one of the 6 accountancy bodies) is a mandatory requirement
	45	<ul style="list-style-type: none"> • The Chief Finance Officer considers all reports and decisions, advising and intervening if necessary to ensure financial & regulatory compliance
<ul style="list-style-type: none"> • The Council maintains an effective Internal audit function which adheres to professional best practice and whose role includes the checking of compliance with policies, procedures and regulations 	46	<ul style="list-style-type: none"> • Internal Audit reports – agreed action plans reported to Executive/Audit & Governance Committee
	47	<ul style="list-style-type: none"> • The effectiveness of Internal Audit is independently assessed by the external auditor
	48	<ul style="list-style-type: none"> • The performance of Internal Audit is annually reviewed by the Executive and Audit & Governance Committee
<ul style="list-style-type: none"> • The External Auditor holds the statutory qualification and provides an independent opinion on the Council's activities in the form of regular reports and an annual Management letter 	49	<ul style="list-style-type: none"> • Reporting of Annual Audit and Inspection Letter, Action plans from External Audit reports
	50	<ul style="list-style-type: none"> • Re-appointed every 3 years
<ul style="list-style-type: none"> • A Code of Conduct for Members has been adopted and is enforced 	51	<ul style="list-style-type: none"> • Standards Committee review for conduct
	52	<ul style="list-style-type: none"> • Regular reminders on Committee agenda
Element 4: Ensuring economic, efficient and effective use of resources and securing continuous improvement		
<ul style="list-style-type: none"> • Financial Regulations have been adopted and are enforced by management 	53	<ul style="list-style-type: none"> • Constitution – regular review of limits
	54	<ul style="list-style-type: none"> • Periodic review & update (Sept 2005)

Mechanisms for managing Internal Control		Review Mechanisms
	55	<ul style="list-style-type: none"> Internal Audit check compliance
<ul style="list-style-type: none"> Contract standing orders have been adopted and are enforced by management 	56	<ul style="list-style-type: none"> Constitution – regular review of limits
	57	<ul style="list-style-type: none"> Periodic review & update (Sept 2005)
	58	<ul style="list-style-type: none"> Internal Audit check compliance
<ul style="list-style-type: none"> A Procurement strategy has been adopted which requires managers to assess more cost-effective options for delivering services 	59	<ul style="list-style-type: none"> Annually reviewed during Budget setting (November 2007 - February 2007)
	60	<ul style="list-style-type: none"> IDEA Procurement healthcheck & action plan
	61	<ul style="list-style-type: none"> Adoption and utilisation of project management methodology (VIP)
<ul style="list-style-type: none"> The Head of Paid Service has clear responsibilities 	62	<ul style="list-style-type: none"> Head of Paid Service is the Chief Executive
<ul style="list-style-type: none"> The Head of Paid Service, Monitoring Officer and Chief Finance Officer roles are performed by separate officers 	63	<ul style="list-style-type: none"> Head of Paid Service, Monitoring Officer and Chief Finance Officer are separate posts
<ul style="list-style-type: none"> Performance measures – PIs; financial variance monitoring 	64	<ul style="list-style-type: none"> Regular service performance review meetings including Portfolio Holders
<ul style="list-style-type: none"> Comprehensive Performance Management systems operate effectively 	65	<ul style="list-style-type: none"> Quarterly Corporate Governance Reports
	66	<ul style="list-style-type: none"> Annual Strategic Service Reviews
	67	<ul style="list-style-type: none"> Integrated Service & Financial Planning (ISFP)
	68	<ul style="list-style-type: none"> HOWARD performance indicator database used to produce reports
<ul style="list-style-type: none"> Benchmarking is used across the organisation to identify areas of weakness (and strength) for more in-depth examination 	69	<ul style="list-style-type: none"> Best Value Reviews and internal audit reviews assess the usefulness of benchmarking data
	70	<ul style="list-style-type: none"> Managers evaluate the cost-effectiveness of undertaking routine benchmarking exercises where data is available
	71	<ul style="list-style-type: none"> Staff performance appraisals
<ul style="list-style-type: none"> A programme of short, sharp Best Value Reviews is being delivered – a mixture of cross-cutting & service-specific 	72	<ul style="list-style-type: none"> Best Value Review process is reviewed & updated as necessary (March 2006) – it is informed by the Strategic Service review
<ul style="list-style-type: none"> Value for money diagnosis-comparing cost versus performance across full range of services and performance indicators. 	73	<ul style="list-style-type: none"> Society of ICT Managers (SOCITM) challenge & facilitation of new 2006 ICT Strategy including independent opinion on cost efficiency
<ul style="list-style-type: none"> Service Standards adopted 	74	<ul style="list-style-type: none"> Range of service standards agreed in consultation with stakeholders and enforced.
<ul style="list-style-type: none"> External Inspections 	75	<ul style="list-style-type: none"> Housing, Waste Management are reported in public
<ul style="list-style-type: none"> Service Prioritisation Plans are formulated to achieve substantial savings 	76	<ul style="list-style-type: none"> Strategic Management Team & Directorate Management Teams review key issues
	77	<ul style="list-style-type: none"> Committee reports – corporate governance
	78	<ul style="list-style-type: none"> Service performance review meetings
	79	<ul style="list-style-type: none"> Plans include risk assessments
<ul style="list-style-type: none"> External Specialist advice is bought in when in-house expertise is insufficient for a particular task 	80	<ul style="list-style-type: none"> Client Officers manage and monitor effectiveness of each specialist e.g. retail studies, open space audit, Local Services Point phase 2 development, PFI feasibility study
	81	<ul style="list-style-type: none"> Project planning methodology adopted and used (VIP)
	82	<ul style="list-style-type: none"> Capacity fund bids
<ul style="list-style-type: none"> Role of internal audit includes checking the economic, efficient & effective use of resources 	83	<ul style="list-style-type: none"> Internal Audit reports – reported to Executive/Audit & Governance
	84	<ul style="list-style-type: none"> The effectiveness of Internal Audit is independently assessed by the external auditor
	85	<ul style="list-style-type: none"> The performance of Internal Audit is annually reviewed by Executive and Audit & Governance Committee
Element 5: Financial management		
<ul style="list-style-type: none"> A four year Medium Term Financial Plan provides clear financial direction 	86	<ul style="list-style-type: none"> The Medium Term Plan is updated as part of the annual Budget-setting process
	87	<ul style="list-style-type: none"> Delivery is monitored in-year at service review meetings and corporate governance reports

