

To: Audit & Governance Committee

Date: 23 September 2010

Item No: 3

Report of: Head of Finance

Title of Report: Statement of Accounts

Summary and Recommendations

Purpose of report: To submit the Audit Commission's Annual Governance Report and conclusions of the audit of accounts

Report Approved by:

Finance: Sarah Fogden/Penny Gardner

Legal: Jeremy Thomas

Policy Framework:

Recommendation(s):

Audit & Governance Committee is recommended to :

- a) note the Audit Commission's report and;
- b) approve and authorise the appropriate Director of the Council and Chair of the Committee to sign the audited 2009/10 Statement of Accounts, Letter of Representation and enable the opinion to be issued.

1. On June 28th the draft 2009/10 financial statements were approved for audit by this Committee.
2. The audit of these statements is now substantially complete (the auditors are still carrying out some final testing). The auditor has, in line with the Code of Practice, issued a draft report on the outcome of the audit. This is the Annual Governance Report and appears at Item 4 on the agenda.
3. A revised set of accounts are attached at Appendix A that incorporate the adjustments required as a consequence of the audit to date. Any further changes that are required as a result of the Commission's residual work will be reported at the meeting on the 23rd September. The attached Statement at Appendix A includes adjustments for the following items;
 - A material amendment to depreciation, as some of the assets Useful Economic Lives were stored incorrectly on our asset register, resulting in over-depreciation.

- Some minor presentational errors.
- Some immaterial changes to the Collection Fund Reserve, Financial Instruments and Cash Flow.
- Post Balance Sheet Events
 - 1) Pensions – a note has been added to explain the change in our liability following the change from Retail Price Index to Consumer Price Index.
 - 2) Financial Instruments - CIPFA have issued a revised Local Authority Accounting Practice bulletin 82 in relation to the Icelandic Banks. We have not adjusted our statements for this as the resulting change was trivial (less than £700).

The above changes are all explained in greater detail at Appendix B.

4. The Annual Governance Report also summarises the work of the auditors in determining the Value for Money opinion.
5. The outcome of the report is that the auditor expects to issue an unqualified opinion on the financial statements and an unqualified opinion on Value for Money.
6. In May 2010 the Coalition Government announced the abolition of Comprehensive Area Assessment. As a result there is no Use of Resources assessment score this year.
7. Also on the agenda at Item 10 is a draft Letter of Representation which this Committee needs to approve and sign. This deals with the processes and procedures the Council adopts to ensure that it is in compliance with statutory requirements and that it has a sufficiently robust control framework to prevent and detect fraud and irregularities.

8. Recommendations

The Audit & Governance Committee is recommended to :

- a) note the Audit Commission's report and;
- b) approve and authorise the appropriate Director of the Council and Chair of the Committee to sign the audited 2009/10 Statement of Accounts and Letter of Representation and enable the opinion to be issued.

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Background papers: None

Version number: 1

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1. EXPLANATORY FOREWORD

1.1 Introduction

We are pleased to introduce the Council's Statement of Accounts for 2009/10. These accounts set out the financial results of Oxford City Council's activities for the 12 months up to 31 March 2010.

This foreword provides a guide to the most significant matters contained in these accounts, the purpose of the main statements, a summary of the Council's current financial position and the future prospects for the Council.

The accounts have been prepared in accordance with 'The Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice' (SORP).

The Statements

The Statement of Accounts consists of the following:

- The Statement of Responsibilities, setting out the general responsibilities of both the City Council, and of the Section 151 Officer, in making proper financial arrangements and in maintaining financial records.
- The Annual Governance Statement, which sets out the arrangements within the City Council for ensuring that it complies with legal and other standards, and that public money is properly and efficiently used.
- The Statement of Accounting Policies, setting out the detailed rules under which we account for assets, liabilities, income and expenditure.
- The Core Financial Statements incorporating:

The Income and Expenditure Account – This statement summarises the resources generated and consumed in providing all services (including council housing) and managing the Council during the year

The Statement of the Movement on the General Fund Balance – This statement reconciles the Income and Expenditure account with the Council's requirement to raise Council Tax. The Statement of the Movement on 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.

Note of Reconciling Items for the Statement of the Movement on the General Fund Balance – This statement reflects the statutory adjustments required to show spending against Council Tax raised. There is an additional movement to take out the Council Housing movement on balances, leaving just the General Fund.

The Statement of Total Recognised Gains and Losses – This statement brings together all the gains and losses of the Council in the year and shows the aggregate increase in its net worth. The net worth is the movement in the balance sheet reserves between financial years.

The Balance Sheet – This statement shows the fixed and net current assets employed in the Council's operations, together with summarised information showing fixed assets owned by the Council. It also shows the balances and reserves at the Council's disposal, (net worth) and its long term indebtedness, (long term liabilities).

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

Explanatory Notes to the Core Financial Statements – The notes relating to the statements above are detailed after the core statements.

Supplementary Financial Statements comprising:

The Housing Revenue Account and Notes – These statements show the resources generated and consumed in the provision of council housing in the year (the Income and Expenditure Account) and reconcile this to the statutory Housing Revenue Account (the Statement of Movement on the Housing Revenue Account Balance).

The Collection Fund and Notes – These statements show the income and expenditure transactions of the Council in respect of the collection and distribution of Council Tax and Non-Domestic (business) Rates.

The Key Changes from the 2008/09 Statement of Accounts

These accounts differ from those presented in 2008/09 for two main areas, Fixed Assets and Collection Fund. There are Prior Period Adjustments (PPA) to reflect the changes described below. Note 6.1 (page 27) in the Notes to the Statements explains in detail the movement between our published 2008/09 accounts and the Restated figures used in the current statement.

Fixed Assets

The 2008/09 statement was qualified in respect of the reliance that could be placed on fixed asset figures. The authority has invested considerable resource during the year in reconciling the Council's assets and putting in place processes that will maintain records moving forward.

SORP 2009

The main changes in SORP requirements that have affected the accounts are the change to the Collection Fund (accounting for local taxes). The impact of this change is for Income and Expenditure Account and Fund balances in the Balance Sheet to only show the City Council's share of the Collection Fund.

The officers remuneration note is now displayed in bands of £5,000 rather than £10,000 (note 6.5) and the amendment has been made to 2008/09 for comparison purposes.

Disclosures concerning s137 expenditure, expenditure on publicity, the building control account and the Local Authority Goods and Services Act have all been removed.

In addition, the Council has made changes to the treatment of the Icelandic Bank loss and has entered into long term contracts for the provision of ICT and Leisure. The long term contracts are disclosed in a note to the accounts.

Icelandic Banks

The treatment of our deposits in the Icelandic Banks has been updated following the release of LAAP (Local Authority Accounting Panel) Bulletin 85. Impairment recognised in the 2008/09 accounts has been updated for latest guidance. This is explained in more detail later in the foreword.

Revenue Budget and Outturn for 2009/10

General Fund

The Council set a budget for spending on General Fund services of £28.9m to be financed partly from a Government Grant of £3.1m and a share of the National Non-Domestic Rate of £13.5m. Of the remainder £11.8 was to be raised through Council Tax, with £0.5m being taken from balances. The average Council Tax for a Band D property was set at £261.41.

The table below summarises the outturn position in the format we used for 2009/10 internal reporting and as reported to City Executive Board on 9th June 2010. The application of Statutory Accounting entries changes the management figures presented here into the Income & Expenditure Statement (shown later in this document).

Provisional Outturn – General Fund as at 31st March 2010

General Fund Revenue Budgets	Revised Budget £'000	Actual £'000	Variance to Budget £'000
Directorates			
Chief Executive	4,094	4,372	277
City Regeneration	8,228	8,350	122
City Services	8,819	8,551	(268)
Finance & Efficiency	5,313	5,719	406
Recession pressures budget	300	0	(300)
Subtotal Directorates	26,754	26,992	237
Local cost of benefits	(150)	(264)	(114)
Concessionary Fares	2,634	3,310	676
Investment Income	(793)	(426)	367
Severance costs	(268)	0	268
Pay inflation and single status budgets not used	995	0	(995)
LABGI	0	(104)	(104)
Housing & Planning Delivery grant	0	(630)	(630)
Other corporate accounts	540	351	(189)
Subtotal Corporate accounts	2,958	2,237	(721)
Total General Fund Revenue Budget	29,712	29,229	(484)

2009/10 has been a challenging year in terms of balancing the Council's budget. During the year the Council faced £2.5 million of budget pressures, mainly due to the increased costs of the national concessionary fares scheme, reduced investment income and the impact of the recession on income in particular commercial property income and building control fees.

These pressures were partly offset by a below budget pay award, the half year implementation of single status, the use of budget provision for the impact of the recession and anticipated Housing and Planning Delivery Grant. Forecasts for the third quarter predicted an overspend of £0.5 million and services have worked to contain spend within budget.

Projected balances are unchanged from when the 2010/11 budget was set on the basis that further 2009/10 net underspends are moved to an earmarked corporate contingency reserves. Projected General Fund Balances as at 31st March 2010 were £3.3m

Housing Revenue Account**Housing Revenue Account Provisional Outturn as at 31st March 2010**

Income and Expenditure Account	Budget	Actual	Variance
	£'000	£'000	£'000
Income from Rent and Service Charges	(33,688)	(34,077)	(389)
Expenditure of Repairs and Management	18,214	17,943	(271)
Subsidy, finance and appropriations	16,515	16,897	382
Deficit/ (Surplus)	1,041	763	(278)

The HRA budget was set as a deficit budget to allow a revenue contribution to major repairs expenditure. The actual deficit was lower than budgeted due to increased income from a reduction in rent arrears and better recovery of service charges. At the end of the year there was £2m in general HRA balances and £3.1m in the HRA capital financing reserve, set up to fund capital expenditure for the decent homes programme.

Income & Expenditure Account

Tables 5.2 and 5.3 (pages 22 & 23) in the Statement show how the Income & Expenditure account is reconciled back to the use of General Fund Reserves. More detailed information on the year end position was reported to City Executive Board on 9th June 2010.

The Income & Expenditure account reflects the resources generated and consumed during the year. It therefore includes figures for use of capital reflecting depreciation & impairment, and the real cost of the pension fund. These changes are reversed out of the accounts so as to not impact on the level of Council Tax.

A reconciliation of the figures between the Provisional Outturn Report and the Income & Expenditure Statement is shown below.

Reconciliation of Provisional Outturn Report to Income and Expenditure Statement	£'000
<u>Use of Balances</u>	
Provisional Outturn Report - General Fund	(1,051)
Provisional Outturn Report - HRA	(763)
Further movement since Provisional outturn report	(130)
TOTAL	(1,944)
 Final Accounts:	
Income & Expenditure Account	16,504
Statement of Movement on General Fund Balances	(17,531)
Decrease in Balances	(1,027)
Decrease in HRA balances	(917)
Total decrease in Balances	(1,944)

The Income & Expenditure Account at 5.1 (page 21) shows a much lower net cost of services than in 2008/09 (£60m). In 2008/09, the Council had to account for the downturn in the property market and the reduction in the value of the assets. That adjustment, known as impairment, resulted in an increase in Income & Expenditure deficit of £63m. Impairment for 2009/10 is just £4m. The impairment transaction is not allowed to impact on Council Tax, and so the sums are reversed out through the Revaluation Reserve, and written back out of Income & Expenditure via the Statement of Movement on the General Fund Balances.

Other changes to Income & Expenditure are overshadowed by the large impairment. The Council had tendered the provision of ICT and Leisure Services in late 2008/09 and these new contracts are reflected in the accounts. In addition, the Council has a contractual commitment to refurbish and improve Leisure Centres.

Transactions within the Net Operating Expenditure section of the Income & Expenditure Account show the substantial reduction in interest and investment income received. The reduction of £1.8m reflects the lower interest rates through the recession. The return that can be achieved from investments also accounts for the £7.5m charge in respect of expected return on pension assets. This lower return is shown in Table 9.2 (page 65) where the City Council pension deficit is £137m up from £95m in 2008/09. The current year pension deficit is included in Income & Expenditure and reversed out through the Statement of Movement in General Fund Balances so as not to hit Council Tax. The projected deficit will however increase the Council contribution to the Pension Fund at the tri-annual review effective April 2011.

The difference in investment losses reflects the reversal of last year's impairment for losses in the Icelandic bank and the new entries associated with the latest guidance. This is explained in more detail in the material entries paragraph below.

Capital

The Council's capital budget was revised in year to reflect capital commitments from the long term ICT and Leisure contracts and the award of grant funding towards building new Council Houses building. The General Fund spent £8.3m against a revised budget of £10.3m. Key investments were in ICT, Leisure, the rolling programme of vehicle replacement and the Icelandic impairment. The HRA spent £9m against a budget of £12.3m, this was predominantly on the programme of renovations to Council housing to meet the Decent Homes standard by 2011.

The Council has set a Capital Programme of £30m for 2010/11 of which £20m relates to the new Council House building and Decent Homes Standard. Funding comes from government grants of £5m, borrowing of £9m, £5m from the Major Repairs Allowance, £2m from revenue contributions, £1.5m from developer contributions and the balance is from HRA resources set aside as capital receipts and revenue contributions from prior years. The recent Government announcements of cuts to specific grants means that the Council is currently reviewing the capital programme. The Council will prioritise schemes that deliver future revenue savings to help with predicted future revenue shortfalls.

The Capital Programme as forecast relies on 'prudential' borrowing of £9m for 2010-11. The measure of the council's borrowing is the Capital Financing Requirement, this stands at £14.4m as at 31st March 2010 with external borrowing of £6.7m. This is well within the Council's Authorised Limit for borrowing as agreed by Council as part of the Treasury Management Strategy.

Material Entries in the Accounts

The Icelandic bank loss was deferred under Capital Finance Regulations from 2008/09. These accounts now account for part of the loss. The Council had £4.5m invested with the failed Icelandic banks. During the year £1.049m has been repaid by Heritable bank. This payment equates to approximately 35% of our original investment with Heritable. To date we have not received any repayments from Glitnir.

The Council applied for and received a capitalisation approval that allowed the loss on deposits to be charged to capital, this has led to us capitalising £1.944m of the initial investment.

Guidance received to date is indicating that the repayment of the Heritable deposits will continue with an eventual total repayment of approx 85% of the initial deposit by the end of 2012. The guidance also states

that it has yet to be agreed if local authorities are to be treated as preferential creditors and given priority status. If we were to be granted priority status we could expect to see 100% return on our deposit, if we are not this could reduce to approx 29%.

To ensure a consistent and prudent approach we have based our calculations on not being granted priority status and therefore have a further impairment of approx £95k, which has an impact on the Income and Expenditure, but is mitigated by reserves that were put aside in 2008/09 to cover this loss.

As the accounts allow for the worse case scenario, we have disclosed a Contingent Asset should the Council be treated as a preferential creditor.

Major Fixed Asset Changes

Last year, the Council disclosed a contingent liability in respect of the Westgate redevelopment and the acquisition of Albert House. In April 2010, the Council entered a relationship with a new partner, Crown Estates and this has settled all liabilities.

Financial Prospects Looking Forward

The Council's Medium Term Financial Strategy (MTFS) and Corporate Plan sets out the Council's spending priorities and likely resources over the next five years. The Strategy will be updated over the summer.

Looking ahead, the Council faces considerable financial uncertainty with the Government seeking to tackle the public sector deficit and expenditure cuts of 25% to 30% widely predicted. Although the Council has built in a 20% reduction to Formula Grant over the four years starting in 2011/12 of its Medium Term Financial Strategy, it is considered prudent in the light of the increased risk of higher cuts in the short to medium term that the net underspend in 2009/10 is reserved in a corporate contingency fund.

The Government is consulting on the possibility of opting out of the Housing Subsidy System. If this comes to fruition, the Council will need to take on and manage approximately £208m of debt, a substantial change from the £5m of debt held currently.

IFRS

The accounts for 2010/11 will be prepared under IFRS (International Financial Reporting Standards) not UK GAAP (Generally Accepted Accounting Principles) as currently. The main impact on the City Council will be a) the need to account for Leases in a different way, b) accounting for holiday accruals, and c) segmental reporting – although in some way we already do this in the foreword (our internal reporting of figures). We will also need to restate the Balance Sheet in the new format. The extent of the Council's property holdings means that the Lease impact is large. We have prepared for this by holding lease workshops and reviewing the terms & conditions of leases. This preparation work will continue through the Summer.

In Conclusion

We would like to thank Finance staff and services for their work during the year coping with a challenging financial climate and for the work done preparing these final accounts. I hope the information is helpful in allowing you to have a clear understanding of how Council money has been spent.

We've tried hard to put information in as clear a manner as possible, but if you do want to find out more about these accounts you can:

Visit our website and review either the Council's Annual report or the Summary of these Accounts

- Write to the Heads of Service for Finance (Sarah Fogden and Penny Gardner) at sfogden@oxford.gov.uk or pgardner@oxford.gov.uk
- Contact our auditors via a-witty@audit-commission.gov.uk

2. STATEMENT OF ACCOUNTING POLICIES

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position as at the year-end of 31 March 2010. It has been prepared in accordance with the accounts and Audit Regulations 2003, Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice (the SORP). Issued by CIPFA and guidance notes issued by CIPFA on the application of Accounting Standards (SSAP's) and Financial Reporting Standards (FRS's) the accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible assets.

The main changes in the SORP for 2009/10 are listed on pages 2 to 5 of SORP 2009. For Oxford City Council, the relevant changes are:

- Accounting for local taxes, as we act as an agent for the major preceptors, the tax we are collecting on behalf of large preceptors will be shown as an asset/liability in our balance sheet, not accumulated with our own balances as it has been in previous years. This clarifies the situation that the money collected or outstanding is not an asset or liability of Oxford City Council, but of the preceptor. This change requires a Prior Year Adjustment, to the 2008/09 figures to enable comparison.
- Officers remuneration, more detail is provided than in previous years, with exact figures for Directors and the Chief Executive Officer, and bands of just £5,000 instead of £10,000 for all officers earning above £50,000.
- Long term liabilities, any elements relating to a long term liability that are due within 12 months will be moved to short term liabilities.
- Four disclosure notes have been removed from the statements, these are disclosures concerning; section 137 expenditure, expenditure on publicity, the building control account and income under the Local Authority Goods and Services Act.

Estimation Techniques

Estimation techniques are the methods adopted by an authority seeking to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis the amount will be arrived at using an estimation technique.

Except where specified in the 2009 Code of Practice on Local Authority Accounting, or in specific legislative requirements, Oxford City Council has determined the estimation techniques that most closely reflect the economic reality of the transactions or other events to which the relevant accounting policy refers.

2.2 Accruals of Income and Expenditure

We account for activity in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Income and expenditure are credited or debited to the relevant service revenue account, unless they properly represent capital receipts and capital expenditure.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, and where the amounts are significant, they are carried as stocks on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a

debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- There is an exception to the above where we have regular payments of similar amounts for a supply or service, for example, payments for utilities. As long as we have a full twelve months of cost in a financial year, we do not accrue to ensure that we are accounting for the specific months in the financial year, as the amounts are so immaterial it would not represent value for money.

2.3 Provisions

We make Provisions where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For example, the Council may be involved in an insurance case that could eventually result in the making of settlement or the payment of compensation.

We charge Provisions to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are released from the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), we only recognise this as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

2.4 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and they do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

2.5 Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides are for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- Dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- Infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed for the following categories of properties as:

- non-specialised operational properties – existing use value

- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

The Council revalues assets included in the Balance Sheet at current value when there have been material changes in the value, but as a minimum every five years as part of the rolling programme of valuations. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as a result of a valuation exercise, this is accounted for as follows:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise, e.g. where there is a fall in market value – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

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

Depreciation: Depreciation is provided for on all assets with a determinable finite useful life with the exception of non-depreciable land and investment properties. Depreciation is based on the amount at which the asset is included in the balance sheet, whether at net current replacement cost or historic cost.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer.
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- infrastructure – straight-line allocation over a period determined for each class of asset
- Freehold land is not subject to depreciation.

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

2.6 Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) when it will bring benefits to the Council for more than one financial year are amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

2.7 Disposals and Receipts Arising From Sale of Assets

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Where the Authority makes an asset available for sale, the asset should be valued for sale. This will give a revised carrying value. The profit or loss is then calculated with reference to this updated carrying value. The exception to this is the transfer of housing stock to a Housing Association at nil or nominal value which is treated as impairment (see above).

Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Legislation requires capital receipts to be credited to the Usable Capital Receipts Reserve, and they can then only be used for new capital investment. Receipts are appropriated to this Reserve from the Statement of Movement on the General Fund Balance.

Receipts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Useable Capital Receipts reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve from the Statement of Movement on the General Fund Balance.

2.8 Grants and Contributions (Capital)

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

2.9 Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, we recognise government grants and third party contributions and donations as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution, when there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

2.10 Charge to Revenue for Fixed Assets

We debit service revenue accounts, support services and trading accounts with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service.

Where there are Government Grants Deferred (see note 2.8 above), these are released to the revenue accounts as credits, and cancel out the effect of the depreciation in revenue on the specific asset.

Where an impairment that has been charged to a revenue account is reversed, the credit up to the amount of the previous impairments, can be posted against the revenue account. Any credit exceeding this will go to the Revaluation Reserve.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. It would be required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

2.11 Revenue Expenditure Funded From Capital Under Statute

Revenue Expenditure Funded from Capital represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue Expenditure Funded from Capital should be funded from capital resources rather than charged to the relevant service revenue account in the year. Where the Council has determined to meet the cost of the Revenue Expenditure Funded from Capital from existing capital resources, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

2.12 Leases

Finance Lease

The Council accounts for leases as finance leases when substantially all the risk and rewards relating to the leased property transfer to the Council. The asset must then be recognised in the Council's Fixed Assets. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible asset). The liability is written down as the rent becomes payable and
- a finance charge (debited to Net Operating Expenditure in the income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable or receivable on operating leases are charged or credited to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged through revenue when they become payable, or receipted to revenue when they become due.

Where the Council is lessor for an operational lease, the assets remain on the Council's balance sheet (and are subject to revaluation and depreciation as appropriate). Where the Council is the lessee to an operating lease, the asset is not held within the balance sheet, and is not subject to the Councils fixed asset policies.

2.13 Long-term Contracts

Where the Council has entered into contracts that run for longer than one year, they are disclosed as a note to the accounts. Entries are only realised in the balance sheet if the contracts become onerous, in which case the Council would recognise the difference between the fair value of the contract and the actual payments due to be made, effectively creating a Provision.

The Council should take ascertainable turnover and profit while contracts are in progress.

2.14 Debtors and Creditors

Provision is made within the accounts for all goods and services provided to or supplied by the Council by 31 March. Where invoices have not been received or issued by that date accruals are made for the amounts due to creditors and due to be received from debtors.

This also applies where the Council acts as agent, most significantly for Council Tax and NNDR collection. The Council collects all precepts on behalf of the major preceptors, and the deficit or surplus held for the major preceptors will be shown as debtors or creditors balances respectively.

2.15 Stock

Stock is normally valued at the lower of cost or net realisable value where practical. However for small value stocks current purchase price or average cost may be used. This is a departure from the SORP, but the effect is not material to the Council's accounts.

2.16 Work in Progress

Where significant works for other bodies are not fully completed at 31st March, the value carried out at that date is estimated and income is accrued within the appropriate service revenue account.

2.17 Overheads

The costs of overheads and Support Services (for example Information Systems and Financial Services) are charged to individual service revenue accounts that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early, and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, within the Net Cost of Services.

2.18 Pensions

The majority of employees of the Council are members of the Local Government Pension Scheme, which we account for as a defined benefits scheme.

In accordance with FRS17, the liabilities of the Oxfordshire County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate at 31st March 2010 (based on the indicative rate of return on high quality corporate bonds).

We include the assets of the Oxfordshire County Council Pension Fund attributable to the Council in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – average of the bid and offer rates
- property – market value.

The change in the net pensions liability is analysed into eight components:

- **current service cost** – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
- **expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- **gains/losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

- **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- **contributions paid to the Oxfordshire County Council Pension Fund** – the employer's contributions to the pension fund for the financial year.
- **contributions relating to unfunded benefits** - cash paid to pensioners relating to discretionary additional benefits granted by the Council.

Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the Pension Fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

The Council complies with the requirements of FRS17. The current year pension costs are shown within Net Cost of Service, with past year, curtailment and settlement costs included under Other Operating Costs. A transfer to or from the Pension Reserve is made to negate the effects of the pensions adjustments on Council Tax.

2.19 Financial Relationships with Companies and Related Party Interests

The Council is required to prepare Group Accounts where it exercises significant or has the right to exercise dominant influence. Local Authorities have to consider all their interests and where material, in subsidiaries, associates and joint ventures include the value of the interest in Group Accounts. The Council has reviewed all such interests and determined it has no material interests and therefore has no requirement to produce Group Accounts.

Where either the Council, or its Members or Senior Officers, is connected with any other entity that it transacts any business with, it is required to disclose these as related party interests. These are shown in the Notes to the Core Financial Statements – Related Parties.

2.20 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Financial instruments cover both financial assets and financial liabilities.

The financial assets of the Council are classified into two types:

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

Loans and Receivables

Assets of this type will arise where the Council provides money, goods or services to another party and contracts to defer the settlement of debt that arises, but in the meantime will not plan to trade the receivable on the market.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the income and expenditure account is the amount receivable for the year in the loan agreement.

When assets are identified as impaired because of likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the income and expenditure account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at a fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (for example a dividend) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

The Council did not hold any assets which fall under this category as at 31 March 2010.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective date and rate of interest for the instrument. For Council borrowings, the amount presented in the Balance Sheet is the outstanding principal repayable and interest is charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowings are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discount have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

The Council had no such repurchase or early settlement of borrowing during 2009/10.

For further information on the above accounting policies contact:

Sarah Fogden or Penny Gardner

Heads of Service for Finance

Tel: 01865 252708

Email: sfogden@oxford.gov.uk or pgardner@oxford.gov.uk

3. RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

3.1 The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Section 151 Officer (as set out in the Local Government Act 1972)
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statements of Accounts

These accounts are published subject to audit. The audit is expected to be completed and an opinion issued on the 23rd September 2010. The Audit and Governance Committee has examined these accounts and authorised the Chair to approve the Statement of Accounts on its behalf.

Signed: Date:
Chair of the Audit Committee

3.2 The Section 151 Officer's Responsibilities

The Section 151 Officer is legally and professionally responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this Statement of Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the local authority SORP.

The Section 151 Officer has also:

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

Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council and its income and expenditure for the year ended 31 March 2010.

Signed: Date:

Jacqueline Yates
Section 151 Officer

4. ANNUAL GOVERNANCE STATEMENT

4.1 Scope of responsibility

Oxford City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. It 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, Oxford City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

This statement explains how Oxford City Council meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

4.2 The Purpose of the Governance Framework

The governance framework comprises the systems and processes and cultures and values, by which the authority is directed and controlled and its activities through which it accounts to , engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide 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 Oxford City Council'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 governance framework has been in place at Oxford City Council for the year ended 31st March 2010 and up to the date of the approval of the accounts.

4.3 The Governance Framework

The Council's vision has been defined through the development of its Corporate Plan (2009-12). This identified six corporate priorities and specific 1 and 3 year targets for each priority. The Corporate Plan is reflected in service transformation plans and individual appraisals. The Corporate Plan is approved by the full Council and is widely publicised in print and on the website.

The Corporate Plan 2010–13 was prepared on the basis of a review of the previous Corporate Plan. The six priorities have been carried forward but the specific actions and targets under each priority have been updated so as to secure both continuity and continuous improvement.

In the last 12 months a full review of the Council's risk management practices has been undertaken. The result has been a focus on implementing and adopting best practices which match the requirements of the Council backed by a comprehensive and robust Strategy, Operating Framework and Training Programme.

The updated Risk Management Operating Framework and Risk Management Policy were approved by the City Executive Board and Corporate Management Team and became effective on 1st April 2010.

A new risk register format has been implemented which provides a consistent format for all risk registers used across the Council. Training has been provided to all levels of management: Directors, Service Heads, Managers and those who regularly write and submit risk registers. A new Risk Group has been established to help embed risk management across the council. This has representation from each directorate as well as the legal, procurement and project areas. Risk Management key dates are shared across the business allowing managers to proactively embed the risk management cycle and corporate risk management

processes into the day to day running of service areas. In addition a 'blank sheet' exercise was undertaken in Q4 2009/10 with the Directors to highlight new corporate risks.

The Council operates within a performance management framework. Key corporate indicators have been reviewed monthly by the Performance Board (this exercise is now carried out by the Corporate Management Team) and quarterly by the City Executive Board and the appropriate Scrutiny Committee. We also use the resident's survey and citizen's panel to test user perceptions of service quality and inform our priorities. In 2009/10, 83% of national indicators and 76% of Corporate Plan targets were met, representing a substantial improvement on the preceding year.

Clear schemes of delegation for Council, the City Executive Board and officers are set out in the Council's constitution. The role, purpose and terms of reference for Scrutiny Committees are also set out in the constitution as are protocols for effective communication and access to and use of information. The constitution was thoroughly reviewed and re-adopted by Council in January 2010.

The Council has adopted Codes of Conduct for members and officers and local member protocols in relation to Member/Officer relations, planning and the use of IT. The Monitoring Officer and the Standards Committee provide regular training opportunities in relation to ethical conduct and the Standards Committee reports annually on its work to the full Council and the Standards Board.

Council and the Executive consider annually, review and confirm their schemes of delegation and the terms of reference of their committees. All reports to decision making bodies are approved in accordance with the requirements of a report clearance protocol so as to ensure that legal, financial and other risks are properly identified. There are comprehensive contract, financial and employment rules in the constitution. Each report to the City Executive Board is accompanied by a risk register and an equality impact assessment.

The Council has established an Audit and Governance Committee with terms of reference that comply with CIPFA's guide. The Committee receives all internal and external audit reports, is effective and is contributing to improving the internal control environment of the Council. The members of the Committee have received special training in order to promote their independent questioning skills.

The Council has a coherent accounting and budgeting framework which includes the monthly monitoring and publication of spend against budget. Financial planning and budget setting is underpinned by consultation, prioritisation, savings action plans and a medium term financial strategy which is regularly reviewed and updated by the Executive

The Monitoring Officer and Chief Finance Officer have not had cause to issue reports in exercise of their statutory powers from the 2009/10 financial year to date. Heads of Service have, however, received briefings from the internal auditors on the importance and features of a strong internal control environment.

The Council has adopted a Whistleblowing Policy. The Policy is published within the Council's Constitution and is periodically reviewed by the Standards Committee. The Council also operates a corporate complaints system. The Council has sought to integrate the corporate complaints process with its CRM system so as to ensure the consistent capturing and reporting of complaints across the Authority. The Standards Committee keeps under review the operation of that system and publicly receives any Ombudsman reports in relation to maladministration. The Audit and Governance Committee receive quarterly reports on all allegations of fraud or corruption.

The Council's management development programme is underway and ongoing. In addition service areas retain dedicated training budgets to allow for the fulfilment of individual learning and development plans. The Council's employment policies continue to be reviewed and a number have been re-adopted, including a Code of Conduct for employees.

The Council has set out in its Corporate Plan the importance of partnership working and identified its key strategic partnerships. Political and managerial leadership is communicated and where appropriate co-ordinated between the public bodies serving the residents of the city. The Authority has adopted and published a consultation framework.