Mechanisms for managing Internal Control		Review Mechanisms
	88	<ul style="list-style-type: none"> • Achievement of Medium Term Financial Plan is corporate aim
<ul style="list-style-type: none"> • Regular management information 	89	<ul style="list-style-type: none"> • Comprehensive budgeting system with regular detailed variance analysis reports considered by Officers at service review meetings and by Members by exception at monthly performance meetings, significant changes reported to the Executive
	90	<ul style="list-style-type: none"> • Regular reviews of periodic and annual financial reports which indicate performance against forecasts
	91	<ul style="list-style-type: none"> • Setting targets to measure financial and other performance
	92	<ul style="list-style-type: none"> • The preparation of regular financial reports which indicate actual expenditure against forecasts
	93	<ul style="list-style-type: none"> • Corporate Governance reporting to Executive and Scrutiny Committee
	94	<ul style="list-style-type: none"> • Periodic review of asset valuations in accordance with 5 year programme
<ul style="list-style-type: none"> • Administrative procedures – including segregation of duties - are set out in a series of guidance notes e.g. creditor payments 	95	<ul style="list-style-type: none"> • International Standards Organisation (ISO) audits review compliance and suggest improvements
<ul style="list-style-type: none"> • ISO EN BS 9001:2000 accredited written procedures and work instructions 	96	<ul style="list-style-type: none"> • Internal audit check compliance
<ul style="list-style-type: none"> • Management supervision 	97	<ul style="list-style-type: none"> • Organisational structure & chain of responsibility
<ul style="list-style-type: none"> • System of delegation and accountability 	98	<ul style="list-style-type: none"> • Scheme of Delegation periodically reviewed
<ul style="list-style-type: none"> • Role of Internal Audit 	99	<ul style="list-style-type: none"> • Consideration of Internal Audit work by Executive, Scrutiny and Audit & Governance Committee • Council policy on internal audit timescales (June 2006)
<ul style="list-style-type: none"> • Role of External Audit 	100	<ul style="list-style-type: none"> • Consideration of External Audit recommendations by Officers, the Audit & Governance Committee, the Executive and Scrutiny
<ul style="list-style-type: none"> • Standards of financial conduct, and the prevention and detection of fraud and corruption 	101	<ul style="list-style-type: none"> • Internal audits, Data matching exercises
	102	<ul style="list-style-type: none"> • Anti Fraud policy, Whistle Blowing Policy
<ul style="list-style-type: none"> • Register of Interest is maintained 	103	<ul style="list-style-type: none"> • Register is updated and reviewed by senior managers
	104	<ul style="list-style-type: none"> • Regular reminders to Members
<ul style="list-style-type: none"> • Independent financial appraisals for potential supplier companies 	105	<ul style="list-style-type: none"> • Regular assessment of effectiveness of appraisal service & re-let the contract
	106	<ul style="list-style-type: none"> • Chief finance officer review of higher priority appraisals
<ul style="list-style-type: none"> • Legality of financial transactions 	107	<ul style="list-style-type: none"> • Reviews of Contract Standing Orders & Financial Regulations
	108	<ul style="list-style-type: none"> • Consultation & involvement of Monitoring Officer
Element 6: Performance and Risk management		
<ul style="list-style-type: none"> • Performance management process definition 	109	<ul style="list-style-type: none"> • Best Value Performance Plan / Service Plans - regularly reviewed in order to identify corrective actions. The Council can assess progress against its planned outcomes
<ul style="list-style-type: none"> • Written strategy and policy in place for managing risk, which are approved, reviewed and communicated to all staff 	110	<ul style="list-style-type: none"> • Approved policy and methodology, review process in place and dissemination to all officers
<ul style="list-style-type: none"> • Systematic approach to risk management , including established corporate and service risk registers 	111	<ul style="list-style-type: none"> • Service risk registers formally reviewed and updated annually as part of the service planning process, well defined procedures for recording and reporting risk including risk management training.
	112	<ul style="list-style-type: none"> • Strategic risk register reviewed twice a year by Directors & Executive
<ul style="list-style-type: none"> • The authority has well established and clear arrangements for insuring against risk 	113	<ul style="list-style-type: none"> • Policy for insuring against risk is regularly reviewed, Legal requirements for insurance are reviewed and met, self insurance subject to annual independent valuations, property portfolio revalued for insurance purposes
<ul style="list-style-type: none"> • Integrated Service & Financial Planning Process 	114	<ul style="list-style-type: none"> • Service Planning reviews
	115	<ul style="list-style-type: none"> • Service Area Annual Reports and six-monthly reports
<ul style="list-style-type: none"> • Performance Indicators 	116	<ul style="list-style-type: none"> • Performance Management check Performance Indicator Methodology statements

Mechanisms for managing Internal Control		Review Mechanisms
	117	<ul style="list-style-type: none"> External audit of Best Value Performance Indicators
<ul style="list-style-type: none"> Target setting and monitoring 	118	<ul style="list-style-type: none"> Corporate Governance reports
	119	<ul style="list-style-type: none"> Audit of targets
<ul style="list-style-type: none"> Project Management 	120	<ul style="list-style-type: none"> Formal project management disciplines including 'Vale's Implementation of PRINCE' (VIP) - which incorporates regular review stages
<ul style="list-style-type: none"> Business /service continuity plans have been drawn up for all critical service areas and are subjected to regular review and testing. 	121	<ul style="list-style-type: none"> Disaster recovery plans in place for ICT systems, which is regularly tested Business /service continuity plans being updated covering all critical service areas (2007)
Element 7: Appropriate quantity and quality of staff		
<ul style="list-style-type: none"> Services are delivered by trained and experienced staff 	122	<ul style="list-style-type: none"> Job Description Questionnaires provide detailed descriptions of each job; Person specification contains essential and desirable criteria
	123	<ul style="list-style-type: none"> Person Specifications are used to ensure new staff match the service's needs
	124	<ul style="list-style-type: none"> Pay and Grading Reviews are periodically completed (March 2004) to ensure pay relativities are up-to-date
	125	<ul style="list-style-type: none"> Training needs are identified through the Commitments and Personal Development Planning processes and are co-ordinated by a central training officer
<ul style="list-style-type: none"> Code of Conduct approved and communicated to staff 	126	<ul style="list-style-type: none"> Code is disseminated to staff through induction and briefings
<ul style="list-style-type: none"> Personnel Regulatory and Appeals Committee for establishment 	127	<ul style="list-style-type: none"> Review of staff structure to ensure it delivers objectives & agreed services
<ul style="list-style-type: none"> Integrated Service and Financial Planning process to match resources to plan 	128	<ul style="list-style-type: none"> Service plan reviews
	129	<ul style="list-style-type: none"> Corporate Governance reports
<ul style="list-style-type: none"> Recruitment process 	130	<ul style="list-style-type: none"> Investors In People (IIP) re-accreditation process
	131	<ul style="list-style-type: none"> IIP working group
	132	<ul style="list-style-type: none"> Recruitment and Selection Policy and training – No one recruits without training
	133	<ul style="list-style-type: none"> Take up references, certificates and police checks where appropriate
<ul style="list-style-type: none"> Training Programmes 	134	<ul style="list-style-type: none"> Staff appraisal feedback to AD (HR)
	135	<ul style="list-style-type: none"> Training forms to be signed off by line manager and DD.
<ul style="list-style-type: none"> Review of resources by Head of Paid Service 	136	<ul style="list-style-type: none"> Part of Integrated Service and Financial Planning Process

4. REVIEW OF EFFECTIVENESS

The table above sets out how each of the internal control elements is individually reviewed.

Last year the review process was substantially enhanced, with all service areas completing an internal control evaluation, commenting on key control issues and presenting an overall assessment of the internal control environment. This corporate review has resulted in a fuller and more accurate summary of internal controls (table above).

This year the service areas and Members of the Audit & Governance Committee have revisited the 2005/06 SIC and re-assessed it. Whilst the SIC is essentially the same as last year, a number of amendments have been made to reflect changes made during the year.

The Council, through the Scrutiny Committee in 2006/07, and the new Audit and Governance Committee in 2007/08, has provided a forum for considering the Corporate Governance of the Authority. The System of Internal Control is a key part of the overall governance monitored by Internal Audit. The Leader and Chief Executive, as signatories of the Statement of Internal Control, along with the Members of the Committee need to be content that each of the review mechanisms has operated effectively.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

During 2006/07 the Council faced significant changes in the form of the outsourcing of Revenues and

Benefits, the creation of the Ridgeway Shared Services Partnership and the preparations for a new financial management system. Throughout the year no critical changes were made to the internal control environment, which operated satisfactorily. Some of the financial processes changed as a result of Capita's involvement, and these have yet to be fully documented.

Since the end of 2006/07 there have been significant weaknesses that have arisen in the internal control environment, particularly in payroll (when a monthly payroll run failure had to be manually corrected), accounts payable (with several suppliers not being paid on time) and accounts receivable (with debt recovery suffering due to delays in raising sales orders).

Changes were made to the internal control environment during 2007/08 as the Council, its Ridgeway partner, South Oxfordshire District Council and Capita have sought to harmonise many of the financial processes in order to achieve efficiency savings and improve service quality. For example the two councils use very different processes for setting their annual budgets. The two councils are committed to reviewing current practices, identifying best practice and taking advantage of improvement opportunities. For example, the Council's Corporate Debt Recovery Strategy has been adopted by South Oxfordshire.

By the end of this exercise the Council's internal control environment will be strengthened. Among other improvements, this will address the concerns expressed last year around the Council's long-established financial reconciliation processes.

The Council recognises that the change process itself represents a heightened risk, as standards and controls could inadvertently reduce. To mitigate against this risk the Chief Finance Officer continues to be personally involved in determining any changes that affect the internal control environment and has involved Internal Audit.

However, there are a number of actions that the Council is committed to completing during 2007/08:

- reviewing all financial management processes in order to identify weaknesses that require internal control improvements
- formally approving any changes required to the Council's financial regulations in light of the business transformation
- providing fully revised detailed instruction manuals
- completing the implementation of the new Agresso 5.5 financial management system
- providing fully documented and signed-off user acceptance testing of the new system
- re-training of Council staff on the new financial arrangements

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Jerry Patterson Leader of the Council	Terry Stock Chief Executive

ACCOUNTING STATEMENTS

The statements required under the 2006 Statement of Recommended Practice have been revised and are now:-

Explanatory Foreword

The foreword provides an easily understandable guide to the most significant matters reported in the accounts. It provides a brief explanation of the authorities financial position and assists the reader in the interpretation of the accounting statements.

Statement of Accounting Policies

These show the accounting policies adopted in compiling the accounting statements.

Income and Expenditure Account

This shows the expenditure and income of all the functions for which the authority is responsible. It then demonstrates how the net cost has been financed from general government grants and income from local taxpayers.

Statement of Movement of the General Fund Balance

The General Fund Balance compares the Council's spending against the Council Tax that is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth.

The Balance Sheet

The Balance Sheet shows the Council's assets and liabilities as at 31 March 2007.

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Notes to the Core Financial Statements

These notes provide additional information and explanation to the Core Financial Statement.

Collection Fund

This fund shows firstly the income and expenditure transactions relating to the collection of income and expenditure of Non Domestic Rates and Council Tax, and secondly the subsequent disbursement of the above to the Council's General Fund and the various precepting bodies.

Housing Revenue Account

This Statement of Accounts does not contain statements relating to a Housing Revenue account as the account was closed on 31 March 1995 following the Large Scale Voluntary Transfer of the housing stock.

STATEMENT OF ACCOUNTING POLICIES

- 1. General Principles and CIPFA Code of Practice on Local Authority Accounting**

The form and general principles adopted in compiling the accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its Code of Practice on Local Authority Accounting in Great Britain (ACOP) and the Statement of Recommended Practice (SORP). Except where departures are disclosed in the following paragraphs, the accounts comply with all relevant standards in the Code and the SORP.

2. Revenue Transactions

Revenue transactions have been recorded on an income and expenditure basis. Therefore provision has been made on an actual or estimated basis for all debtors and creditors as at 31 March 2007. Appropriate provision has been made for possible bad debts as detailed in Note 21 to the core financial statements.

3. Fixed Assets

From 1 April 1994, all expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis, provided that the fixed asset yields benefits to the Authority and the services it provides are for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets that is charged direct to service revenue accounts. The basis of the valuation of the fixed assets is described under note 16 to the core financial statements.

4. Depreciation

Depreciation has to be provided on all fixed assets with a finite useful life except freehold land and non-operational investment properties. On acquisition or at revaluation, the remaining life of relevant buildings is assessed and depreciation has been charged on a straight-line basis using these values (less estimated residual value). Vehicles, equipment and intangible assets are depreciated on a straight-line basis, generally over 5 years. This depreciation forms part of the capital charges in the "total cost" of services. However, in common with all capital charges, it is reversed out below the line of net cost of services and has no impact on net operating expenditure or annual financing requirements. All assets are depreciated on the value at the beginning of the year.

5. Deferred Charges

Deferred charges represent expenditure which has been properly capitalised but which does not result in, or remain matched with, assets controlled by the Authority. Since 2004/05 deferred charges are restricted to types of expenditure where the Authority does not control the economic benefits arising, such as Improvement Grants, and the whole cost is written-off to revenue in the year it is incurred. This category therefore no longer appears in the balance sheet. Expenditure where the Authority does control the benefits should be recognised as the category of asset that it actually is. For example, in the case of computer software, Intangible Asset would be appropriate.

6. Capital Receipts

Capital receipts from the disposal of assets are held in the capital receipts reserve until such time as they are used to finance other capital expenditure.

Interest on capital receipts unapplied is credited to the income and expenditure account.

7. Reserves

Cash-backed reserves are amounts set aside to meet future revenue and capital spending. The cash-backed reserves of the Authority at 31 March 2007 are explained fully on page 30.

8. Provisions

Provisions are amounts set aside to meet liabilities that are likely to arise, but the amount and timing of which cannot be accurately determined. In accordance with the Code, all the amounts formerly classified as provisions, apart from provisions for bad debts, have been reclassified as reserves.

9. Pensions

The District Council participates in two different pension schemes that meet the needs of current and former employees. Contributions are made to the Oxfordshire County Council Superannuation Fund to cover both contributions to the funded scheme for current employees, and the cost of enhanced pensions payable to retired employees on an unfunded basis. The scheme provides members with defined benefits related to pay and service. Pension costs are assessed in accordance with the advice of a professionally qualified actuary. Accounts relating to the fund are produced by Oxfordshire County Council and can be seen on request.

Contributions are also made to the Royal County of Berkshire Pension Fund (now managed by the Royal Borough of Windsor and Maidenhead) to cover the cost of enhanced pensions paid to retired employees of the local authorities that were replaced by the Vale of White Horse DC in April 1974.

The pension costs included in the revenue account in respect of these schemes have been determined in accordance with Government regulations. These accounting policies represent a change to those applied in previous years. Previous policy was to recognise liabilities in relation to retirement benefits only when the employer's contributions became payable to the pension fund. The new policies better reflect the commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

10. Grants - Revenue

Revenue grants and subsidies from the Government and other bodies are accounted for on an accrual basis, and income has been credited to the appropriate revenue account.

11. Investments

Investments are recorded in the accounts at the lower of original cost price and market value. The market value of external investments is shown in the notes to the balance sheet.

12. Overheads

The costs of support services e.g. computer support, financial services etc. have been charged on an appropriate basis to the services provided by the Council, or as corporate costs in accordance with the CIPFA Best Value Accounting Code of Practice.

13. Value Added Tax (VAT)

VAT is normally fully reclaimed from HM Revenue and Customs, and items of income and expenditure are included in the accounts net of tax. If any transaction makes VAT irrecoverable, that sum has been included in income and expenditure accounts.

14. Fixed Assets Impairments

The Council's assets are revalued as part of a rolling 5 year programme using in-house expertise in accordance with the Statement of Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Any changes in values resulting from this exercise are reflected in the accounts.

15. Operating Leases

Rentals payable under operating leases have been charged to the revenue accounts on a straight-line basis over the term of the lease.

16. Stocks and Work in Progress

Stocks are held at cost. This is a departure from the requirements of S.S.A.P. 9 which requires stocks to be shown at actual cost or net realisable value if lower. The effect of this treatment has been quantified and the view is taken that any difference would not be material. Work in progress is preliminary work on capital schemes where there is no asset yet nor a firm commitment to one.

17. Contingent Liabilities and events after the Balance Sheet date.

These are covered by notes 31 and 33 to the Core Financial Statements. Any disclosure covers events up to the date the Statement of Accounts is authorised by the Chief Finance Officer as shown on page 3.

Income and Expenditure Account

2005/06		Gross Expenditure	Gross Income	Net Expenditure
£'000		£'000	£'000	£'000
1,452	Central services to the public	8,090	(6,359)	1,731
10,196	Cultural, environmental and planning	13,764	(3,478)	10,286
15	Highways, roads and transport services	1,926	(916)	1,010
1,401	Housing services	18,952	(17,463)	1,489

1,993	Corporate and democratic core	1,966	(112)	1,854
<u>470</u>	Non distributed costs	<u>76</u>	<u>0</u>	<u>76</u>
15,527	Net Cost of Services	44,774	(28,328)	16,446
104	(Surplus) / Loss on the disposal of fixed assets			(164)
0	Prior Year Adjustment			15
1,930	Parish Precepts			2,104
(1,715)	(Surpluses)/deficits on trading undertakings not included in Net Cost of Services	- Note 12		(1,853)
43	Contribution to housing pooled capital receipts			8
0	Provision for Bad Debts – Increase			26
(1,350)	Interest and investment income			(1,229)
<u>430</u>	Pensions interest costs and expected return on pensions assets			<u>240</u>
14,969	Net Operating Expenditure			15,593
(6,281)	Demand on the Collection Fund			(6,787)
0	Local Authority Business Growth Incentive grant			(788)
(2,727)	General government grants			(1,081)
<u>(3,350)</u>	Non-domestic rates redistribution			<u>(5,507)</u>
<u>2,611</u>	Deficit for the Year			<u>1,430</u>

Statement of Movement on the General Fund Balance

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 twelve 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.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

This reconciliation statement summaries the differences between the outturn on the Income and Expenditure Account and General Fund Balance.