4.4 Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and

maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

In preparing this statement each service area has completed and each Head of Service and Director has signed an assurance checklist. The checklist covers the following areas:

- Risk Management
- Business Planning
- Projects and project management
- Financial management
- Fraud
- Procurement
- Human resources
- Equality and Diversity
- Data quality and security
- Health and safety
- External accreditations
- Review of controls

The checklist asked each Head of Service to draw attention to any matters in respect of which internal controls were not working well and required a positive assurance that apart from those areas which were identified for improvement that the controls within the service had been, and are, working well. Each service gave a positive assurance. The exercise was preceded by a "dummy run" in January 2010 in order to emphasise the importance of the exercise and to enable areas of improvement to be highlighted an earlier stage that might otherwise have been the case.

The internal audit annual report 2009/10 prepared by PWC provides the Authority with an opinion on the adequacy and effectiveness of its internal control environment. After noting that sufficient internal audit had been undertaken to allow a reasonable conclusion to be drawn the report concluded that their work "did not identify any significant control weaknesses that we consider to be pervasive in their effect on the system of internal control".

This statement has also drawn on Audit Commission and internal audit reports prepared during 2009/10 and the risk register outturn for each service area. The lists of authorised signatories for each service area have also been reviewed to ensure that adequate and appropriate schemes of authorisation for the discharge of functions exist within each service.

All of the above documents collectively represent the assurance framework and they have been reviewed by a Governance Group. The Governance group consists of the Chief Executive, Executive Directors, the Head of Finance, the Monitoring Officer and a representative from PWC. The areas of concern identified in last years statement have all been satisfactorily dealt with except for the adoption of a code of corporate governance.

4.5 Significant Governance Issues

The control framework described above facilitates the identification of any areas of the Council's activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk. Overall, it concluded that controls are operationally sound.

The areas where weaknesses have been identified are listed below, together with a brief summary of the action being taken to make the necessary improvements.

Area of Concern	Action Planned
The importance of documenting key processes and the quality assurance of that process mapping.	Services will be instructed to refine, automate and document key processes. The Council's investment in rolling-out a CRM system and in an internal BPI resource will assist in that process.
The Council's accounts have been qualified for the last two years.	Following the audit of the 2008/09 accounts a detailed action plan was put in place, this has been actively monitored throughout the year to ensure that the 2009/10 Statement of Accounts is much more robust and coherent. In producing the

	Statement a number of internal control issues have been addressed and procedures put in place to ensure they do not recur.
City Works – specifically the use of the Fleet plan system as a purchase order system.	This issue has already been corrected.
Debtors function – absence of regular write offs and provision for bad debt and limited segregation of duties within City Works.	These issues have already been corrected.
Fixed assets register.	<p>A number of joint initiatives have been developed by Corporate Assets and Finance to address the issues. The key issues are data integrity between systems and collaboration between departments within the Council. These have been substantially addressed through the following actions being implemented:</p> <p>1) The roll out of a new process of "change notes" for property change events, which are circulated between all internal stakeholders has facilitated improvements in data quality between all operating systems (Uniform, Agresso & Logotech FAR).</p> <p>2) Development and maintenance of an "issues log" between Corporate Assets and Finance throughout the asset valuation and accounts close down processes.</p> <p>3) The preparation of the following formal procedure notes: "Corporate Assets Valuation Approach"; "Corporate Assets HRA Supplementary Valuation Procedure Note"; both of which have been written in collaboration with Corporate Assets and Finance, and have been discussed with the District Auditor - there was no challenge from the District Auditor at this stage.</p>
The existence of multiple financial systems feeding into the corporate finance system results in a high burden of system reconciliation.	Bank reconciliation has proved problematic following implementation of Paris, the new cash system. Officers are working on a revised procedure to improve the reconciliation.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness, and will monitor their implementation and operation as part of our next annual review.

Signed: _____
Leader

Signed: _____
Chief Executive

Signed: _____
Chief Finance Officer

Signed: _____
Monitoring Officer

5. CORE SINGLE ENTITY FINANCIAL STATEMENTS

5.1 Income and Expenditure Account

This statement sets out the Council's Income and Expenditure relating to Council's functions including the General Fund and Housing Revenue Account for the year, according to proper accounting practice. The services analysis used complies with CIPFA's Best Value Accounting Code of Practice (BVACOP), allowing it to be compared from year to year, to the Government's requirements, and to other local authorities.

	Gross Expenditure 2009/10 £000's	Gross Income 2009/10 £000's	Net Expenditure 2009/10 £000's	Restated Net Expenditure 2008/09 £000's
Note Ref				
Central Services to the Public	3,020	(1,101)	1,919	1,732
Cultural, Environmental & Planning Services	32,473	(19,286)	13,187	45,548
Highways, Roads & Transport Services	8,908	(8,408)	500	576
Housing HRA	50,079	(38,993)	11,086	40,823
Housing Other	80,500	(73,521)	6,979	7,476
Corporate & Democratic Core	4,394	(138)	4,256	3,633
Non Distributed Cost	4,229	(447)	3,782	1,325
Net Cost of Services	183,603	(141,894)	41,709	101,113
Loss (Gain) on the disposal of fixed assets			(2,688)	(889)
Parish Council Precepts			174	168
Surplus on Trading undertakings not included in Net Cost of Services	6.2		(417)	(544)
Interest payable and similar charges			570	1,022
Contribution of housing capital receipts to Government Pool			641	823
Interest & investment income	6.8		(260)	(2,281)
Investment losses			(814)	1,072
Pensions interest cost and expected return on pensions assets			7,514	3,770
Net Operating Expenditure			46,429	104,254
Demand on the Collection Fund			(12,073)	(11,547)
Revenue Support Grant			(3,108)	(2,000)
Other Govt Grants not attributable to specific services			(104)	(284)
Non-domestic rates redistribution			(13,452)	(14,367)
Deficit for year			17,692	76,056

An area based grant of £242K has been received in year and has been included within the Cultural, Environment & Planning services Gross income shown above.

5.2 Statement of the 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 the Pension Fund and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or under spent against the Council Tax that it raised for the year, taking into account the use for reserves built up in the past and contributions to reserves earmarked for future expenditure.

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

	2009/10 £000's	Restated 2008/09 £000's
Deficit for the year on the Income & Expenditure Account	17,692	76,056
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(16,490)	(73,422)
	<hr/> 1,202 <hr/>	<hr/> 2,634 <hr/>
(Increase)/decrease in General Fund Balance for the year		
General Fund Balance brought forward	(4,342)	(6,976)
	<hr/> (3,140) <hr/>	<hr/> (4,342) <hr/>
General Fund Balance carried forward		

5.3 Note of Reconciling Items for the Statement of Movement on the General Fund

The individual items that make up the amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year are set out below:

	2009/10 £000's	Restated 2008/09 £000's
Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
Depreciation and impairment of fixed assets	(9,677)	(70,746)
Excess of depreciation charged to HRA over the Major Repairs Allowance element of Housing Subsidy	(2,600)	(4,823)
Government Grants Deferred amortisation	3,346	3,252
Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute	(5,202)	(2,214)
Net gain/(loss) on sale of fixed assets	2,688	889
Interest difference between Statutory and SORP - Investment impairment	814	(1,072)
Interest difference between Statutory and SORP - interest on impaired investment	38	219
Net changes made for retirement benefits in accordance with FRS 17	(11,891)	(7,580)
Amount by which Council Tax Income included in the Income and Expenditure account is different from the amount taken to the general fund in accordance with regulation		61
	<u>(22,484)</u>	<u>(82,014)</u>
Amounts not included in the Income & Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year		
Minimum revenue provision for capital financing	0	0
Capital expenditure charged in-year to the General Fund Balance	1,766	1,220
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(641)	(823)
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	6,221	6,590
	<u>7,346</u>	<u>6,987</u>
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		
Housing Revenue Account balance	(917)	(1,048)
Voluntary revenue provision for capital financing	232	221
Net transfers to or from earmarked reserves	(667)	2,432
	<u>(1,352)</u>	<u>1,605</u>
Net additional amount required to be credited to the General Fund balance for the year	<u>(16,490)</u>	<u>(73,422)</u>

5.4 Statement of Total Recognised Gains and Losses

This statement analyses the total gains and losses within the “net worth” section of the Balance Sheet shown below. In addition to the deficit sustained 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.

	note ref.	2009/10 £000	Restated 2008/09 £000
(Surplus) / Deficit on Income and Expenditure Account		17,692	76,056
(Gain) / Loss on valuation of fixed assets		(7,172)	(51,802)
Actuarial (Gain) Loss on pension fund assets and Liabilities		37,422	41,590
(Increase) / Decrease in share of Collection Fund		(65)	(114)
Prior period adjustments	6.1	60	1,185
Exceptional items		<u>0</u>	<u>140</u>
		<u>47,937</u>	<u>67,055</u>

The Prior Period Adjustments in 2008/09 relate to the SORP changes on the Collection Fund and the restatement of Fixed Assets. Please see note 6.1 for details.

The Prior Period Adjustment in 2009/10 relates to a Developers Contribution that was received in 2008/09 and treated as a Capital Receipt. In 2009/10 it was transferred from Useable Capital Receipts to Long Term Liabilities, thus creating a change to the Council's Net Worth. This adjustment is therefore reflected through the STRGL.

5.5 Balance Sheet

The Balance Sheet details the Council's assets and liabilities at the end of the financial year as at 31 March 2010.

	note ref.	2009/10		Restated 2008/09
		£000's	£000's	£000's
Fixed Assets				
Operational assets:				
Council Dwellings	6.12	556,258		570,755
Land and Buildings	6.12	96,684		95,615
Vehicles, Plant and Equipment	6.12	5,048		4,555
Intangible Assets	6.12	543		0
Infrastructure assets	6.12	158		173
Community assets	6.12	4,284		3,615
Non-operational assets:				
Investment properties	6.12	91,896		85,134
Assets Under Construction	6.12	3,300		0
Total Fixed Assets			758,170	759,847
Long-term investments	6.24	32		32
Long-term debtors	6.26	5,666		4,728
			5,698	
Total Long-term assets			763,868	764,607
Current assets:				
Stocks	6.27	676		677
Investments		29,335		28,489
Debtors	6.28	16,871		15,076
Cash and bank		1,092		0
			47,974	
Total assets			811,842	808,849
Current liabilities				
Creditors	6.29	(21,935)		(17,528)
Short-term borrowing	6.23	(923)		(2,124)
Bank overdraft		0		(234)
			(22,858)	
Total assets less current liabilities			788,984	788,963
Long-term liabilities				
Long Term Borrowing	6.23	(4,466)		(5,236)
Provisions	6.32	(2,945)		(1,433)
Government grants deferred	6.22	(5,741)		(4,740)
Deferred liabilities	6.25	(11,337)		(7,754)
Liability for defined benefit pension scheme	9.3/9.4	(145,622)		(102,990)
			(170,111)	
Total assets less liabilities			618,873	666,810
Financed by:				
Capital Adjustment Account	6.34	(674,326)		(680,791)
Revaluation Reserve Account	6.35	(63,929)		(63,813)
Collection Fund Adjustment Account	6.33	(125)		(16)
Usable Capital Receipts	6.36	(8,065)		(4,867)
Deferred Capital Receipts	6.21	(4,401)		(4,685)
Pensions Reserve	9.3/9.4	145,622		102,990
Major Repairs Reserve	7.50	0		0
Earmarked Reserves	6.37	(8,500)		(9,168)
Financial Instruments Adjustment Account	6.38	0		852
Fund Balances	6.33	(5,149)		(7,312)
Total Net Assets			(618,873)	(666,810)

5.6 Cash Flow Statement

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

Cash Flow Statement	2009/10	2008/09
	£000's	£000's
Revenue Activities Net Cash Flow	(8,177)	(4,554)
	<u>(8,177)</u>	<u>(4,554)</u>
Returns on Investments and Servicing of Finance		
Cash Outflows		
Interest Paid	669	1,036
Cash Inflows		
Interest Received	(273)	(2,716)
Net Cash Outflow from Returns on Investments and Servicing of Finance	<u>396</u>	<u>(1,680)</u>
Capital Activities - Cash Outflows		
Purchase of Fixed Assets	15,724	19,323
Purchase of Long Term Investments	0	0
Other Capital Cash Payments	641	860
Capital Activities - Cash Inflows		
Sale of Fixed Assets	(5,859)	(7,622)
Capital Grants Received	(7,855)	(2,901)
Developers Contributions	(556)	(649)
Other capital cash receipts		
Net Cash Outflow from Capital Activities	<u>2,095</u>	<u>9,011</u>
Net Cash Inflow/(Outflow) before Financing	<u>(5,686)</u>	<u>2,777</u>
Management of Liquid Resources		
Net increase/(decrease) in short term deposits	2,236	(4,016)
Total Management of Liquid Resources	<u>2,236</u>	<u>(4,016)</u>
Financing		
Repayment of amounts borrowed	2,124	(872)
Increase/(Decrease) in Temporary Borrowings	0	1,557
Total Financing	<u>2,124</u>	<u>685</u>
Net (Increase)/Decrease in Cash	<u>(1,326)</u>	<u>(554)</u>

Liquid resources include short term investments that are made by the Council, these include investments with Banks and Building Societies, Money Market Funds and the Debt Management Office.

6. NOTES TO THE CORE FINANCIAL STATEMENTS**Notes to the Income and Expenditure Account****6.1 Prior Period Adjustments****Collection Fund**

The SORP 2009 listed a change in the way we account for local taxes.

The tax that we collect on behalf of large preceptors should be shown as an asset/liability in our balance sheet, not accumulated with our own balances as it has been in previous years. This change requires a prior period adjustment to the 2008/09 figures to enable comparison.

The changes put through the Council's statements are as follows:

	2008/09 Restated Comparative £000s	Prior Period Adjustment £000s	2008/09 Published Figure £000s
Income and Expenditure Account			
Demand on the Collection Fund	(11,547)	(61)	(11,486)
Deficit for Year	<u>76,056</u>	<u>(61)</u>	<u>76,117</u>
Statement of Movement on the General Fund Balance			
Deficit for the year on the Income & Expenditure Account	76,056	(61)	76,117
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(73,422)	61	(73,483)
General Fund Balance carried forward	<u>4,342</u>	<u>0</u>	<u>4,342</u>
Note of Reconciling Items for the Statement of Movement on the General Fund			
Amount by which Council Tax Income included in the Income and Expenditure account is different from the amount taken to the general fund in accordance with regulation	61	61	0
Net additional amount required to be credited to the General Fund balance for the year	<u>(73,422)</u>	<u>61</u>	<u>(73,483)</u>
Statement of Total Recognised Gains and Losses			
(Surplus) / Deficit on Income and Expenditure Account	76,056	(61)	76,117
(Increase) / Decrease in share of Collection Fund	(114)	0	(114)
Prior period adjustments	61	61	0
	<u>65,931</u>	<u>0</u>	<u>65,931</u>
Balance Sheet			
Financed by			
Earmarked Reserves	(9,168)	0	(9,168)
Collection Fund Adjustment Account	(16)	(16)	0
Fund Balances	(7,312)	16	(7,328)
Total Net Assets	<u>(667,934)</u>	<u>(0)</u>	<u>(667,934)</u>

Fixed Assets

The 2008/09 Accounts contained a number of errors in relation to Fixed Assets.

The following transactions have been put through the accounts as prior year adjustments and correct the errors, giving the correct 2008/09 figures for the Statements.

	2008/09 Restated Comparative £000s	Prior Period Adjustment - Other £000s	Prior Period Adjustment - Revaluations £000s	2008/09 Published Figure adjusted for Collection Fund (above) £000s
Statement of Total Recognised Gains and Losses				
Prior period adjustments	1,185	(630)	1,754	61
	<u>67,055</u>	<u>(630)</u>	<u>1,754</u>	<u>65,931</u>
Balance Sheet				
Fixed Assets				
Operational Assets				
Council Dwellings	570,755	(855)	(1,754)	573,364
Land and Buildings	95,615	1,600		94,015
Vehicles, Plant and Equipment	4,555	(9)		4,564
Non-operational Assets				
Investment Properties	85,134	1,104		84,030
Long term liabilities				
Government Grants Deferred	(4,740)	(1,210)		(3,530)
Total Assets less Liabilities	<u>666,810</u>	<u>630</u>	<u>(1,754)</u>	<u>667,934</u>
Financed by				
Capital Adjustment Account	(680,792)	(630)	(108)	(680,054)
Revaluation Reserve Account	(63,814)		1,862	(65,676)
Total Net Assets	<u>(666,810)</u>	<u>(630)</u>	<u>1,754</u>	<u>(667,934)</u>

6.2 Trading Operations

A number of operations that the Council undertake are technically classified as Trading Operations. Most of these operations provide services on an internal basis to other parts of the Authority. The activities set out below are included in the Net Operating Expenditure.

	Expenditure 2009/10 £000's	Income 2009/10 £000's	Net (Surplus) / Deficit 2009/10 £000's	Net (Surplus) / Deficit 2008/09 £000's
Building Control Charging Account	564	(551)	13	(0)
Trade Refuse & Recycling	1,539	(1,928)	(389)	(624)
Estates	462	(503)	(41)	11
South Oxfordshire Housing Association	0	0	0	4
Total trading operations	<u>2,565</u>	<u>(2,982)</u>	<u>(417)</u>	<u>(609)</u>

6.3 Agency Income and Expenditure

The Council carried out certain works on behalf of Oxfordshire County Council during the year for which it was fully reimbursed. This includes routine and other maintenance.

	2009/10 £000's	2008/09 £000's
Routine maintenance	1,255	961
Administrative costs	112	85
Total amount reimbursable	1,367	1,046

6.4 Members' Allowances

The Council is required under the Local Authorities (Member Allowances) (England) Regulation 2003 to disclose the total amount of Members' allowances paid. The following table shows the amount of Members' allowance paid in 2009/10 compared to 2008/09.

	2009/10 £'000s	2008/09 £'000s
Members' Allowances		
Basic Allowance	233	221
Special Responsibility Allowance	106	104
Carers Allowance	4	2
Computer Purchase Scheme	1	2
Travel Expenses	1	1
Total Payments	345	330

Detailed Breakdown of Members Allowances 2009/10

	Councillor Name	£'s		Councillor Name	£'s
M	ABBASI	4,713.96	S	MCCREADY	4,713.96
M	ALTAF-KHAN	4,713.96	J	MCMANNERS	10,606.46
AE	ARMITAGE	5,106.80	M	MILLS	4,713.96
A	BANCE	14,142.00	S	MIRZA	4,713.96
L	BAXTER	4,713.96	M	MORTON	4,713.96
E	BENJAMIN	6,403.02	MP	MURRAY	4,713.96
S	BROWN	5,596.74	S	PRESSEL	5,598.92
C	BRUNDIN	5,220.80	RJ	PRICE	23,713.62
JRM	CAMPBELL	7,191.00	N	PYLE	4,713.96
MR	CLARKSON	10,518.96	G	ROYCE	5,115.06
C	COOK	14,142.00	D	RUNDLE	7,462.46
S	CRAFT	5,091.12	GA	SANDERS	4,713.96
R	DARKE	8,523.20	MJ	SAREVA	6,112.71
S	DHALL	4,759.59	C	SCANLAN	4,713.96
JL	FOOKS	4,835.91	C	SIMMONS	6,062.84
J	GODDARD	7,195.00	D	SINCLAIR	5,185.36
M	GOTCH	6,771.56	V	SMITH	4,713.96
B	HAZELL	6,678.16	J	TANNER	11,886.83
R	HUMBERSTONE	4,713.96	R	TIMBS	11,784.96
B	KEEN	7,305.20	E	TURNER	14,192.00
SJ	KHAN	4,851.96	O	VAN NOOIJEN	13,749.16
JE	LACEY	4,713.96	R	WILKINSON	4,737.16
M	LYGO	4,827.26	D	WILLIAMS	4,846.68
SH	MALIK	11,884.16	N	YOUNG	6,874.58
Total			Total		344,968.68

6.5 Employees Remuneration

Under part 6 of the Accounts and Audit Regulations 2003 a note to the accounts is required setting out the number of employees in the accounting period whose remuneration was in excess of £50,000. The remuneration is shown within a scale of multiples of £5,000, as per changes to the SORP 2009. In previous years this has been shown in multiples of £10,000 and 2008/09 has been restated to reflect the new multiples. For this purpose remuneration means all amounts paid to or receivable by an employee, and includes sums due by way of expenses allowances (so far as these sum are chargeable to United Kingdom income tax), as well as the estimated monetary value of any other benefits received by an employee otherwise than in cash.

In the 2008/09 Statement of Accounts, the Council stated that 22 employees were over the £50,000 threshold. On review this was an error, and the correct figure was 20. Therefore we have restated the 2008/09 numbers from those that were published in 2008/09.

	Number of employees 2009/10	Number of employees 2008/09
Remuneration Band		
£50,000-£54,999	11	5
£55,000-£59,999	3	2
£60,000-£64,999	5	4
£65,000-£69,999	1	2
£70,000-£74,999	4	0
£75,000-£79,999	1	1
£80,000-£84,999	3	3
£85,000-£89,999	0	1
£90,000-£94,999	0	1
£95,000-£99,999	0	0
£100,000-£104,999	0	0
£105,000-£109,999	2	0
£110,000-£114,999	0	0
£115,000-£119,999	0	0
£120,000-£124,999	0	0
£125,000-£129,999	0	1
£130,000-134,999	0	0
£135,000-£139,999	0	0
£140,000-£144,999	1	0
£145,000-£149,999	0	0
Total Number	31	20

Senior Officers Remuneration

The table below shows senior officers who are paid between £50,000 and £150,000 per year.

2009/10

	note ref	Salary	Pension Contributions	Total Remuneration including pension contributions
Chief Executive		141,031	28,488	169,519
Director, City Regeneration		109,080	22,034	131,114
Director, City Services		109,080	22,034	131,114
Monitoring Officer		78,062	15,752	93,814
Chief Finance Officer (s151)	a	77,700	14,281	91,981

a) This post has been pro-rated to give the full time equivalent salary. The post was covered in year by two part-time staff.

2008/09

	notes	Salary	Pension Contributions	Total Remuneration including pension contributions
Chief Executive		126,361	25,525	151,886
Director, City Regeneration		94,480	19,085	113,565
Director, City Services		85,117	17,194	102,311
Monitoring Officer		77,220	15,598	92,818
Chief Finance Officer (s151)	a	66,382	13,409	79,791

a) This post has been pro-rated to give the full time equivalent salary. The post was covered in year by two part-time staff.

6.6 Related Parties

The Council is required to disclose material transactions with related parties: namely bodies or individuals that have the potential to either 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.

Central government has effective control over the general operation of the Council. It is responsible for providing the statutory framework within which the Council operates, provides much of the Council's 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 shown in the Income and Expenditure Account, the Cash Flow Statement and associated notes.

Members of the Council have direct control over the Council's financial and operating policies. A number of members and senior officers are members of voluntary organisations which receive small grants and funding from the Council. The grants and funding were made with proper consideration of declarations of interest. The Register of Members' Interest is held at the Town Hall, and is open to public inspection. No material interests have been declared. A number of Members serve on both the City Council and Oxfordshire County Council. This is not considered material.

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.

The Council has the following relationships, none of which are considered material under the Accounting Code of Practice.

- **Central Government** - Central Government provides a number of grants to local authorities.
- **Housing Associations** - The Council is a partner with various Housing Associations for the purpose of providing Social Housing.
- **Oxfordshire County Council** - The Council undertakes agency work on behalf of the County Council.
- **Oxfordshire County Council** - The County Council administers the Council's local government pension scheme.
- **Local Boards and Trusts** - Officers and Members represent the Council on various organisations. There are no material transactions.

Other Organisations - The Council awards grants to support a number of voluntary or charitable bodies and individuals through grants and Service Level Agreements. These are shown in the Income & Expenditure Account.

6.7 Audit Costs

The Council is externally audited by the Audit Commission. The fees below are for external audit services carried out by the appointed auditor (Audit Commission) under the Code of Audit Practice, in accordance with Section 5 of the Audit Commission Act 1998.

	2009/10 £000's	2008/09 £000's
External audit service	253	256
Certification of grant claims & returns	89	61
Other	0	5
Total	342	322

6.8 Interest Receivable

Interest is credited in the year in which it is due, as opposed to the year in which it is received. There is a large decrease in interest received due to the current economic climate and low interest rates.

	2009/10 £000's	2008/09 £000's
Interest due on Investments	(425)	(2,270)
Mortgage interest due	(10)	(11)
Total Received	(435)	(2,281)

6.9 Finance and Operating Leases

The Council uses vans, tippers, mowers and water jet equipment financed under lease arrangements. The types of lease are detailed below.

	2009/10 £000's	2008/09 £000's
Operating Lease	17	172
Finance Lease	7	7
Total	24	179

Future Rental Liabilities under Operating Leases

All current Operating leases expire in 2010/11, and the Council has not entered into any new operating lease agreements that would lead to commitments beyond 2010/11.

Future Rental Liabilities under Finance Leases

The Council is committed to spend the following in the future years:

	Vehicles, Plant & Equipment £000's
Obligations payable in:	
2010/11	7
2011/12 to 2013/14	21
After 2014	0
Total	28

The above finance leases are all in the secondary rental period, and therefore no split between capital and interest is required. The above payments are charged to service revenue accounts.

Council as Lessor

The table below includes operating leases, and shows the return we make on our net book value investments.

There have been a number of rent reductions from 2008/09 to 2009/10 including: Westgate (£50k), 6 Broad St (£70k), Old Tourist Office (£31.5k), 6 Queen St (£52k), 16 Turl St (£36.5k), 49 Bellenger Way (£15k).

Category	Total Number Count	2009/10		2008/9 restated		2008/9	
		Rent £000's	NBV £000's	Rent £000's	NBV £000's	Rent £000's	NBV £000's
Utility Properties & Site	95	19	544	17	545	146	583
Housing Estate Shops	67	508	3,972	500	4,094	500	4,042
Shops	64	3,090	45,777	3,128	39,654	3,014	38,492
Allotments	30	10	76	10	76	0	0
Other Commercial Property	30	534	6,940	608	7,428	99	1,070
Misc. Social Partnership	28	128	1,253	150	1,275	91	1,121
Other Dwellings	27	84	3,821	46	3,701	40	3,464
Misc Land	26	7	30	4	30	37	58
Agricultural Property	19	106	3,578	107	3,578	114	4,063
Offices	17	189	14,922	188	14,927	161	4,213
Misc Property	13	439	4,054	441	3,033	684	12,222
Parks & Open Spaces	8	35	0	35	0	4	455
Public Houses	7	315	4,124	315	3,914	467	5,903
Misc. Amenity Land	6	1	4	1	4	0	0
Restaurants & Cafes	5	169	1,705	231	2,318	232	2,288
Car Parks	3	8	136	8	136	8	136
Community Centres	3	8	4,186	8	4,279	0	0
Park & Cemetery Buildings	3	4	446	4	370	0	0
Hostels	2	14	436	14	441	0	0
Land Awaiting Development	2	2	477	2	477	0	0
Other	2	8	81	15	81	0	0
Shopping Centres	2	1,336	13,850	1,402	13,850	1,402	13,850
Sports Centres & Pools	2	23	1,017	23	1,305	0	0
Theatre / Cinema	2	121	3,550	121	3,550	121	3,550
Historic Buildings	1	2	2	2	2	0	0
		7,160	114,981	7,380	109,068	7,120	95,510

The gross book value of the above assets is £118,710,154, and its related accumulated depreciation is £3,727,682.

6.10 Minimum Revenue Provision

The Council is required to make a minimum provision within its revenue account for debt repayment (MRP). This is calculated as a percentage of its Capital Financing Requirement (CFR) at the start of the financial year. At 1st April 2009 the Council had a negative non-housing CFR and therefore no provision is required in

2009/10. A voluntary revenue provision was made towards the repayment of the debt outstanding with South Oxfordshire District Council.

6.11 Special Expenses

Under Section 147 of the Local Government Act 1972 and Section 35 of the Local Expenses Government Finance Act 1992 certain expenses are treated as Special Expenses to be charged to particular areas within the Borough. For Oxford City Council it covers both parished and unparished areas. Parishes can issue their own precept to cover the costs of services they provide. In the remainder of the City, the Council provides services that in other areas would be provided by a Parish. It maintains a Special Expenses Account for the unparished areas and levies a Supplementary Council Tax for this area.

The net expenditure is included within the relevant service headings of the Income and Expenditure Account. An analysis of Special Expenses is given below:

	2009/10 £000's	2008/09 £ 000's
Allotments	2	13
Street Furniture	93	185
Ditches & Streams	92	111
Cemeteries	22	9
Parks & Open Spaces	74	124
Community Recreation	340	89
Total	623	531

Notes to the Balance Sheet

6.12 Movements in Fixed Assets

Movement during the year on Council's fixed assets is set out below:

	Operational					Non-operational		Total £000's	
	Council Dwellings £000's	Other Land & Buildings £000's	Vehicles, Plant & Equipment £000's	Intangible Assets £000's	Infra-structure £000's	Community Assets £000's	Investment Properties £000's		Assets Under Construction £000's
Gross book value as 31 March 2009	573,364	105,361	7,343	0	207	3,615	84,030	0	773,920
Accumulated depreciation	0	(11,346)	(2,779)	0	(34)	0	0	0	(14,159)
Net book value as 1 April 2009	573,364	94,015	4,564	0	173	3,615	84,030	0	759,761
Prior Year Adjustments	(2,609)	1,600	(9)	0	0	0	1,104	0	86
Revised Net book value as at 1 April 2009	570,755	95,615	4,555	0	173	3,615	85,134	0	759,847
Movements during 2009/10									
Additions	7,454	1,083	1,847	543	0	(405)	83	1,500	12,105
Revaluations	178	2,970	0	0	0	0	7,497	315	10,960
Disposals	(1,280)	(1,358)	0	0	0	(43)	(450)	0	(3,131)
Impairment of fixed assets	(7,518)	(2,113)	(9)	0	0	(41)	(673)	(1,700)	(12,054)
Depreciation for year	(7,524)	(3,771)	(1,383)	0	(15)	0	0	0	(12,693)
Depreciation written back	125	1,511	9	0	0	0	0	0	1,645
Re-classification of assets	(5,932)	2,747	0	0	0	0	0	3,185	0
Miscellaneous adjustments	0	0	29	0	0	1,158	305	0	1,492
Net book value of assets at 31 March 2010	556,258	96,684	5,048	543	158	4,284	91,896	3,300	758,170
This balance is made up of:									
Gross book value	570,755	104,197	7,315	0	207	3,615	85,134	0	771,223
Capital expenditure	7,454	1,083	1,847	543	0	(405)	83	1,500	12,105
Certified valuations	(7,340)	857	(9)	0	0	(41)	6,824	(1,385)	(1,094)
Disposals & Transfers	(7,213)	1,390	0	0	0	(43)	(450)	3,185	(3,131)
Miscellaneous adjustments	0	0	29	0	0	1,158	305	0	1,492
Accumulated depreciation	(7,398)	(10,843)	(4,134)	0	(49)	0	0	0	(22,424)
	556,258	96,684	5,048	543	158	4,284	91,896	3,300	758,170

The miscellaneous adjustments are made up of an accrual that was made in 2008/09 for Bonn Square no longer needed and being reversed, and the addition of two properties at the end of the financial year, without any costs.