2005/06 £'000		2006/07 £'000
2,611	Deficit for the year on the Income and Expenditure Account	1,430
<u>(2,347)</u>	Net additional amount required by statute and non-statutory proper practices to be debited and credited to the General Fund Balance for the year	<u>(2,550)</u>
264	Increase in General Fund Balance for the Year	(1,120)
<u>(988)</u>	General Fund Balance brought forward	<u>(724)</u>

(724)	General Fund Balance carried forward	(1,844)
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Note of reconciling items for the Statement of Movement on the General Fund Balance

2005/06 £'000		2006/07 £'000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(1,278)	Amortisation of intangible fixed assets	(329)
(46)	Depreciation and impairment of fixed assets	(1,217)
331	Government Grants Deferred amortisation	372
(512)	Write down of deferred charges to be financed from capital resources	(910)
(104)	Net gain / (loss) on sale of assets	164
(2,060)	Net charges made for retirement benefits in accordance with FRS 17	(1,560)
(3,669)		(3,480)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
0	Capital expenditure charged in-year to the General Fund Balance	250
(43)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(8)
1,361	Employer's contributions payable to the Oxfordshire Council Council Pension Fund and retirement benefits direct to pensioners	1,420
1,318		1,662
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
4	Net transfer to or from earmarked reserves	(732)
(2,347)	Net additional amount required to be credited to the General Fund balance for the year	(2,550)

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on 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.

2005/06 £'000		2006/07 £'000
2,611	Deficit for the year on the Income and Expenditure Account	1,430
(5,355)	Surplus arising on revaluation of fixed assets	(8,492)
(1,440)	Actuarial (gains)/losses on pension fund assets and liabilities	(110)
(43)	Change to Collection Fund	111

(4,227)	Total recognised gains for the year	(7,061)
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BALANCE SHEET

2005/06 £'000		2006/07 £'000	£'000
	Fixed Assets:		
	- note 18		
	Operational Assets		
37,822	- Land and Buildings:	38,835	
50	- Infrastructure	67	
944	- Plant and Equipment	902	
719	- Community Assets	1,235	
	Non-Operational Assets:		
30,418	- Investment properties	36,645	
3,350	- Surplus assets held for disposal	3,500	
867	Intangible Fixed Assets	610	81,794
	Long Term Debtors:		
	- note 19		
85	- Mortgages		58
112	- Other Loans		88

74,367	Total Long Term Assets		81,940
	Current Assets:		
252	- Stocks and Work in Progress	- note 20	107
4,837	- Debtors	- note 21	6,351
21,535	- Temporary Investments	- note 22	20,781
100,991	Total Assets		109,179
	Current Liabilities:		
(136)	- Cash and Bank		(558)
0	- Short Term Borrowing		(1,000)
(9,271)	- Creditors	- note 23	(8,960)
91,584	Total Assets less Current Liabilities		98,661
(17,845)	Liabilities Relating to Defined Pension Scheme		(17,875)
(85)	Deferred Capital Receipts		(58)
(3,916)	Capital Grants Deferred	- note 27	(3,927)
69,738	Total Assets less Liabilities		76,801
	Financed by:		
(25,839)	Fixed Asset Restatement Account	- note 24	(33,361)
(44,418)	Capital Financing Account	- note 25	(44,524)
(14,784)	Capital Receipts Reserve	- note 26	(13,971)
17,845	Pension Reserve	- note 34	17,875
(1,787)	Earmarked Reserves	- note 28	(1,056)
(755)	Balances	- note 30	(1,764)
(69,738)	Total Equity		(76,801)

CASHFLOW STATEMENT 2006/7

2005/06 £'000		£'000	£'000
	Revenue Activities		
	Cash Outflows		
9,873	Cash paid to and on behalf of employees	9,721	
7,526	Other operating cash payments	15,558	
13,816	Housing benefit paid out	15,083	
51,060	National non-domestic rate payments to national pool	52,050	
45,419	Precept paid to Oxfordshire County Council	48,441	
5,935	Precept paid to Thames Valley Police Authority	6,367	
1,930	Precepts paid to Parish Councils	2,104	
13	Payments to Capital Receipts Pool	9	149,333
135,572			
	Cash Inflows		
(54,844)	Council Tax receipts	(57,231)	
(3,350)	National non-domestic rate receipts from national pool	(5,507)	
(52,599)	Non-domestic rate receipts	(56,216)	
(2,727)	Revenue Support Grant	(1,081)	
(20,066)	Other government grants	(22,271)	
(8,758)	Cash received for goods and services	(6,547)	(148,853)
(142,344)			

(6,772) **Net Cash (Inflow)/Outflow from Revenue Activities** – note 37 480

Return on Investments and Servicing of Finance

1	Cash outflows	Interest paid	5	
(1,176)	Cash inflows	Interest received	(1,140)	(1,135)

Capital Activities

Cash Outflows

6,532	Purchase of fixed assets		1,430	
780	Other capital grant payments		1,105	2,535

Cash Inflows

(460)	Sale of fixed assets		(1,115)	
(755)	Capital grants received		(723)	
(25)	Other capital cash receipts		0	(1,838)

(1,875) **Net cash (inflow)/outflow before financing** 42

Management of liquid resources

2,280	Net increase (decrease) in short-term deposits			1,380
0	Net (increase) reduction in other liquid resources			0

Financing

750	Cash outflows	Repayments of amounts borrowed		0
0	Cash inflows	New loans raised		(1,000)

1,155 **Net (Increase)/Decrease in Cash** – note 36 422

NOTES TO THE CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT

1. Capital Charges

Service revenue accounts have been charged with notional depreciation for the assets used by the service if applicable. The total amount is then added back in the Income & Expenditure account so that there is no impact on the bottom line.

2. Grants – Capital

The Code of Practice requires capital grants and contributions to be accounted for using a deferred credit method. The asset is capitalised at gross cost. Capital contributions are credited to a Capital Grants Deferred Account in the Balance Sheet and released to the service revenue accounts over the life of the asset to match any charges for depreciation; or in total if the asset is not subject to depreciation. In the financial year 2006/07, grants have been received from the Heritage Lottery Fund and from various government departments, and contributions have been received from local businesses developing property and from other local authorities.

3. Restatement of Prior Period

Consolidated Revenue Account 2005/06	Changes required under 2006 SORP	Removal of capital financing charges	Relocatio n of capital grants deferred credits	2005/06 restated in Income & Expenditur e Account
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	£'000	£'000	£'000	£'000	£'000
Central services to the public	1,565		(92)	(21)	1,452
Cultural, environmental and planning services	11,450	(56)	(984)	(214)	10,196
Highways, roads and transport services	129		(111)	(3)	15
Housing Services	1,628		(156)	(71)	1,401
Corporate and democratic care	1,996	16	(8)	(11)	1,993
Unapportioned central overheads	483		(2)	(11)	470
Impact on Net Cost of Services	17,251	(40)	(1,353)	(331)	15,527

In 2005/06 depreciation was charged to the service revenue accounts but capital grants were deducted from the net cost of services in a single figure. The 2006 SORP requires the grants to be deducted from the service revenue accounts instead. The 2005/06 figures have been restated on this basis so that year on year comparisons can be made and the above table shows how these restated figures relate back to the actual figures used in last year's statement.

4. Publicity

Section 5 of the Local Government Act 1986 as applied by Local Authorities (Publicity Account) Order 1987 requires local authorities to keep separate accounts for expenditure incurred on advertising and publicity. Costs incurred in 2006/07 are as follows: -

	2005/06 £	2006/07 £
Recruitment Advertising	28,003	24,780
General Publicity	70,718	85,276
	<u>98,721</u>	<u>110,056</u>

5. Agency Work

The Authority undertook work for Oxfordshire County Council on an agency basis in respect of maintenance of Highway Verges (Local Government Act 1972 s101). The value of work undertaken this year was £41,948 (£40,678 in 2005/06).

6. Pension Costs

In 2006/07 the District Council paid an employer's contribution of £1,200,478 into the Oxfordshire County Council Pension Fund, representing 17.4% of the total pensionable pay of £6,899,299 (£6,955,440 in 2005/06). It also paid £138,339 (2.01% of pensionable pay) into that fund in respect of enhanced pensions for former employees.

In addition to those contributions, the District Council will pay £75,000 to the Royal County of Berkshire Pension Fund, now administered by the Royal Borough of Windsor & Maidenhead, for enhanced pensions to former employees of the pre-1974 reorganisation authorities.

Additional information regarding the Oxfordshire County Council Pension Fund can be found in note 34 to the Balance Sheet, on pages 32 to 34.