6.13 Capital Expenditure and Financing

Capital expenditure and income is accounted for on an accruals basis, and financed in the year the accrual appears in the account. The expenditure charged to capital was financed as follows:

	2009/10 £000's	2008/09 £000's
Capital investment		
Operational assets	10,522	16,705
Non-operational assets	1,583	42
	<u>12,105</u>	<u>16,747</u>
Revenue expenditure funded by capital	5,202	2,214
Total Capital Spend	<u>17,307</u>	<u>18,961</u>
Sources of finance		
Capital receipts	1,948	9,052
Government grants and other contributions	9,686	7,661
Sums set aside from revenue	1,607	476
Prudential Borrowing	4,066	1772
Total Financing	<u>17,307</u>	<u>18,961</u>

6.14 Capital Commitments

In 2010/11 the Council is committed to capital expenditure on the following schemes:

	2010/11 £000's
Contractual Commitments:	
Vehicle Replacements	132
Refurbishment & Enhancement of Leisure facilities	3,950
New Housing - Beenham Railway Lane	145
Leys Area Regeneration Plan - New Growth Points	9
Decent Homes - Roofing GSR	181
Decent Homes - Fire Doors	234
Decent Homes - External Rendering	184
Decent Homes - Windows	350
Decent Homes - Frankham Consultancy Ltd	91
Decent Homes - The Clarkson Alliance	48
Decent Homes - OCC S106 Agreement	224
New Build Cardinal House - Leadbitters	2,737
New Build at Lambourn Road - Lovells	2,734
Total	<u>11,018</u>

6.15 Assets Valuations

Most categories of fixed assets are carried on the Balance Sheet on the basis of historic cost. However operational land and buildings, land awaiting development and assets awaiting disposal are subject to valuations at not more than five-year intervals. Properties regarded by the Council as operational are valued on the basis of open market value for existing use or, where this can not be assessed because there is no market, the depreciated replacement cost is used.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. Valuations and professional advice are provided by Cluttons LLP Chartered Surveyors & Property consultant and Knight Frank LLP. The valuations of our Council Dwellings was carried out by Knight Frank LLP as at the 31 March 2010, and the valuations of all other properties was carried out by Cluttons LLP as at 31 March 2010. The basis for valuation is set out in the Statement of Accounting Policies.

6.16 Valuation of Fixed Assets Carried at Current Value

	Council Dwellings £000's	Other Land & Buildings £000's	Vehicles, Plant & Equipment £000's	Intangible Assets £000's	Infra-structure Assets £000's	Community Assets £000's	Investment Properties £000's	Asset Under Construction £000's	Total £000's
Valued at historic cost:	0	0	5,048	543	0	3,394	305	0	9,290
Valued at current value:									
2009/10	1,402	39,449	0	0	0	712	44,893	3,300	89,756
2008/09	554,856	15,560	0	0	0	55	41,650	0	612,121
2007/08	0	17,598	0	0	59	21	372	0	18,050
2006/07	0	21,783	0	0	0	0	811	0	22,594
2005/06	0	2,220	0	0	93	0	3,450	0	5,763
2004/05	0	0	0	0	0	0	0	0	0
2003/04	0	0	0	0	0	20	30	0	50
Valued below de-minimis level:	0	74	0	0	6	82	385	0	547
Total	556,258	96,684	5,048	543	158	4,284	91,896	3,300	758,170

6.17 Analysis of Net Assets Employed

	2009/10	Restated 2008/09
	£000s	£000s
General Fund	(206,674)	(159,041)
Housing Revenue	825,547	825,851
Total	618,873	666,810

6.18 Operational Assets – Useful life

The majority of Council Dwellings have a useful life of 25 - 50 years, although there are a few properties that are currently being looked at for redevelopment, therefore their useful life is currently 0 years. Although the range for Other Buildings, Infrastructure & Community Assets is large, the majority of properties have a useful life of 20 - 50 years.

	Council Dwellings Years	Other Buildings Years	Plant & Equipment Years	Vehicles Years	Infrastructure Assets Years	Intangible Assets Years	Community Assets Years
Useful Life	25 - 50	1 - 999	2 - 20	3 - 20	10 - 999	2-7	15 - 999

As an example: Public Toilets have an average life of 10 years whereas the Town Hall currently has a life of 80 years. Within Community Assets, all land has a default life of 100 years whereas a pavilion on that land would only have an average life of 10 years.

6.19 Fixed Assets by Number

Detail of fixed assets held by the Council are set out below:

	Total Number 2009/10	Restated Number 2008/09	Total Number 2008/09		Total Number 2009/10	Restated Number 2008/09	Total Number 2008/09
Operational Properties				Investments			
Assets Under Construction	2	0	0	Agricultural Property	23	23	24
Car Parks	18	18	19	Car Parks	4	4	5
Community Centres	21	21	22	Land Awaiting Development	16	17	15
Council Dwellings	7,779	7,905	7,878	Misc. Land	42	42	42
Depots & Workshops	10	10	10	Misc. Property	19	17	17
Garages	2,608	2,608	2,392	Offices	15	16	16
Non Council Dwelling Hostels	3	3	4	Other Commercial Property	41	41	42
Housing Estate Shops	67	68	68	Public Houses	10	10	10
Misc.Social Partnership	38	38	38	Restaurants & Cafes	10	10	10
Other	3	3	2	Shopping Centres	3	3	3
Museums & Galleries	1	1	1	Shops	69	69	69
Offices	13	13	14	Theatres & Cinemas	2	2	2
Other Dwellings	30	34	35	Utility Property & Sites	100	100	100
Park & Cemetery Buildings	20	20	21	Total Investment Properties	354	354	355
Public Toilets	19	19	19				
Sports Centres & Pools	13	13	13	Infrastructure			
Surplus properties	3	0	0	Bridges	4	4	4
Total Operational Properties	10,648	10,774	10,536	Footpaths & Unadopted Roads	13	13	13
				Total Infrastructure	17	17	17
Community Assets							
Allotments	31	31	31	Plant & Equipment			
Civic Regalia	235	235	235	Office equipment	20	10	10
Historic Buildings	5	8	8	Vehicles and Plant	321	275	276
Misc. Amenity Land	102	102	102	Total Plant and Equipment	341	285	286
Parks & Open Spaces	120	118	117				
Total Community Assets	493	494	493	Total Assets	11,853	11,924	11,687

6.20 Impairment

Assets are re-valued on a rolling programme. In 2009/10 the following properties were re-valued and their values were impaired, the following are some of the Councils largest impairments:

Category	Asset name	Amount £000's
Council Dwellings	Council Dwellings	660
Other Land & Buildings	34 St Michael St (Hostel)	22
	Site at 205 Cowley Rd	33
	1 Horspath Rd (Former staff house)	72
	2 Horspath Rd (Former staff house)	72
	Headington Cemetery House	219
	87 St Mary's Rd (House)	14
	50 Cowley Rd (House)	36
		468
Investment Properties	Between Towns Rd Petrol Station	90
	6 Broad St/3a Ship St	50
	24/26 George St/2 Gloucester St	95
	6 Queen St	300
	1&2 Ship St	25
	36 St Michael's St	30
		590
		1,718

Impairments are also created through non-enhancing expenditure, i.e. expenditure that the Council has incurred on their assets to enhance the asset in some way, but which does not add monetary value to the asset. In 2009/10 non-enhancing expenditure amounted to £6,729k.

6.21 Deferred Capital Receipts

Deferred capital receipts are amounts derived from sales of assets, which will be received in instalments over agreed periods of time, these include mortgages on sales of Council houses. The value of deferred capital receipts, and fixed asset sales where part of the proceeds are due to be received after the end of the financial year, for 2009/10 is £4,401k (£4,685k in 2008/09).

6.22 Government Grants Deferred

The balance on this account represents the amounts of government grants and other contributions towards the cost of Fixed Assets. They are accumulated as grants and contributions are used to finance expenditure, and written down in line with depreciation and disposals. This balance forms part of the Council's Capital Financing Requirement and is not available for further expenditure

	2009/10 £000	Restated 2008/09 £000
Government Grants Deferred		
Balance at 1st April	(4,740)	(4,356)
Grants applied to capital investment	(4,347)	(2,429)
Amounts written down to service revenue account	3,346	3,252
Prior Year Adjustment	0	(1,210)
Adjustments made in year	0	3
Net movement for the year	<u>(1,001)</u>	<u>(384)</u>
	<u>(5,741)</u>	<u>(4,740)</u>

6.23 Long Term Borrowing

	Outstanding at 31 Mar 2010 £000's	Outstanding at 31 Mar 2009 £000's
Analysis of loans by lender		
Public Works Loans Board - fixed rate	4,462	5,232
Local Bonds	4	4
Total	<u>4,466</u>	<u>5,236</u>
Analysis of loans by maturity	31 Mar 2010	31 Mar 2009
Between 1 and 2 years	742	683
Between 2 and 5 years	2,743	2,465
Between 5 and 10 years	895	1,912
Total	<u>4,380</u>	<u>5,060</u>

Analysis of loans by lender includes a figure of £86k, which is the accrued interest on the outstanding balance. It is not a requirement to show this under analysis of loans by maturity.

Long-term loans with less than 12 months until maturity have been classified as short-term loans within current liabilities on the balance sheet. As at 31st March 2010 this was made up of £680k, which is with Public Works Loan Board and £243k with South Oxfordshire District Council.

6.24 Long Term Investments

	Cost 2009/10 £000's	Nominal Value 2009/10 £000's	Market Value 2009/10 £000's	Cost 2008/09 £000's
2.5% Consolidated Stock	28	39	20	28
3.5% War Stock	4	0	0	4
Total	32	39	20	32

6.25 Deferred Liabilities

The total value of deferred liabilities in 2009/10 was £11,337 (£7,754k in 2008/09). They consist of a liability to South Oxfordshire District Council for debt outstanding on assets transferred to Oxford City Council at the 1991 boundary change as well as other Developer contributions earmarked for future capital schemes, revenue maintenance, as well as other unapplied contributions.

	2009/10 £000s	2008/09 £000s
South Oxfordshire District Council	(1,427)	(2,021)
Developer Contributions	(2,731)	(2,885)
Developer Revenue Maintenance	(172)	(609)
Other Capital Contributions	(7,007)	(2,239)
Total	(11,337)	(7,754)

6.26 Long Term Debtors

	2009/10 £000's	2008/09 £000's
Rent to Mortgage Loans	3,978	4,244
Key Worker Housing Loans	338	338
Council House Mortgages	97	103
Rent Deposits with Landlords	1,253	0
Oxford Women's Training Scheme	0	19
Creation Theatre Debt	0	24
Total	5,666	4,728

£12k of the Council House Mortgages figure has been transferred to short term Debtors as this is payable within one year.

6.27 Stock

	2009/10 £000's	2008/09 £000's
Building Works	368	375
City Works	236	190
Engineering Services	31	80
Goods for Resale	41	32
Total	676	677

6.28 Debtors

This table shows the amount that the Council was owed at 31 March 2010 by third parties, together with amounts paid by the Council in advance of receipt of goods or services.

The revised column shows the movement between debtors categories as a result of the Collection Fund restatement.

	Total debt outstanding 2009/10 £000's	Provision for bad debts 2009/10 £000's	Net Debtors 2009/10 £000's	Revised Debtors 2008/09 £000's	Net Debtors 2008/09 £000's
Government Departments	2,010	0	2,010	2,983	2,983
Other Local and Public Authorities	37	0	37	16	16
Tenants (Housing Revenue Account)	1,259	(589)	670	814	814
Sundry Debtors	12,399	(574)	11,825	9,624	7,150
Housing Benefit	4,429	(2,674)	1,755	1,135	1,135
Council Tax	1,072	(498)	574	504	2,978
Total	21,206	(4,335)	16,871	15,076	15,076

6.29 Creditors

The table below shows the amount that the Council owed as at 31 March 2010 to third parties, together with amounts received by the Council in advance of supply of goods or services.

The revised column shows the movement between creditors categories as a result of the Collection Fund restatement.

	2009/10 £000's	Revised 2008/09 £000's	2008/09 £000's
Receipts in advance	(4,860)	(5,301)	(5,914)
Government Departments including taxation	(1,215)	(898)	(898)
Pensions Contributions due to County Council	(662)	(745)	(745)
Sundry Creditors	(15,197)	(10,584)	(9,971)
Total	(21,934)	(17,528)	(17,528)

6.30 Long Term Contracts

The Council is committed to spend the following in the future years

	Oxfordshire County Council (ICT) £000's	Fusion (Leisure) £000's
Contract spend in:		
2010/11	987	409
2011/12 to 2013/14	2,962	473
After 2014	1,975	767
Total	5,924	1,649

6.31 Self Insurance

The Council maintains a self-insurance fund as an alternative to the insurance market. It is used to meet claims up to specified amounts, above which the Council insures through external insurers. The fund covers public liability claims (up to £50,000 each) and building claims (up to £100,000 each).

	2009/10 £000's	2008/09 £000's
Contributions to Fund	146	198
Claims	0	(47)
Increase in Earmarked Reserve	146	151

6.32 Provisions

As described in the Statement of Accounting Policies, provisions represent amounts set aside for liabilities that have definitely been incurred, but where the exact amount and date of payment is uncertain. The purpose of individual provisions is outlined below.

	Balance 31 Mar 2010 £000's	New in year £000's	Used in Year £000's	Returned to Revenue £000's	Balance 1 Apr 2009 £000's
Singletree R & M Provision For major work in respect of leaseholder properties. When the leasehold properties are resold a percentage of the resale value is paid into the provision.	(218)	(11)	0	0	(207)
Abbey Place Sinking Fund For major repair and maintenance work in respect of the properties owned by leaseholders. The provision will be released on disposal of Abbey Place.	(4)	0	0	0	(4)
Capitalised Pension Cost Provision 2005/06 To fund the 5 year effect of capitalised early retirement costs. Funded by taking the whole of the capitalised cost (from the service department of the employee) in the year in which retirement took place and only releasing 1/5 of the fund each year when the amount is due to the Pension Fund.	(9)	0	13	0	(21)
Lease Agreement of Southfield Park Required to cover increase in site rent due from 1 April 2004. Agreement on the size of the increase has not been reached and will now be referred to arbitration. An agreement is expected in 2010-11.	(1,147)	(191)	0	0	(956)
Burial of the Dead Provision Required to retain any assets (cash etc.) found with deceased persons belongings where no family members can be found to make arrangements for them. Assets are held on their behalf for a period of time until family connections are made.	(8)	(1)	3	0	(10)
Lord Mayors Deposit Scheme Provision A scheme established by the Lord Mayor of Oxford to help local, non statutory homeless individuals to access the private housing market. This provision represents payments that may need to be made towards rental deposits.	(141)	(107)	12	0	(46)
Oxfordshire Sports Partnership contingency To meet costs arising from the procurement of employment towards the Partnership.	(66)	0	0	0	(66)
Catacombs Youth Provision Funding received to spend on Youth Provision in the West End area following release of a covenant. This is now being treated as a Capital Receipt.	0	0	0	80	(80)
Choice Based Letting Provision Funding received to spend on the Choice Based Letting scheme.	0	0	43	0	(43)
Pension Hidden Costs Provision 2009/10 To fund the 5 year effect of early retirement/ capitalised cost. Funded by taking the whole of the capitalised cost (from the service department of the employee) in the year in which retirement took place and only releasing 1/5 of the fund each year when the amount is due to the Pension Fund.	(224)	(224)	0	0	0
Rent Deposit Scheme This provision covers rent deposits that have been paid out to landlords and may not be recoverable. These deposits were paid for people who would otherwise have become homeless.	(1,128)	(1,128)	0	0	0
Total	(2,945)	(1,663)	71	80	(1,433)

6.33 Movement on Reserves

This note analyses the movement in each reserve, and the total gains and losses shown below equals the total shown in the Statement of Recognised Gains and Losses.