7. Building Control Trading Account

The Building Control (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function – "details of scheme for setting charges". However, certain activities performed by the Building Control Unit do not result in a charge, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Building Regulations - Charging Account 2006/07

	Chargeable 2006/07 £	Non Chargeable 2006/07 £	Total Building Control 2006/07 £
Expenditure			
Employee expenses	356,063	108,779	464,842
Transport	21,522	6,429	27,951
Supplies and services	60,952	16,025	76,977
Central and support service charges	103,732	30,985	134,717
Capital financing charges	6,566	1,962	8,528
TOTAL EXPENDITURE	548,835	164,180	713,015
Income			
Building regulations charges	(604,660)	0	(604,660)
Miscellaneous income	(1,378)	(412)	(1,790)
TOTAL INCOME	(606,038)	(412)	(606,450)
Deficit/(Surplus) for Year	(57,203)	163,768	106,565
3 year summary			
2006/07 deficit/(surplus)	(57,203)		
2005/06 deficit/(surplus)	(25,858)		
2004/05 deficit/(surplus)	23,415		
Total deficit/(surplus) over last 3 years	(59,646)		

The surplus of £57,203 at 31 March 2007 has been transferred to an earmarked reserve. This reserve will be used specifically for the future maintenance and enhancement of the Building Control Service.

The cumulative surplus at 31 March 2007 stands at £153,000. The intention is to reduce this surplus over the next three years and there after breakeven on the service.

8. Contributions to/from Earmarked Reserves through the Revenue Account

To	£'000	£'000
Building Regulations Trading Fund	57	
Contingency Fund	149	
Election Equalisation Fund	16	
Local Development Framework Fund	80	
Rent Advance Scheme Fund	13	
Self insurance fund	30	345
From		
Capacity Fund	(75)	
Contingency Fund	(735)	
Legal Fund	(32)	
Local Development Framework Fund	(35)	
Redundancy Fund	(66)	
Rent Deposit Guarantee Scheme	(13)	
Reservoir Fund	(100)	
Self insurance fund	(21)	(1,077)
Net use of Reserves		(732)

9. Officers' Emoluments

The numbers of employees whose total remuneration exceeded £50,000 in the financial year are as detailed below:

Remuneration Band	2005/06	2006/07
£50,000 - £59,999	4	8
£60,000 - £69,999	2	0
£70,000 - £79,999	1	1
£80,000 - £89,999	0	1
£90,000 - £99,999	1	0
£100,000 - £109,999	0	1

10. Operating Leases

The Council uses operating leases on a fairly limited basis. The majority of the expenditure is on the Authority's Automatic Public Conveniences (£49,600), the remainder on office equipment. The amount paid under these arrangements in 2006/07 was £53,463 (2005/06 £49,042).

The Council is committed to making payments of £53,024 under these leases in 2007/2008. The leases will expire over the next five years, as follows:

Leases expiring in 2007/08	£	0
Leases expiring between 2008/09 and 2012/13		2,942
Leases expiring after 2012/13		50,082
		<u>53,024</u>

11. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Related parties include:

Central Government

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

Precepts

Precept transactions in relation to Oxfordshire County Council, Thames Valley Police Authority and the various Town and Parish Councils, are shown within a note to the Collection Fund.

Other local authorities

Payments to Oxfordshire County Council and the Royal Borough of Windsor and Maidenhead for pension costs are included in note 6 to the Income and Expenditure Account.

Members of the Council

Members have direct control over the Council's financial and operating policies. During the year no Members have undertaken any declarable, material transactions with the Council. Details of any transactions (if they exist) are recorded in the register of Members' Interests, open to public inspection at the Council's offices. This is in addition to a specific declaration obtained in respect of Related Party Transactions.

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

Officers of the Council

Officers are only required to be disclosed as related parties when they have been involved in material transactions. During the year, no officers have declared any material transactions.

Other organisations

The Council awards grants to support a number of voluntary or charitable bodies and individuals. It does not attempt to exert control through this.

12. Trading Operations

The Council has adopted an Investment Policy for its funds that are surplus to operational needs. Some are held as cash and accessible at short notice whilst some have been invested in property for which rents are received. A property trading statement for the year is shown on page 39. The interest received and the surplus on property investments is carried to the Income and Expenditure Account below the net cost of services.

13. Local Authority (Goods & Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. In 2006/07, goods and services falling within the scope of this Act consisted of:

DSO services to SODC and Parish Councils – emptying of septic tanks, blocked drains and other minor works. – Value in Year £140,000

CCTV services to SODC – Value in Year £166,000

Grounds Maintenance work for Abingdon Town Council and Vale Housing Association. – Value in Year £16,000

Conveyancing services for Vale Housing Association – Value in Year £6,000

The total value of work is deemed to be insignificant relative to the total budget of the Council. The Council does not make a profit in providing these services. The provision of these services to other public bodies helps to provide an economically viable service and promotes partnership workings with year nearest neighbours. All of the costs are recovered.

14. Audit Costs

During the year the Vale of White Horse District Council incurred the following fees relating to external audit and inspection:-

	2006/07
	£
Fees payable to the Audit Commission with regard to external audit services carried out by the Appointed Auditor	87,500
Fees payable to the Audit Commission for certification of grant claims	29,027
Fees paid to the Audit Commission in respect of statutory inspection	6,000
Fees paid to the Audit Commission in respect of Housing Focus Groups	3,120

	125,647

These costs are accounted for within the Income and Expenditure Account.

15. Members' Allowances

During 2006/07 the total sum paid to members in respect of basic and special responsibility allowances was as follows:-

Type of Allowance	2005/06 £	2006/07 £
Basic Allowance	176,463	182,735
Special Responsibility Allowance	<u>121,237</u>	<u>124,616</u>
Total	<u>297,700</u>	<u>307,351</u>

These costs are accounted for within the Income and Expenditure Account.

NOTES TO THE CORE FINANCIAL STATEMENTS - BALANCE SHEET

16. Fixed Assets

All of the Council's property assets are in a rolling programme to revalue them all over 5 years, using in-house expertise in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors (RICS). The basis used is Open Market Value, Existing Use Value (for properties used by the Council) or Depreciated Replacement Cost (for specialised buildings where there is no market) as appropriate. Community Assets (parks, open spaces etc) are included at historic cost, and vehicles, plant and equipment are included at purchase price less depreciation. For the 2006/07 accounts a de minimis level of £25,000 has been used for land and buildings, and £10,000 for new vehicles, plant and equipment.

The fixed assets include:

	31/3/2007 (Numbers)
Council Offices, Abingdon	1
Local Services Point, Wantage	1
Leisure Centres* and outdoor sports facilities, Abingdon, Faringdon & Wantage	5
Public Halls, Abingdon, Faringdon & Wantage	3
Houses used for temporary accommodation, Abingdon, Faringdon & Wantage	12
Community Centres, Abingdon, Botley	5
Off-street Car Parks, Abingdon, Faringdon & Wantage	10
Mobile Home Parks, Radley	2
Multi-storey Car Park, Abingdon	1
Public Conveniences, Abingdon, Botley, Faringdon & Wantage	4
Properties/sites held for investment see page 38	13
Properties/sites held for development**, Abingdon	1
Agricultural land, let	1
Recreation Grounds and open spaces, throughout the Vale	11

*The Leisure Centres at Wantage and Faringdon are attached to educational establishments run by Oxfordshire County Council and the District Council does not own the land. This line also includes Abingdon open-air pool.

**During the year a site held for development in Challow (previously used as a depot) was sold.

17. Capital Expenditure 2006/07 and how funded

	2005/06 £'000	2006/07 £'000
Expenditure		

Land & Buildings	91	484
Plant & Equipment	234	250
Community Assets	67	546
Infrastructure Assets	14	25
Non-Operational Assets	6,019	271
Intangible assets	267	63
Deferred Charges	851	1,330
	<u>7,543</u>	<u>2,969</u>
Financed from		
Capital Receipts	6,691	1,939
Revenue		250
Government Grants	718	480
Heritage lottery fund	21	119
Other Contributions	113	181
	<u>7,543</u>	<u>2,969</u>

18. Movement of Fixed Assets 2006/07

<u>Operational Assets</u>	Land & Buildings £'000	Infra-structure £'000	Vehicles & Plant £'000	Community Assets £'000	Total £'000
Certified value at 31 March 2006	39,456	65	1,692	719	41,932
Accumulated depreciation and impairment.	(1,633)	(16)	(748)	0	(2,397)
Net book value at 31 March 2006	37,823	49	944	719	39,535
Additional Expenditure	483	25	249	546	1,303
Revaluations and Restatements	1,447	0	0	(30)	1,417
Depreciation in year	(918)	(7)	(291)	0	(1,216)
Value at 31 March 2007	38,835	67	902	1,235	41,039

<u>Non-Operational Assets</u>	Investment properties £'000	Surplus held for disposal £'000	Total £'000
Net book value at 31 March 2006	30,418	3,350	33,768
Additional Expenditure	170	102	272
Disposals		(970)	(970)
Revaluations and Restatements	6,057	1,018	7,075
Value at 31 March 2007	36,645	3,500	40,145

<u>Intangible Assets</u>	Software licences £'000	Flood prevention works £'000	Total £'000
Balance 1 April 2006	775	92	867
Transfer between categories	0	0	0

Additional Expenditure	63	30	93
Disposals	0	0	0
Revaluations and Restatements	0	0	0
Depreciation in year	(329)	(21)	(350)
Value at 31 March 2007	509	101	610

19. Long Term Debtors This represents outstanding loan advances granted by the Authority.

	Mortgage Advances		Other Advances		Total
	Private Sector	Former Council Tenants	Community Projects	Car Loans	
	£'000	£'000	£'000	£'000	£'000
Balance at 1.4.06	16	69	20	92	197
New Advances	0	0	0	23	23
Repayments	0	(27)	(8)	(39)	(74)
Balance at 31.3.07	16	42	12	76	146

20. Stocks and Work in Progress

	31.3.06 £'000	31.3.07 £'000
Stocks	18	19
Work in Progress	234	88
	<u>252</u>	<u>107</u>

Stock held on 31 March 2007 related to ICT consumable items, green waste sacks, stationery, postage stamps and some goods for resale held at the Guildhall and Civic Hall. Work in Progress is preliminary work on capital schemes where there is no asset yet nor firm commitment to one.

21. Debtors can be classified as follows:

	31.3.06 £'000	31.3.07 £'000
Council Tax payers	1,307	1,690
Business Rate payers	795	1,285
Investment Interest	187	97
Public Authorities	147	707
Government Depts	1,774	2,287
Other	1,480	1,591
Payments in Advance	56	68
Gross Debtors	<u>5,746</u>	<u>7,725</u>
Less provision for bad or doubtful debts:		
Council Tax Payers	(430)	(632)
Non-Domestic Rate Payers	(155)	(390)
Sundry Debtors	(298)	(315)
Housing Rents	(26)	(37)
Net Debtors	<u>4,837</u>	<u>6,351</u>

22. Temporary Investments

With Fund Manager		
Investec Asset	Managed	Total

	Management £'000	In-house £'000	£'000
Opening balance 1.4.06	15,755	5,780	21,535
Previous year interest	0	187	187
Additional funds invested	0	163,120	163,120
Funds repaid	0	(164,500)	(164,500)
Interest earned in year	776	583	1,359
Interest actually received	(29)	(671)	(700)
Change in capital value	(122)	0	(122)
Accrued interest at year end [included in debtors]	0	(98)	(98)
Closing balance 31.3.07	16,380	4,401	20,781

Investment income due to the Authority has been included in the Income and Expenditure Account on page 16 and in Note 21 - Debtors above.

Investments managed by the Fund Manager comprise cash deposits and gilts that can be recalled at short notice. There may also be unrealised changes in capital value at the year-end. The Fund Manager may have some long-term investments in their normal course of business.

23. Creditors can be classified as follows:

	31.3.06 £'000	31.3.07 £'000
Public Authorities	270	13
Council Tax payers	117	136
Business Rate payers	1,898	1351
Royal Berkshire Pension Fund	87	75
Other Creditors	2,561	2,760
Government departments	0	12
Income in Advance	4,338	4,613
	<u>9,271</u>	<u>8,960</u>

24. Fixed Asset Restatement Account

	2005/06 £'000	2006/07 £'000
Balance brought forward	21,059	25,839
Upwards revaluations	6,575	11,230
Less:		
Downwards revaluations	(1,220)	(2,738)
Disposals	(575)	(970)
	<u>25,839</u>	<u>33,361</u>

25. Capital Financing Account

	2005/06 £'000	2006/07 £'000
Balance brought forward	39,231	44,418
plus Capital Financing in year:		
Capital receipts	6,691	1,939
Revenue		250
plus grants and contributions written down	331	372
less:		
Write down of deferred charges	(512)	(910)
Depreciation in year	(1,323)	(1,545)
Balance carried forward	<u>44,418</u>	<u>44,524</u>

Following the implementation of ACOP there are two classes of reserve, cash-backed and non cash-backed. The two reserves that were created as a recommendation of ACOP, namely the fixed asset restatement reserve and the capital financing reserve, are both non cash-backed and therefore do not

represent money available to the Authority for the financing of capital expenditure. The Fixed Asset Restatement Account arises from the change in the nature of the value of the Authority's assets from historical to current value. In order to balance the statement upon this transition the difference between the old value and the new was written to this new reserve. Future adjustments relating to the revaluation of assets are also reflected in this account. The Capital Financing Account is used to reflect the use of available resources in financing the capital expenditure programme.

26. Capital Receipts Reserve

	2005/06 £'000	2006/07 £'000
Balance brought forward	21,047	14,784
Movements in the year		
Sale of assets	471	1,134
Financing capital expenditure	(6,691)	(1,939)
Pooling Adjustment	(43)	(8)
Net increase/(decrease)	<u>(6,263)</u>	<u>(813)</u>
Balance carried forward	<u>14,784</u>	<u>13,971</u>

27. Capital Grants Deferred Account

	2005/06		2006/07	
	£'000	£'000	£'000	£'000
Balance b/fwd		3,838		3,916
Received in year		<u>409</u>		<u>383</u>
		4,247		4,299
Written off to CFA in year:				
through service revenue accounts		<u>(331)</u>		<u>(372)</u>
Balance c/fwd		<u>3,916</u>		<u>3,927</u>

Note: this account represents grants and contributions received towards various capital projects. The assets are recorded at gross value and the grant is written to the Capital Financing Account to reflect the contribution. Where the asset is depreciated the grant is written to the relevant service revenue account in proportion to the depreciation, and then reversed through the Statement of Movement on the General Fund Balance so that it has no impact on the amount to be met from council tax.

28. Earmarked Reserves

	Balance 31.3.06 £'000	Contributions to Funds £'000	Use of Funds £'000	Balance 31.3.07 £'000
From Revenue Balances				
Building Regulations Trading	96	57		153
Capacity Fund	75		(75)	0
DSO Vehicle Replacement	50			50
Contingency Fund	735	149	(735)	149
Election Equalisation Fund	87	16		103
Legal Reserve	32		(32)	0
Local Development Framework Fund	100	80	(35)	145
Redundancy Fund	66		(66)	0
Rent Deposit Guarantee Scheme	24		(12)	12
Rent Advance Scheme Fund	0	13		13
Reservoir Fund	250		(100)	150
Self-Insurance Fund	67	30	(21)	76
Superannuation (Revaluation)	205			205
Classified as assets - sub-total	1,787	345	(1,076)	1,056
From External Contributions				
Affordable housing, commuted sums	250		(118)	132
Developers' contributions	796	238	(181)	853
Government Grants	453	259	(242)	470
Classified as liabilities* - sub-total	1,499	497	(541)	1,455
Total Funds & Reserves	3,286	842	(1,617)	2,511

* To comply with the SORP, contributions from developers towards future services, such as grounds maintenance, or to capital works have been classified as liabilities in the balance sheet (creditors) until the work is carried out. The Council does not expect to have to repay any of these sums.

29. At the end of 1995/96 a sum of £100,000 was transferred from General Fund balances to establish a self-insurance reserve. Charges are made to cost centres in lieu of premiums and certain claims (mainly agreed excesses) are met from the Fund.

This reserve is to cover the following:

Risk	Limit – up to £:
Employer's Liability	5,000
Fire and Perils (property)	5,000
Vehicles - accidental damage	No limit
Theft (property)	5,000
Public Liability	5,000
Officials Indemnity	5,000
Libel and Slander	5,000
Fidelity Guarantee	5,000
Land Charges	5,000
Personal Accident	5,000
Professional Negligence	2,500
Cash in Transit	No Limit
Misc. Equipment at request of Departments	No Limit

Claims above these limits are met by insurance companies.

Movement of the Insurance Fund during the year:

Balance brought forward 1.4.2006	£'000 (67)
----------------------------------	---------------

Claims met during the year	21
Internal premiums received	<u>(30)</u>
Balance carried forward 31.3.2007	<u>(76)</u>

30. Revenue Balances

The analysis of revenue balances at 31 March 2007 is as follows:

	31.3.06 £'000	31.3.07 £'000
Collection Fund	31	(80)
General Fund	<u>724</u>	<u>1,844</u>
	<u>755</u>	<u>1,764</u>

31. Contingent Liabilities

There are no known Contingent Liabilities for the year ended 31 March 2007.