	Balance 31 Mar 2010	Movement	Restated Balance 1 April 2009
	£000	£000	£000
Capital Adjustment Account			
Store of capital resources set aside to meet past expenditure and the closing balance of the Fixed Asset Restatement Account	(674,326)	6,465	(680,791)
Revaluation Reserve Account			
Store of gains on revaluation of fixed assets not yet realised through sales	(63,929)	(116)	(63,813)
Collection Fund Adjustment Account			
Represents the councils actual share of (surplus)/deficit for current Financial Year	(125)	(109)	(16)
Usable Capital Receipts			
Proceeds of fixed asset sales available to meet future capital investment	(8,065)	(3,198)	(4,867)
Deferred Capital Receipts			
Money owed when the Council issues mortgages for Right to Buy sales of council houses	(4,401)	284	(4,685)
Pensions Reserve			
Balancing amount to allow inclusion of Pensions Liability in the Balance Sheet	145,622	42,632	102,990
General Fund			
Resources available to meet future running costs for non-housing services	(3,140)	1,202	(4,342)
Housing Revenue Account			
Resources available to meet future running costs for council houses	(2,000)	917	(2,917)
Collection Fund			
This represents the Councils share of the Collection Fund (surplus) / deficit for prior Financial Years	(9)	44	(53)
Earmarked Reserves			
These are funds earmarked for a specific purposes	(8,500)	668	(9,168)
Financial Instruments Adjustment Account			
Write off of Icelandic Bank Investment	0	(852)	852
Total	(618,873)	47,937	(666,810)

6.34 Capital Adjustment Account

This account includes provision for credit liabilities, reserved receipts and minimum revenue provisions. The account is matched by fixed assets within the Balance Sheet, and is not a resource available to the Authority.

	Capital Adjustment Account
	2009/10 £'000
Balance at 31st March 2009	(680,054)
Prior Year Adjustments	(737)
Opening Balance at 1st April 2009	<u>(680,791)</u>
Revenue financing	(1,766)
UCR financing	(1,948)
Reverse depreciation	12,692
RRA depreciation	(616)
Reverse deferred charges	2,316
Write off Government Grands Deferred	(459)
MRA Applied	(5,340)
Impairments	4,075
Revaluations	(4,566)
Disposals	3,801
In year adjustments	(1,492)
Other - SODC	(232)
Balance carried forward at 31st March 2010	<u>(674,326)</u>

6.35 Revaluation Reserve

The Revaluation Reserve provides the matching entry when fixed assets are restated, upon revaluation or disposal. When assets are disposed of, they are re-valued, and the valuation gain/loss is written out against the reserve.

	Revaluation Reserve
	2009/10 £'000
Balance at 31st March 2009	(65,676)
Prior Year Adjustments	1,863
Opening Balance at 1st April 2009	<u>(63,813)</u>
Revaluations for the year	
(Gains)/Losses on revaluation on Council Dwellings	3,285
(Gains)/Losses on revaluation on Other land & Buildings	(7,555)
(Gains)/Losses on revaluation on Infrastructure	0
(Gains)/Losses on revaluation on Community Assets	0
(Gains)/Losses on revaluation on Investments	(1,208)
(Gains)/Losses on revaluation on Assets Under Construction	133
Disposals of fixed assets	2,225
Depreciation	3,004
Net movement for the year	<u>(116)</u>
Balance at 31st Mar 2010	<u>(63,929)</u>

6.36 Useable Capital Receipts

Receipts from the sale of fixed assets can only be used to finance new capital investment. They are initially credited to the reserve and then transferred to Capital Adjustment Account when they are used for financing.

	Useable Capital Receipts 2009/10 £'000
Balance brought forward at 1st April 2009	(4,867)
Capital Receipts from sale of fixed assets	(5,860)
Transfer capital receipt to developer contributions	60
Amount applied to finance new capital investment in 09/10	1,948
Disposal costs relating to sales	12
Payment to Capital receipt pool	642
Net movement for the year	<u>(3,198)</u>
Balance at 31 March 2010	<u>(8,065)</u>

6.37 Earmarked Reserves

Earmarked reserves are amounts set aside by the Council from the General Fund to meet possible future liabilities. The purposes of the main reserves are set below.

	Balance 31 March 2010 £000's	Receipts £000's	Payments £000's	Balance 1st April 2009 £000's
Cemetery Maintenance	(19)	0	0	(19)
Created to meet future maintenance liabilities				
Taxis	(174)	(55)	0	(119)
Reserve from increased taxi licensing fees and additional licensing numbers				
Investment Income Reserve	0	0	1	(1)
IT Equipment Reserve (HRA)	(192)	0	126	(318)
This reserve has been created to fund future purchases of IT equipment				
Town Hall Equipment Reserve	(47)	(6)	0	(41)
This reserve is to fund future replacement of Town Hall equipment				
Work Of Art Reserve	(5)	0	0	(5)
A reserve to fund future purchases of works of art for the Civic Collection				
Shopmobility Equipment Reserve	(42)	(20)	0	(22)
A reserve to fund future purchases of motorised wheelchairs				
Employee Cost Reserve	(741)	0	259	(1,000)
To cover incidental costs of single status implementation				
Customer Services Server Replacement	(72)	0	0	(72)
This reserve is to fund future purchase of computer equipment in this service				
S&R Oxford Business Contributions	(35)	(3)	0	(32)
To be used for future partnership projects				
Performance Reward Grant	(0)	0	0	(0)
Earmarked for investment in performance improvements				
SALIX Energy Projects	(269)	(169)	0	(100)
Fund to be used for future energy saving projects.				
Non SALIX Energy Projects	(0)	0	12	(12)
A reserve to be used for energy projects not matched by Salix funding				
Decent Homes Capital Reserve	(3,180)	(55)	0	(3,125)
A reserve created from revenue to contribute to the funding of the Decent Homes Capital Programme				
IT Infrastructure Reserve	(100)	0	0	(100)
A reserve to fund IT infrastructure, system upgrades and replacement.				
Repairs & Maintenance Reserve	(284)	0	391	(675)
A reserve to be used to tackle the repairs & maintenance backlog				
Reserve for Land Charges	(19)	(12)	0	(7)
A reserve to fund IT software in relation to Land Charges				
Leisure Repairs & Maintenance	(280)	(62)	0	(218)
A reserve to fund Repairs & Maintenance in respect of the Leisure Centres				
Invest to Save Projects	0	0	106	(106)
A reserve to fund initiatives that will deliver savings and payback the original cost				
Self Insurance Fund	(1,227)	(146)	0	(1,081)
Created as a self-insurance fund				
Business Transformation Projects	(561)	0	904	(1,465)
A reserve to fund Transformational projects that deliver improved working and future year savings				
City Council Elections Reserve	(21)	(21)	0	0
A reserve set aside to smooth the effect of elections on the Council tax requirement, as elections are not held annually				
Chief Executive's Award Fund	(3)	(3)	0	0
A reserve set up to enable awards for innovation				
Committed Projects Reserve	(75)	(75)	0	0
A reserve set up to enable continuation of projects that have not been completed and paid for in the previous financial year, specifically New waste bins and fast litter picker				
Corporate Contingency Reserve	(596)	(596)	0	0
A reserve set up to protect the Council against short to medium term cuts in light of the financial uncertainty, in excess of the cuts the Council has already built into its budgets.				
Icelandic Banking Reserve	(258)	0	92	(350)
A reserve established during 2008-9 to contribute towards funding the capitalisation costs				
Recession Led Pressures Reserve	(300)	0	0	(300)
A reserve set up in 2008-9 to fund any losses in future years, as a result of the recession				
Total	(8,500)	(1,223)	1,891	(9,168)

6.38 Financial Instruments Adjustment Account

In 2008/09 the Council created a balance within its Financial Instruments Adjustment Account this was to allow for the impact of the potential loss of the Icelandic investments that had been made.

This balance has been reversed out following DCLG approval to capitalise these losses. £1,944k has therefore been capitalised as Icelandic losses.

6.39 Contingent Assets and Liabilities

Contingent Asset - Iceland

The Council had deposits with the failed Icelandic banks, these are shown in the table below:

Counterparty		%	Maturity Date
Glitnir	1,500,000	5.51	28/1/2009
Heritable	1,000,000	6.04	5/1/2009
Heritable	1,000,000	6.18	30/4/2009
Heritable	1,000,000	5.83	9/12/2008

Within the 2008/09 accounts, the Council took advantage of the option to defer the impact of the loss into the current year. During the year £1,049k has been repaid by Heritable bank. To date we have not received any repayments from Glitnir. Guidance received to date is indicating that the repayment of the Heritable deposits will continue with an eventual total repayment of approx 85% of the initial deposit by the end of 2012. The guidance also states that it has yet to be agreed if local authorities are to be treated as a priority status for Glitnir. The Council applied for and received a capitalisation approval that allowed the loss on deposits to be charged to capital, this has led to us capitalising £1,944k of the initial investment.

The Council has followed the LAAP (Local Authority Accounting Panel) bulletins in arriving at the accounting treatment. The deposit that the Council holds with Glitnir bank is subject to legal challenge following the Glitnir Winding-Up Board decision that local authority deposits do not have priority status. These accounts have been prepared on the basis that the Council will not have priority status and so would recover around 29% of the deposit. This means that a further impairment of £95k has been charged to the Income & Expenditure account.

The Council has reviewed the LAAP bulletin 85 in reaching the decision to implement the maximum loss. The Council considers that the treatment as a priority creditor is not certain and believes that the prudent approach for the Council is to fund the loss now with the resources that are in place to do this. If the Council were to be granted priority status, up to 100% return on our deposit could be achieved. This would amount to £887k but would not be received before May 2011.

As the accounts allow for the worse case scenario, we disclose a Contingent Asset should the Council be treated as a priority creditor.

Contingent Liability – Government Grants

Central Government have announced a series of Local Government funding cuts in order to reduce the National budget deficit. One aspect of this is the announcement of cuts in grants, including the possibility that government grants received since January 2010 may need to be repaid. These accounts as presented include all grants received and due from Central government and other bodies who are themselves in receipt of government funding. The Council discloses a contingent liability in respect of grants that may be withdrawn but is not in a position to quantify the liability as information is still being received.

6.40 Financial Instruments

Nature and Extent of Risks Arising From Financial Instruments

The Council's overall risk management programme focuses on minimising the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for

overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk, refinancing risk and market risk.

Credit Risk

Credit risk arises from short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the Council's policy to place funds only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's Treasury Advisers and to restrict lending to a prudent maximum amount for each financial institution. The Council also maintains a formal counterparty policy in respect of those financial institutions and other bodies from which it may borrow, or with whom it may enter into other financing arrangements.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions. The historical experience of default has been taken from Fitch, a credit rating organisation used by the Council and, applies to the period 1990 – 2007 on investments out to 5 years.

	Amount at 31 March 2010 2009-10 £000's	Historical experience of default 2009-10 %	Adjustment for market conditions at 31 March 2010 2009-10 %	Estimated maximum exposure to default 2009-10 £000's
Deposits with banks and financial institutions				
AAA rated counterparties	27,925	0.000%	0.000%	0
AA rated counterparties	0	0.060%	0.060%	0
A rated counterparties	0	65.000%	65.000%	0
BBB rated counterparties	0	3.100%	3.100%	0
BB rated counterparties	0	9.340%	9.340%	0
B rated counterparties	0	9.870%	9.870%	0
CCC to C rated counterparties	0	42.670%	42.670%	0
Other counterparties	1,248	42.670%	42.670%	533
Bonds - AAA rates		0.001%	0.001%	0
Sub Total	29,173			533
Debtors				
Government Departments	2,010	0.000%	0.000%	0
Other Local and Public Authorities	37	0.000%	0.000%	0
Tenants (HRA)	1,259	46.783%	46.783%	589
Sundry Debtors	12,202	4.704%	4.704%	574
Housing Benefit Overpayments	4,429	60.375%	60.375%	2,674
Council Tax	1,072	46.455%	46.455%	498
Long Term Debtors	5,665	0.000%	0.000%	5,665
Sub Total	26,674			10,000
Total	55,847			10,533

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £4.5m invested in this sector at that time. The Council has received approval to Capitalise some of the expected losses to the value of £1,944k, for which it has done in 2009/10.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties.

Liquidity Risk

The Council has ready access to borrowings from the Public Works Loan Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time to mitigate the impact of re-borrowing at a time of unfavourable interest rates. The Council has specific percentage limits for debt maturing in different periods to ensure an excessive amount of loans do not fall due for repayment at the same time. This ensures prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures cover the short and medium term cash needs, the risk in the longer term relates to the danger of having to replace a maturing long term investment at disadvantageous rates.

The approved prudential indicator limiting the amount of funds placed in investments for terms exceeding one year is a key factor limiting this risk, as is medium term financial policy on reducing the Council's reliance on interest earnings to fund its core activities.

The Council approved Treasury and Investment Strategies addresses the main risks and the Council's treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt or ensuring sufficient funds to make repayments on due dates; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs, and the spread of longer-term investments providing stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of financial liabilities is as follows:

Analysis of loans by maturity	31 Mar 2010
Between 1 and 2 years	742
Between 2 and 5 years	2,743
Between 5 and 10 years	895
Total	<u>4,380</u>

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the fair value is assumed to be equal to the carrying amount.

The analysis of financial liabilities is included in the table below. The amortised cost is an accumulation of the principal and accrued interest. The fair value is as per the notification received from the PWLB. The fair value of the liabilities is higher than the amortised cost due to the premiums that would become payable if the loans were to be repaid. All of the debt relates to the HRA. Currently the Council do not intend to reschedule or repay this debt, therefore have included it at amortised cost.

Analysis of Financial Liabilities

	09/10 £000s	08/09 £000s
Short Term Borrowing -Public Works Loan Board	680	2,124
Short Term Borrowing -South Oxfordshire District Council	243	0
Long Term Borrowing - Public Works Loan Board	4,376	5,059
Deferred Liability - South Oxfordshire District Council	1,427	2,020
Local Bonds	4	4
Long Term Debtors	5,665	4,728
	<u>12,395</u>	<u>13,935</u>
Interest	86	177
Amortised Cost	<u>12,481</u>	<u>14,112</u>
Fair Value	<u>6,699</u>	<u>9,412</u>

The analysis of financial assets is shown in the table below. The amortised cost is an accumulation of the principal and the accrued interest. All investments are at a fixed rate and for a fixed term therefore the accrued interest is based on the agreed rates at the inception date of the investment, and therefore a fair value has not been used as a comparator.

Analysis of Financial Assets

Analysis of financial assets

	09/10 £000s	08/09 £000s
Short term investments	29,173	29,140
Long term investments	32	32
Cash	1,092	0
	<u>30,297</u>	<u>29,172</u>
Interest	337	381
Amortised Cost	<u>30,634</u>	<u>29,553</u>

All trade and other payables are due to be paid in less than one year and trade debtors of £21,009k are not shown in the table above.

Market Risk

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

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure will rise
- Borrowings at fixed rates – the fair value of the borrowing liability will fall
- Investments at variable rates – the interest income credited to the Income and Expenditure will rise
- Investments as fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

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

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

The Council does not have any variable rate borrowings or investments, therefore the impact of a 1% increase or decrease in interest rates would have a nil financial impact.

Price Risk – The Council, excluding the Pension Fund, does not generally invest in instruments with this type of risk.

Foreign exchange risk – The Council has no financial assets or liabilities denominated in foreign currencies. Although the Council's Icelandic bank losses may be subject to foreign exchange rate risk, as there is a potential that some of the deposits may be repaid in either Icelandic Krona or Euros.

Financial Instruments Balances

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

	Long Term		Short Term	
	31st March 2010 £000s	31st March 2009 £000s	31st March 2010 £000s	31st March 2009 £000s
Financial Liabilities (principal amount)	11,472	7,083	923	2,124
Plus accounting adjustments	80	136	6	41
Financial Liabilities at amortised cost	11,552	7,219	929	2,165
Financial Liabilities at fair value through the I&E	6,699	9,412		
Total Borrowings	18,251	16,631	929	2,165
Loans and receivables (principal amount)	0	0	29,173	29,140
Accounting adjustments	0	0	337	421
Loans and receivables at amortised cost	0	0	29,510	29,561
Total investments	0	0	29,510	29,561

Financial Instruments Gains and Losses

There are no gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments in this financial year.

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31st March 2010		31st March 2009	
	Carrying amount £000s	Fair Value £000s	Carrying amount £000s	Fair Value £000s
PWLB Debt	5,056	6,699	7,183	9,412
Non - PWLB Debt	1,674	1,674	2,024	2,024
Total Debt	6,730	8,373	9,207	11,436
Trade creditors	15,356	15,244	9,971	9,971
Total financial liabilities	22,086	23,617	19,178	21,407
Money market loans < 1year	29,173	29,510	29,140	29,140
Money market loans > 1year	0	0	0	0
Bonds	0	0	0	0
Long term Debtors	5,665	5,665	4,728	4,728
Trade Debtors	12,202	12,202	7,378	7,378
Total loans and receivables	47,040	47,377	41,246	41,246

6.41 Post Balance Sheet Events

Pensions

In the emergency budget on 22nd June 2010 the Government announced that, in future, the pension increase order applied to public schemes' pensions in payment will be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This change represents a non-adjusting post balance sheet event.

Both the RPI and CPI measure the change in prices of various consumer items. However, there are some specific differences in the commodity coverage of the CPI and RPI indices. Over the last 20 years RPI has been on average 0.5% per annum higher than CPI. If this past trend continues then future pension increases would be expected to be 0.5% less than previously projected.

Reducing the assumption for future levels of pension increases by 0.5% per annum has the following effect on the net pension liability:

Net Pension Liability at 31 March 2010	RPI £'000	CPI £'000	Difference £'000
Present value of funded obligation	275,970	261,573	14,397
Fair value of Scheme assets (bid value)	139,168	139,168	0
Net Liability	136,802	122,405	14,397
Present value of unfunded obligation	8,820	8,298	522
Unrecognised past service cost	0	0	0
Total Net Pension Liability	145,622	130,703	14,919

Icelandic Impairments

Since the balance sheet was produced, CIPFA have issued a revised LAAP (Local Authority Accounting Practice) bulletin 82 in relation to the Icelandic banks. This bulletin marginally changes the timing of recovery of the amounts for investments in Heritable Bank plc. The impact on the accounts is minimal, less than £700, therefore no change to the accounts has been made. There is no change in advice given by CIPFA in relation to the Council's investments in Glitnir bank.

6.42 Authorisation of Accounts

The Statement of Accounts are authorised for issue on 28th June 2010 by the Council's Section 151 officer. Events after the Balance Sheet date have been considered up to this time.

Notes to the Cash Flow

6.43 Reconciliation of Income and Expenditure to Movement in Cash Flow

	2009/10 £000's	2008/09 £000's
Income and Expenditure Account deficit/(surplus) for the year	17,692	76,056
Collection Fund Surplus/Deficit	65	26
Adjust for items outside Revenue Activities Net Cash Flow		
Interest and Investment Income Received	260	2,281
Contribution of Housing Capital Receipts to Govt Pool	(641)	(823)
Interest Payable	(570)	(1,022)
Gain/(Loss) on Disposal of Fixed Assets/Long Term Investments	2,688	889
Net Adjustments	19,494	77,407
Adjust for items on accruals basis		
Stock and WIP Increase/(Decrease)	(1)	(192)
Revenue Debtors Increase/(Decrease)	3,049	1,885
Revenue Creditors(Increase)/Decrease	(4,926)	(1,601)
Total Accruals Basis Adjustment	(1,878)	92
Adjust for Non-Cash transactions		
Provisions (Increase)/Decrease	(1,512)	(546)
Non Cash items from I&E	(31,364)	(87,305)
Financial Instruments Adjustments	852	(852)
Other	10	60
Total Non-Cash Transaction Adjustment	(32,014)	(88,643)
Adjust for Cash Transactions not included in I & E per SMGF		
Employers contribution to pension fund	6,221	6,590
Total Cash transaction adjustment	6,221	6,590
Revenue Activities Net Cash Flow	(8,177)	(4,554)

6.44 Reconciliation of Movement in Cash to Net Debt

	As at 31st March 2010 £'000s	Movement £'000s	As at 31st March 2009 £'000s
Cash in Hand	9	(99)	(90)
Cash in Bank	1,083	(1,227)	(144)
Total	1,092	(1,326)	(234)

6.45 Government Grants

The Council received £16,560k in Revenue Support Grant (and NNDR) and £68,627k from Department Works and Pension for benefit payments. Other grants are analysed in the following table:

	2009/10 £'000
Revenue	
Improvement & Efficiency South East (IESE) - Procurement Hub funding	36
Department for Transport - Concessionary Fares	840
Communities and Local Government - Connecting Communities	79
Communities and Local Government - Homelessness	
Overcrowding Worklessness Directorate	679
Communities and Local Government - Homelessness Economic downturn	30
Communities and Local Government - mortgage rescue programme	48
Communities and Local Government - Housing Options	40
Communities and Local Government - New Burdens	5
Home Office - Tackling Knives Action Programme Alcohol Intervention	15
Dept for Environment, Food & Rural Affairs Climate Change grant	39
Dept for Environment, Food & Rural Affairs - Air Quality Grant	54
New Growth Points - Revenue	191
Communities and Local Government - Housing Planning Delivery Grant	630
Communities and Local Government - Local Authority Business Growth Incentive	104
Area Based Grants	242
Sub Total - Revenue Grants	<u>3,032</u>
Capital	
Homes & Communities Agency - Lambourne Road & Cardinal House	3,060
Communities and Local Government - New Burdens	5
Homes and Communities Agency - Old Fire Station - Capital	2,450
Communities and Local Government - Disabled Facility Grant	390
Communities and Local Government - Housing Planning Delivery Grant	1,068
Sub Total - Capital Grants	<u>6,973</u>
Total	<u>10,005</u>

Central Government is reviewing grant all allocations and some of the above grants may be repayable. See note 6.39 for details.

7. SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS
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7.1 Housing Revenue Account Income and Expenditure Account

	2009/10	2008/09
	£000's	£000's
Income		
Dwelling Rents (Gross)	(30,759)	(30,232)
Non Dwelling Rents (Gross)	(1,402)	(1,321)
Charges for Services & Facilities	(1,752)	(1,249)
Sub Total	(33,913)	(32,802)
Expenditure		
Supervision & Management	6,237	6,437
Repairs & Maintenance	10,307	8,678
Rents, Rates, Taxes & Other Charges	330	618
Contribution to Bad and Doubtful Debts	(16)	129
Subsidy Payable	10,984	10,521
Depreciation	7,939	10,017
Impairment	9,218	37,225
Deferred Contributions Depreciation	0	0
Sub Total	44,999	73,625
Net Cost of Services Per Inc & Exp	11,087	40,823
HRA Share of CDC	317	288
Trading Account	(40)	0
Net Cost of HRA Services	11,364	41,111
(Gain) or Loss on Sale of HRA Fixed Assets	(1,420)	0
Interest Payable and Similar Charges	745	1,200
Amortisation of premiums and discounts		
Investment Income & Mortgage Interest	(59)	(285)
(Surplus) or deficit for the year on HRA Services	10,629	42,026

7.2 Statement of Movement on the HRA Balance

	2009/10 £000's	2008/09 £000's
Statement of Movement on the HRA Balance		
(Surplus) or deficit for the year on the HRA Income And Expenditure Account	10,629	42,026
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
Impairment	(9,218)	(37,225)
Other Appropriations - Contributions to/ from reserves	(11)	347
Net gain/(loss) on sale of fixed assets	1,420	0
Deferred Contributions	0	0
Net charges made for retirement benefits in accordance with FRS 17	761	652
Sub Total	(7,048)	(36,227)
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
Transfer to (from) MRR	(2,600)	(4,823)
Employer's contribution to Pension Fund	(64)	72
Revenue contributions to Capital Expenditure	0	0
Sub Total	(2,664)	(4,751)
(Increase) or decrease in the Housing Revenue Account Balance	917	1,048
Housing Revenue Account surplus brought forward	(2,917)	(3,965)
Housing Revenue Account surplus carried forward	(2,000)	(2,917)

Notes to the Supplementary Financial Statements
Housing Revenue Account

7.3 Stock Analysis

	As at 31-Mar-10	Restated 31-Mar-09
Houses		
1 bedroom	278	279
2 bedroom	839	850
3 bedroom	2,913	2,930
more than 3 bedroom	274	276
Flats		
1 bedroom	1,557	1,647
2 bedroom	1,753	1,756
3 bedroom	153	154
more than 3 bedroom	4	4
Non Dwelling Properties		
Hostels	8	9
Overall Total	7,779	7,905

	As at 31-Mar-10	Restated 31-Mar-09
Summary of changes in Stock		
Stock at 1st April 2009	7,905	7,898
Adjustment prior year	0	15
Less Sales	(21)	(4)
Other Disposals	(106)	(19)
Additions	1	15
Stock at 31st March 2010	7,779	7,905

	As at 31-Mar-10	As at 31-Mar-09
Garages In Block	2,283	2,302
Garges Within Curtilage	275	277
Parking Spaces	50	50
Overall Total	2,608	2,629

	As at 31-Mar-10	As at 31-Mar-09
Summary of changes in Garages & Parking Spaces		
Stock at 1st April 2009	2,629	2,349
Overstated demolished from prior year	-	374
Demolished/ Disposed	-	(94)
Non residential parking included in prior year	(19)	
Garages within curtilage overstated prior year	(2)	
Stock at 31st March 2010	2,608	2,629

7.4 Stock Valuation

A valuation of the stock was carried out by Knight Frank LLP at 31st March 2009. The Vacant possession value of dwellings at that date was estimated to be £1.26 billion. This is an indication of the open market value that might be obtained if the Council were in a position to dispose of the properties in that way. The Council is required to show in its Balance Sheet their value on the existing use basis for social housing.

	2009/10 £000's	Restated 2008/09 £000's
Asset Values by Asset Type		
Operational		
Council Dwellings	556,258	570,755
Other Land & Buildings	24,120	16,332
Vehicles & Plant	1	4
Furniture & Equipment	0	0
Infrastructure	0	0
Community Assets	38	38
Non-Operational		
Investment Properties	439	107
Total Value	<u>580,856</u>	<u>587,236</u>

7.5 Major Repairs Reserve

	2009/10 £000's	2008/09 £000's
Opening Balance	0	(3)
Transfer from Capital Financing Reserve	(7,940)	(10,017)
Excess of Depreciation on dwellings over Major Repairs Allowance	2,600	4,823
Financing of Capital Expenditure (MRA Applied)	5,340	5,197
Closing Balance	0	0

7.6 Capital Expenditure and Financing

	2009/10 £000's	2008/09 £000's
Buildings	9,024	11,198
Other assets	0	(14)
Deferred charges		
Total Spend	<u>9,024</u>	<u>11,184</u>
Sources of Finance		
Supported Borrowing	546	546
Government Grants & Other Contributions		
Major Repairs Allowance	5,340	5,197
Capital Receipts	3,138	5,441
Revenue Contributions	0	0
Total Spend	<u>9,024</u>	<u>11,184</u>

7.7 Capital Receipts

Receipts received from the sale of HRA assets were as follows:

	2009/10 £000's	2008/09 £000's
Buildings	(2,049)	(6,736)
Less: administrative costs	12	9
Total	<u>(2,037)</u>	<u>(6,727)</u>

7.8 Depreciation

Depreciation is charged on the Balance Sheet value of assets, based on the estimated useful life. The main charge is for Council dwellings that have an estimated useful life of 50 years. So that the charge does not impact upon the deficit or surplus for the year, an adjustment is made by transfer to the Major Repairs Reserve and Housing Subsidy.

	2009/10 £000's	2008/09 £000's
Depreciation - council dwellings	7,743	9,561
Depreciation - other land & buildings	193	452
Depreciation - other assets	4	4
Total	<u>7,940</u>	<u>10,017</u>

7.9 Impairment

Impairment in the value of assets relates to HRA dwellings and Garages.

So that the charge does not impact on the HRA deficit and balances, an adjustment is made in accordance with HRA statutory requirements.

The total value of impairment for 2009/10 was £9,218k (£37,225k in 2008/09).

7.10 Revenue Expenditure Funded from Capital Under Statute

Revenue Expenditure funded from Capital Under Statute relates to capital expenditure, which does not necessarily result in an asset. In 2009/10 and 2008/09 there were no such charges.

7.11 Housing Subsidy

Housing Revenue Account Subsidy represents the net amount paid by the Council to Central Government in respect of the surplus on the notional HRA.

	2009/10 £000's	2008/09 £000's
Management and maintenance	13,732	12,991
Major Repairs Allowance	5,340	5,194
Charges for capital	1,445	2,590
Less:		
Interest on receipts	(11)	(15)
Guideline rent income	(31,490)	(31,305)
Rent Constraint Allowance		
Housing Subsidy Payable	(10,984)	(10,545)
Adjustment to subsidy for prior year	0	24
Total	(10,984)	(10,521)

7.12 Interest Received

The Housing Revenue Account is credited with interest on cash balances and interest on loans granted to enable tenants to purchase Council dwellings.

	2009/10 £000's	2008/09 £000's
Interest on cash balances	(49)	(274)
Interest on loans to individuals	(10)	(11)
Total	(59)	(285)

7.13 Financial Reporting Standard (FRS) 17 – Pensions

Included within the net cost of services, is the HRA share of contributions from the Pension Reserve. The pension contributions have been calculated in accordance with FRS 17. An adjustment is made after Net Operating Expenditure, so that there is no effect on the HRA surplus for the year.

7.14 Rent Arrears

	2009/10 £000's	%	2008/09 £000's
Arrears Details			
Current Tenants	831	2.55	919
Past tenants	109	0.34	121
Overall	940	2.90	1,040
Total Rents due in year	32,535		30,657

7.15 Provision for Bad Debt

	2009/10 £000's	2008/09 £000's
Doubtful Debt provision		
Opening Balance	392	493
Prior year adjustment	2	-
Write-offs in Year	(169)	(235)
Additional Provision	82	134
Closing Balance	<u>307</u>	<u>392</u>

In light of the current economic climate, this provision was reviewed, however, as the rent team have improved the collection rate during 2009/10. This provision is deemed to be sufficient.