32. Significant Commitments under Capital Contracts

At the year-end the Council was engaged in a small number of contracts relating to capital projects, none of them significant.

33. Post-balance sheet events

The Council has entered into a Shared Service Partnership with South Oxfordshire District Council covering Internal Audit effective from 1 April 2007, and Accountancy to be effective sometime during the summer of 2007. The Council remains statutorily responsible for these services. This is deemed to be a non adjusting event.

34. Oxfordshire County Council Pension Fund FRS 17 disclosures

In accordance with Financial Reporting Standard 17 – Retirement Benefits (FRS 17), the Vale of White Horse District Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

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

The most recent valuation was carried out as at 31 March 2004, and has been updated by independent actuaries to the Oxfordshire County Council Pension Fund (the Fund) to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31 March 2007. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

Vale of White Horse District Council's contribution rate over the accounting period was 290% of members' contributions. The contribution rates certified for VWHDC at the 31 March 2004 valuation are as follows:-

April 2004 to March 2005	244% of members' contributions
April 2005 to March 2006	265% of members' contributions
April 2006 to March 2007	290% of members' contributions
April 2007 to March 2008	310% of members' contributions

These figures include the past service element of the contribution rate.

Assumptions

The main assumptions used for the purpose of FRS17 are as follows:-

	31 March 2006	31 March 2007
Discount Rate	4.9% pa	5.3% pa
Rate of increase in salaries	4.5% pa	4.7% pa
Rate of increase in pensions in payment	3.0% pa	3.2% pa
Rate of increase in deferred pensions	3.0% pa	3.2% pa
Rate of inflation	3.0% pa	3.2% pa
Long-term expected rates of return on:-		
Equities	7.3% pa	7.7% pa
Government Bonds	4.3% pa	4.7% pa
Corporate Bonds	4.9% pa	5.3% pa
Property	6.3% pa	6.7% pa
Other Assets	4.6% pa	5.6% pa
Average long term expected rate of return	6.7% pa	7.1% pa

Position in the Fund

Assets are valued at fair value, principally market value for investments. The proportion of total assets held in each asset type by the Fund as a whole are as follows:

	31 March 2006	31 March 2007
Equities	73%	72%
Government Bonds	9%	10%
Corporate Bonds	5%	5%
Property	6%	7%
Other	7%	6%

The following amounts, needed for reconciliation to the Balance Sheet, were measured in accordance with the requirements of FRS17:

	31 March 2006	31 March 2007
	£m	£m
Share of Assets	38.32	38.98
Estimated Funded Liabilities	(53.88)	(54.54)
Estimated Unfunded Liabilities	(2.28)	(2.31)
Vale of White Horse DC's Deficit	(17.84)	(17.87)

The movement in net deficit for the year to 31 March 2007 is as follows:

	£m
Net deficit at beginning of year	(17.84)
Contributions paid	1.42
Contributions towards unfunded liabilities	0.00
Current Service Costs	(1.32)
Past Service Costs	(0.09)
Gain/Loss on Curtailments	0.09
Expected return on pension fund assets	2.45
Interest on pension scheme liabilities	(2.69)
Actuarial Gain (loss)	<u>0.11</u>
Net Deficit at end of year	<u>(17.87)</u>

The actuarial gain (loss) can be further analysed as follows:

	Amount (£m)	Percentage
Actuarial return less expected return on assets	0.14	0.4 % of scheme assets
Experience gains and losses on pension liabilities	(0.13)	(0.2) % of scheme liabilities
Changes in assumptions underlying the present value of pension liabilities	0.10	0.2 % of scheme liabilities

Total actuarial gain (loss)

0.11 0.2 % of scheme liabilities

35. Group Accounts

The 2006 SORP introduces a requirement to produce Group Accounts within the Annual Statement of Accounts. If the Council has access to benefits or is exposed to the risk of potential loss of another body; or controls the majority of equity capital, voting rights, rights to appoint the board, or exercises a dominant influence over an organisation, then there is a requirement to produce Group Accounts.

The Council has no material influence, benefit, exposure or rights over any other outside organisation and therefore no Group Accounts have been produced for 2006/07.

The Council makes substantial grants to various bodies but the grants do not provide the Council with any controlling influence over the body or expose the Council to any potential loss.

The Council appoints Members to a variety of different outside organisations, but these appointees do not have a majority controlling influence within these organisations.

The Council has no wholly owned or partially owned subsidiaries or joint ventures.

In the past the Council has set up two companies to manage the common parts of properties where it has sold off long leases but retained the freeholds. These are:

Wootton Road Flat Management Co. Ltd. And,

Reynolds Way Flat Management Co. Ltd.

The Council provides the company officers and the only shareholders are the respective tenants. The intention was that the companies (i.e. the tenants) would assume responsibility for managing the common parts and meet the costs. This has not happened and the Council currently manages the common parts and recharges the tenants through service charges in accordance with their leases.

These companies currently have no assets or liabilities and are "dormant".

NOTES TO THE CORE FINANCIAL STATEMENTS – CASH FLOW STATEMENT

36. Movement in Cash

	Balance at 01/04/06 £'000	Balance at 31/03/07 £'000	Movements in year £'000
Cash in hand	136	558	422

37. Reconciliation of Net Revenue Surplus to Cash Flow from Revenue Activities

	£'000
Increase in General Fund Balance in year	1,120
Decrease in Collection Fund Balance in year	(1,012)
less surplus on trading account	1,853
Movement in balances	<u>1,961</u>
Plus:	
Contributions to Reserves	(732)
Contribution from investments	1,229
Movement in working capital	(1,978)
Net cash flow from revenue activities	<u><u>480</u></u>

38. Analysis of Government Grants (actual cash received)

	£'000
Housing Benefits Rent Allowance	14,190
Community Strategy	131
Fraud Incentive Scheme	1,042
Council Tax Benefit	3,850
NNDR Cost of Collection	185
Private Sector Grants	592
Recycling Grants	101
Planning Delivery Grant	259
Council Tax Admin Grant	664
Homelessness	36
Renovation/Disabled Grants	423
Implementation of the Health Act 2006	10
Part 2A Contaminated Land	1
Local Authority Business Growth Incentive	787
Total Revenue Grants received	<u><u>22,271</u></u>

COLLECTION FUND 2006/07

Income and Expenditure Account

2005/06

£'000	Income	£'000	£'000
(54,111)	Council Tax Payers		(57,021)
	Transfers from General Fund		
(4,061)	Council Tax Benefits		(3,800)
(50,300)	Income from Business Ratepayers		(50,824)
	Adjustments		
(2)	Council Tax Transitional Reduction Scheme grant		(4)
<u>(108,474)</u>	Total Income		<u>(111,649)</u>
	Expenditure		
	Precepts		
45,446	- Oxfordshire County Council	48,087	
5,938	- Thames Valley Police Authority	6,320	
6,285	- Vale of White Horse D C (inc. Parishes)	<u>6,738</u>	61,145
	Business Rates		
50,114	- Payment to National Pool	50,639	
186	- Cost of Collection	<u>185</u>	50,824
141	Provision for bad debts – Council Tax		243
	Contribution towards previous year's estimated Collection Fund surplus		
(27)	- Previous years estimated surplus on CT OCC	354	
(4)	- Previous years estimated surplus on CT TVPA	46	
(4)	- Previous years estimated surplus on CT VWHDC	49	449
<u>108,075</u>	Total Expenditure		<u>112,661</u>
(399)	(Surplus)/deficit for the year		1,012
111	Balance on the Collection Fund brought forward		(288)
<u>(288)</u>	Balance on the Collection Fund carried forward		<u>724</u>

There has been a material change from a surplus on this account to a deficit. Reasons for this change are a large increase in the single persons discount provision, a more prudent provision for bad debts and a smaller increase in the tax base than anticipated.

NOTES TO THE COLLECTION FUND

1. Any surplus or deficit in respect of council tax at the year end is, during the next year, apportioned between the Council, Oxfordshire County Council and the Thames Valley Police Authority in proportion to their precepts in the year the surplus or deficit occurred.

The following amounts are included within debtors/creditors in respect of the share of the deficit /(surplus) due to the major precepting authorities:-

2005/06 £'000		2006/07 £'000
(227)	Oxfordshire County Council	569
(30)	Thames Valley Police Authority	75
(257)	Debtors/Creditors	644

(31) The Balance appears in the Council's reserves 80

2. The total non-domestic rateable value at the 31st March 2007 was £132,769,987. The standard non domestic rate multiplier for 2006/07 was 43.3 pence in the pound. The small business non domestic rate multiplier was 42.6 pence in the pound.
3. The number of chargeable dwellings in each Council Tax Band after adjustment for exemption, discounts etc:

	No of Properties	Weighting	Band D Equivalent
Band A	1,207	6/9	805
Band B	3,844	7/9	2,990
Band C	12,421	8/9	11,041
Band D	10,075	1	10,075
Band E	7,477	11/9	9,139
Band F	4,357	13/9	6,294
Band G	3,463	15/9	5,772
Band H	336	2	672
	<u>43,180</u>		<u>46,788</u>

Class O exempt properties	1,041
Year end adjustment, appeals and losses on collection	<u>(159)</u>
Council Tax Base (properties)	<u>47,670</u>

i.e. a levy of £1 would raise £47,670

4. Precepts payable to parishes in 2006/07 amounted to £2,103,741 (2005/06 £1,930,246). Parish precepts are minor precepts and are deemed to be part of the precept levied on the Collection Fund by the District Council.
5. **The average band D Council Tax for the year was made up as follows:-**

	2005/06 £	2006/07 £
Oxfordshire County Council	966.46	1,008.75
Vale of White Horse District Council	92.60	97.22
Thames Valley Police Authority	<u>126.28</u>	<u>132.58</u>
	1,185.34	1,238.55
Parish Council (Average)	<u>41.05</u>	<u>44.13</u>
	<u>1,226.39</u>	<u>1,282.68</u>

STATEMENT OF TOTAL MOVEMENT IN RESERVES

	Fixed Asset Restatement Account £'000	Capital Financing Account £'000	Capital Receipts Reserve £'000	Earmarked Reserves £'000	Pension Reserve - revenue £'000	General Fund - revenue £'000	Collection Fund - revenue £'000	TOTAL £'000
Balance as at 1.4.2006	(25,839)	(44,418)	(14,784)	(1,787)	17,845	(724)	(31)	(69,738)
Net (Surplus)/Deficit for year		2,455				(1,120)	111	1,446
Contributions			(1,134)	(345)	(1,420)			(2,899)
Unrealised (gains) /losses from revaluation of fixed assets	(8,492)							(8,492)
Disposals of fixed assets:	970							970
Use of funds				1,076	1,450			2,526
Financing of fixed assets (see notes)		(2,561)	1,947					(614)
Balance as at 31.3.2007	(33,361)	(44,524)	(13,971)	(1,056)	17,875	(1,844)	80	(76,801)

**TRADING STATEMENT FOR INVESTMENT PROPERTIES
2006/07**

2005/06 £'000 Total	2006/07 £'000 West Way, Botley	2006/07 £'000 Other properties*
Income		
(1,743)		
	Rent due	(607)
(4)		(1,240)
	Interest on cash held	
Expenditure		
32		
	Non-recoverable expenses	8
(1,715)	(599)	19
Surplus in year		
		(1,221)
Total Surplus from investment property		
		(1,820)
	Surplus from developing plots at mobile home parks	(33)
	Total surplus from trading shown on Income & Expenditure Account	(1,853)

Note: West Way Shopping Centre, in Botley, was acquired as an investment by the Council at the beginning of June 2000. It is managed by agents. Most of the costs of operating the Centre are recharged to the tenants. The Council's operating expenses consist of the upkeep of common parts or are due to vacant property. Also included are fees for rent review negotiations.

**Other investment properties" covers the following:

Bury Street precinct, Abingdon	site only, shops owned by tenant
Charter Complex, Abingdon	offices and day centre
Emcor House, Hatfield	offices acquired in year
3 & 3a Reynolds Way, Abingdon	shop and flat
Napier Court, Abingdon	offices
Old Abbey House, Abingdon	offices
Old Magistrates Court, Abingdon	offices
8 & 9 The Parade, Canterbury	shop units
Telfer House, Range Road, Witney	offices
Upper Reaches Hotel site, Abingdon	hotel site

The following report is the previous year's updated. To be confirmed by auditor.

Independent auditor's report to the Members of Vale of White Horse District Council

Opinion on the financial statements

I have audited the financial statements of Vale of White Horse District Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, the Collection Fund, the Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Vale of White Horse District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance, 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- *certifying that I have done so;*
- *stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and*
- *where relevant, making any recommendations under section 7 of the Local Government Act 1999.*

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Vale of White Horse District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007

Best Value Performance Plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 on 31 December 2006. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

EXPLANATION OF FINANCIAL TERMS

ACOP – Accounting Code of Practice

ACCRUAL - An amount included in the accounts to cover income or expenditure for goods and services received within the accounting period but for which payment has not been received/made.

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

CAPITAL FINANCING - Assembling the money to pay for capital expenditure. The majority

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

CAPITAL RECEIPTS - Proceeds from the sale of an asset, e.g. land, buildings, equipment, vehicles.

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

CONTINGENT LIABILITY – A potential liability that has arisen from past events. It will be confirmed by the occurrence of an event in the future that is not wholly within the Council's control.

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

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

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

DEBT REDEMPTION - The repayment of loans raised to finance capital expenditure.

DEFERRED CHARGES - A deferred charge arises where capital expenditure has been incurred but there is no tangible asset. A good example is house renovation grants. Since there are no long-term economic benefits in the control of the Council, these are written off to revenue in the year incurred and no longer feature as assets in the balance sheet. See Intangible Fixed Assets.

DIRECT REVENUE FINANCING - The financing of capital expenditure from the current year's revenue income.

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

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

FRS 17 – Financial Reporting Standard 17 requires the Authority to account for assets and liabilities in the pension fund administered by Oxfordshire County Council but relating to this authority, in the accounts of this authority.

GENERAL FUND - The main revenue account of the Authority incorporating all those services that make up the cost of the Council Tax.

HOUSING REVENUE ACCOUNT - The main revenue account dealing with the Authority's housing activities with its tenants. This Authority no longer owns any housing stock and this

was closed with the permission of the Department of the Environment on 31 March 1995.

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

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

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.

SSAP – Statement of Standard Accounting Practice

SORP – Statement of Recommended Practice. Part of the accounting standards

TRADING ACCOUNT – A method of matching income and expenditure for a particular activity or group of activities. An example of this is Building Control.

EXPLANATION OF FUNDS AND RESERVES

The purpose of each of the Council's earmarked funds and reserves is explained below. Funds which are specifically capital funds are noted as such.

AFFORDABLE HOUSING, COMMUTED SUMS – Funds received from developers, who are unable to meet their obligations to provide affordable housing, which will be used to support local housing associations to provide instead.

CAPACITY FUND – Resources to provide additional support to service areas facing exceptional change or development which cannot be managed within existing resources.

CONTINGENCY FUND – The funding of planned but unallocated contingency cost centre budget items across the medium term e.g. estimated future year pay awards.

DSO REPLACEMENT VEHICLE RESERVE – This is to provide resources for the future purchases of vehicles and plant used by the Council's DSO.

ELECTION EQUALISATION FUND – To even out the expenditure peaks and troughs created by Council elections being held every 4 years.

IEG (Implementing Electronic Government) GRANT FUND (CAPITAL) – Grant received from the Government for the programmed funding of projects over the medium term associated with Introducing Electronic Government.

LEGAL RESERVE – To meet sudden and unexpected legal costs e.g. specialist counsel opinion.

LOCAL DEVELOPMENT FRAMEWORK – To even out the expenditure peaks and troughs created by the work involved in producing the Local Plan which is the framework against which planning applications will be judged.

LOTTERY AND OTHER GRANTS SUPPORT FUND (CAPITAL) – The funding of projects which have also attracted grants from the national Heritage Lottery Fund or require match funding to attract other external funding.

PLANNING DELIVERY – Grant received from the ODPM which will be used to improve the performance of the Council's Planning service.

PRIVATE ESTATES FUND – Payments by developers to meet the future maintenance costs of open spaces or similar that they are required to provide as part of a new residential development and then convey to the Council.

REDUNDANCY FUND – Resources to meet the cost of redundancy payments to staff, should they arise.

RENT ADVANCE SCHEME FUND – Resources to provide an advance for so that they are able to rent accommodation until they receive their housing benefit payments.

RENT DEPOSIT GUARANTEE FUND – Resources to provide a bond for private tenants on low income who otherwise could not raise a deposit to rent accommodation.

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

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

SUPERANNUATION FUND – Resources to meet increases in the cost of employer pension contributions arising from the 3-yearly revaluation of the fund.