7.16 HRA Trading

	Expenditure	Income	Net (Surplus) / Deficit	Net (Surplus) / Deficit
	2009/10 £000's	2009/10 £000's	2009/10 £000's	2008/09 £000's
SOHA	0	0	0	4
Estates	462	(503)	(41)	11
Total trading operations	<u>462</u>	<u>(503)</u>	<u>(41)</u>	<u>15</u>

7.17 Capital Commitment

		2009/10 £'000	2008/09 £'000
Kitchens	Fergal	-	489
Non Traditional	SERS	-	5
Roofing	GSR	181	-
Fire doors	Lindman	234	-
External rendering	Fergal	184	-
Windows	Nationwide	350	-
S106 fees	Oxford County Council	224	-
New build site management	Frankam Consultancy (Oxford) Ltd	91	-
Project management	The Clarkson Alliance	48	-
Construction costs Cardinal House	Leadbitter Group	2737	-
Construction costs Lambourn Road	Lovells	2734	-
		<u>6,783</u>	<u>494</u>

Committed Capital Programme for Future Years

	2010/11	2011/12	2012/13
	£'000	£'000	£'000
Decent Homes	9,279	8,300	8,600
New build	10,766	0	0
Shops	200	200	200
Other	580	600	600
Total	<u>20,825</u>	<u>9,100</u>	<u>9,400</u>

8. COLLECTION FUND ACCOUNT

8.1 Collection Fund

This is a separate statutory fund under the provision of Local Government Act 1988. Its assets and liabilities are included in the General Fund Balance Sheet and its income and expenditure is shown below:

	2009/10 £000's	2008/09 £000's
Income		
Council Tax	(62,527)	(59,725)
Business ratepayers	(75,971)	(75,161)
Transfers from General Fund		
Council Tax benefits	(9,708)	(8,724)
Transitional relief	(12)	(9)
Sub Total	<u>(148,218)</u>	<u>(143,619)</u>
Expenditure		
Precepts	71,270	68,562
Business rate		
Payment to National Pool	75,754	74,943
Cost of Collection	229	227
Bad and doubtful debts		
Provisions	323	(68)
Contributions		
Towards previous year's estimated Collection Fund surplus	0	(407)
Sub Total	<u>147,576</u>	<u>143,257</u>
Movement on fund balance	<u>(642)</u>	<u>(362)</u>

8.2 Non-Domestic Rates

Under the arrangements for Business Rates, the Council collects Non-Domestic Rates for its area, based on local rateable values, multiplied by a uniform business rate. The amount collectable, less a cost of collection allowance set by the Department of Communities and Local Government, and provisions for doubtful debts, is paid into the National Non-Domestic Rate Pool. For each type of authority (District, County etc) a set amount per head is paid back.

The local rateable value as at 31st March 2010 was £205,485,811 (£203,105,200 at 31st March 2009). The multiplier for 2009/10 was set at 48.5 pence in the pound (46.2 pence for 2008/09)

8.3 Council Tax

The Council Tax Base is a measurement of the taxable capacity of the area. Dwellings are converted into Band D equivalents, taking into account exemptions and discounts. Dwellings are classified into eight valuation bands (A to H) based on 1991 capital valuations. The Council Tax is set for band D dwellings and the tax for the other bands is calculated as a proportion of the band D charge.

For 2009/10 Council Tax was set at £261.41 for a band D property (2008/09 £250.15)

The Council Tax Base was calculated as follows:

Valuation Band	Total no. Dwellings on Valuation List	Total Equivalent Dwellings (after discounts, etc.)	Ratio to Band D	Band D Equivalents
A	2,264	1,537	6/9	1,025
B	8,822	6,821	7/9	5,305
C	18,529	15,431	8/9	13,716
D	15,538	12,337	1	12,337
E	6,629	5,123	11/9	6,261
F	2,787	2,329	13/9	3,364
G	3,169	2,685	15/9	4,475
H	568	319	18/9	639
	58,306	46,582		47,122
Crown Properties				0
Allowance of 2% for non-collection				(942)
Total				46,180

8.4 Council Tax Income

	2009/10 £000's	2008/09 £000's
Billed to Council Tax Payers	(62,530)	(59,726)
Council Tax Benefits	(9,708)	(8,724)
Transitional Relief	3	0
Total	(72,235)	(68,450)

8.5 Precepts

	2009/10 £000's	2008/09 £000's
Oxfordshire County Council	52,212	50,325
Oxford City Council	12,072	11,552
Thames Valley Police Authority	6,986	6,685
Total	71,270	68,562

9. ACCOUNTING FOR PENSION COSTS

9.1 Retirement Benefits

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

The Council participates in the Local Government Pension scheme for civilian employees, administered by Oxfordshire County Council. This is a defined benefit scheme, meaning that the Authority and employee pay contributions into a fund, calculated at a level to balance the pension liabilities with investment assets.

The Council has adopted the amendment to FRS 17 under the SORP 2008. The new provision prescribed for quoted securities held as assets in the defined benefit pension schemes to be valued at bid price rather than mid-market value. The 2009/10 and 2008/09 figures are both provided on this basis.

Transactions Relating to Retirement Benefits

The costs of retirement benefits are recognised in the net cost of services at the time that they are earned by employees, rather than when benefits are eventually paid as pensions. However, the charge that is made against the Council Tax is based on the cash payable in the year, in terms of the employer's contribution and unfunded pensions based on years of service added in some cases upon retirement. The real cost of retirement benefits is shown in the Income and Expenditure Account, but is reversed out, and replaced by actual contributions and unfunded pensions, in the Statement of Movement on the General Fund Balance.

Income and Expenditure Account

	2009/10		2008/09
	£'000		£'000
<u>Net Cost of Services</u>			
Current Cost of Services	3,745		4,120
Past Service Cost	0		200
Curtailments & Settlements	632		0
<u>Net Operating Expenditure</u>			
Interest Cost	13,403		12,410
Expected Return on Assets	(5,889)	7,514	(9,150)
	11,891		7,580
Net charge to the income and Expenditure account			
Statement of Movement in the General Fund Balance			
Reversal of net charges made for retirement benefits in accordance with FRS 17		(5,670)	(990)
		6,221	6,590
Employer's Contributions Payable to the Scheme			

9.2 Assets and Liabilities in Relation to Retirement Benefits

The latest actuarial valuation of the fund was carried out as at 31 March 2007, and has been updated by independent actuaries to Oxfordshire County Council Pension Fund to account for the requirements of FRS 17 in order to assess the liabilities of the Fund as at 31 March 2010.

In accordance with paragraph 77(0) of FRS 17 (as revised), the assets for the current period and previous three periods are measured at current bid price. Asset values previously measured at mid-market value for periods ending 2007 and 2008 have been re-measured for this purpose. Asset values for period ending 2006 are shown at mid-market value and have not been re-measured as permitted by FRS 17 (as revised).

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2010 are as follows:

Pension Liability

	2009/10 £'000	2008/09 £'000
Estimated Liabilities in Scheme	(275,970)	(195,890)
Estimated Assets in Scheme	139,168	100,710
Net Liability as reported by Actuary	<u>(136,802)</u>	<u>(95,180)</u>

The net liability shows the underlying commitments that the Authority has in the long run to pay retirement benefits. The net liability of £136.8 million has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for the funding of the deficit, whereby the deficit will be made good by increased employer contributions over the remaining working life of the employees, as assessed by the scheme actuary, means that the financial position of the Council remains healthy.

9.3 Reconciliation of Present Value of the Scheme Liabilities

In previous years this note has been split between the funded and unfunded liabilities. There is no longer a requirement to split these, and so the figures for 2008/09 have been merged and presented as one figure, hence there is no longer an 'unfunded liabilities' note.

	2009/10 £'000	2008/09 £'000
Opening balance - 1 April	(203,700)	(190,200)
Total cost of services - Current service provision cost	(3,745)	(4,120)
Interest on pension scheme liabilities	(13,403)	(12,920)
Participants contributions	(1,915)	(2,090)
Actuarial Gain/ (Loss)	(68,309)	(950)
Net benefits paid out	6,914	6,780
Losses on Curtailments and Settlements	(632)	
Non Distributed cost - FRS 17 past service cost	0	(200)
Closing present value of liabilities	<u>(284,790)</u>	<u>(203,700)</u>

9.4 Reconciliation of Fair Value of the Scheme Assets

	2009/10 £'000	2008/09 £'000
Opening balance - 1 April	100,710	129,850
Expected return on pensions assets	5,889	9,150
Actuarial Gain/ (Loss)	30,887	(40,640)
Contributions by employers	6,681	6,590
Contributions by scheme participants	1,915	2,090
Benefit paid	(6,914)	(6,330)
Closing fair value of assets	<u>139,168</u>	<u>100,710</u>

9.5 Oxford City Council Expected Contribution to be made in 2010/11

2010/11
Estimate
£000

OCC Expected Contributions

6,164

9.6 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumption about mortality rates, salary levels, etc. Under this method, the current service cost will increase as members of the scheme approach retirement. The pension fund liabilities for 2009/10 have been assessed by Barnett Waddingham, an independent firm of actuaries. The assessments for previous years were made by Hewitt Associate, also an independent firm of actuaries.

The main assumptions used in their calculations are:

	2009/10	2008/09	2007/08
Rate of inflation	3.9%	3.5%	3.7%
Rate of increase in salaries	4.9%	4.5%	5.2%
Rate of increase in pensions	3.9%	3.5%	3.7%
Rate of increase to deferred pensions	3.9%	3.5%	3.7%
Rate for discounting scheme liabilities	5.5%	6.6%	6.8%

Assets in the Pension Fund are valued at fair value, principally market value for investments, totalling £139,168k for the Council's share of the fund as a whole at 31 March 2010 (£100,710k at 31 March 2009). The Fund assets consist of the following categories, by proportion of the total assets held by the Fund.

9.7 Expected Return on Assets

	Long-term expected rate of return	Asset split	Long-term expected rate of return	Asset split	Long-term expected rate of return	Asset split
	2010 (% pa)	2010	2009 (% pa)	2009	2008 (% pa)	2008
Equity investments	7.5%	73.0%	7.0%	62.3%	7.6%	70.0%
Property	6.5%	5.0%	6.0%	4.5%	6.6%	6.2%
Government bonds	4.5%	12.0%	4.0%	14.0%	4.6%	10.7%
Corporate bonds	5.5%	6.0%	5.8%	7.9%	6.8%	6.2%
Other	3.0%	4.0%	1.6%	11.3%	6.0%	6.9%
Total	6.8%	100.0%	5.8%	100.0%	7.1%	100.0%

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2009 for the year to 31 March 2010). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

9.8 Assumptions on Mortality rates

	April 2010	April 2009	April 2008
Longevity at 65 for current pensioners:			
Men	23.1	23.1	22.1
Women	25.0	25.0	24.1
Longevity at 65 for future pensioners (retiring in 20 years):			
Men	25.4	25.4	24.0
Women	27.3	27.3	25.3

9.9 Actuarial Gains and Losses

The actuarial gains and losses identified as movement on the Pension Reserve in 2009/10 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2010.

History of Experience Gains and Losses

	2009/10	2008/09	2007/08	2006/07	2005/06
Total Present Value of Liabilities	(284,790)	(203,700)	(174,760)	(200,630)	(188,580)
Value of Assets	139,168	100,710	129,850	135,680	123,740
Surplus (Deficit)	(145,622)	(102,990)	(44,910)	(64,950)	(64,840)
Experience adjustments on Scheme Liabilities	89	(530)	(540)	(460)	40
Percentage of liabilities	0.0%	0.3%	0.3%	0.2%	0.0%
Experience adjustments on Scheme Assets	30,887	(40,640)	(18,290)	730	16,230
Percentage of Assets	22.2%	-40.4%	-14.1%	0.5%	13.1%
Changes in assumptions underlying the present value of the scheme liabilities	(68,398)	(420)	25,590	1,090	(13,810)
Actuarial Gain (Loss)	(37,422)	(41,590)	6,760	1,360	2,460

10. GROUP ACCOUNTS

Under the terms of FRS9 the Council is required to publish a Group Account as part of the 2009/10 statement of Accounts. The Council has to consider all their interest and where material, in subsidiaries, associate, joint ventures, and joint arrangement, which is not an entity (JANE). The Council has reviewed all such interest and has no material interest and therefore has no requirement to complete Group Accounts.

11. GLOSSARY

Accounts	A generic term for statements setting out details of income and expenditure, or assets and liabilities, or both, in a structured manner. Accounts may be categorised either by the type of transactions they record, e.g. revenue account, capital accounts, or by the purpose they serve, e.g. management accounts, final accounts, balance sheets.
Accruals	Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payment has not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.
Agency	Agreement that the Council can perform highway repairs on behalf of the County Council in their areas.
Audit	An independent examination of an organisation's activities, either by internal audit or the organisation's external auditor.
Audit Commission	The Audit Commission was established by the Local Government Finance Act 1982. It has responsibility for the external audit of all local authorities. It can either use district auditors who are employed by the Audit Commission or firms of accountants.
Capital Adjustment Account	Reflects the timing difference between assets consumed and the capital financing set to pay for them.
Capital Charge	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.
Capital Expenditure	Expenditure on the provision of lasting assets, for example land, buildings, road, vehicles and equipment such as computers.
Capital Financing	The raising of money to pay capital expenditure. In the past the cost of capital assets was usually met by borrowing, but capital expenditure may also be financed by other means such as leasing, contributions from revenue accounts, the proceeds from the sale of capital assets, capital grants, and contributions from developers or others.
Capital Receipts	Proceeds from the sale of assets, which have a long term value.
Chartered Institute of Public Finance & Accountancy (CIPFA)	The professional accountancy body concerned with local authorities and the public sector.
Collection Fund	A statutory fund maintained by a billing Authority, which is used to record local rates and non domestic rates collected by the Authority, along with payments to precepting authorities and the national pool of non-domestic rates, as well as into its own general fund.
Communities & Local Government (CLG)	CLG works to create a thriving, sustainable, vibrant community that improves everyone's life.
Contingent Liability	A condition which exists at balance sheet date, where the outcome will be confirmed only on the occurrence or non occurrence of one or more uncertain events.
Council Tax	The local tax that pays for a proportion of Council services. It replaced the Community Charge (Poll Tax) in April 1993.
Creditors	Amounts owed by the Council for work done, goods received or services rendered within the financial year for which payment has not yet been made.
Current Asset	An asset which will be used up during the next accounting period e.g stock.
Current Expenditure	The general term for running costs including employee costs and running expenses but not debt charges.
Current Liabilities	Amounts which will become due or could be called upon during the next accounting period.
Debtors	Amounts owed to the Council for services carried out during the financial year but not yet received.

Deferred Liabilities

This represents the liability for principal repayments on finance leases.

Depreciation	The theoretical losses in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.
Financial Reporting Standards (FRS's)	These are issued by the Accounting Standards Board and provide standards for the preparation of financial statements. The Council attempts to ensure that its accounts are prepared in accordance with FRS's (or Accounting Standards [SSAP's] where these remain in force) where they apply to local authorities. Where this is not possible the reason is given in the Statement of Accounting Policies.
Fixed Asset	A tangible asset that yields benefit to the Council and the services it provides for a period of more than one year.
General Fund (GF)	The main revenue account of a local Authority from which revenue payments are made to meet the costs of providing services (such as wages, electricity, paper).
Housing Benefit (HB)	Payments to people on low incomes to assist them in meeting their housing costs.
Housing Revenue Account (HRA)	The separate account that local housing authorities must operate for the direct provision of housing.
Impairment	Impairment occurs where the recoverable amount of the fixed asset is lower than the carrying value amount.
Intangible Assets	Expenditure which has been capitalised but which does not always produce a fixed asset, e.g. renovation grants, software licences.
Interest	An amount received for the use of a sum of money when it is invested, or paid when a sum of money is borrowed.
Lease	A method of financing capital expenditure where a rental charge is paid for an asset for a specified period of time.
Minimum Revenue Provision	The minimum amount which must be charged to an Authority's revenue accounts and set aside as a provision for credit liabilities. It is calculated by applying a prescribed percentage of outstanding debt.
MRA	Government Subsidy to the HRA to fund major repairs to the Council's housing stock.
Non Domestic Rate	A levy on businesses based on a national rate in the pound set by the government multiplied by the 'rateable value' of the premises they occupy.
Operating Lease	A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.
Precept	The levy made by precepting authorities (Oxfordshire County Council, Police) on billing authorities (the City Council) requiring the latter to collect income from Council taxpayers on their behalf.
Provision	An amount of money put aside in the accounts for anticipated liabilities which cannot be accurately estimated eg provision for bad debts.
Related Party Transactions	Transactions where one of the parties involved has control or influence over the financial and operational policies of the other party.
Reserves	Amounts of money put aside to meet certain categories of expenditure in order to avoid fluctuations in the charge to the City Fund.
Revaluation Reserve	Records unrealised net gains from revaluations made after 1st April 2007.
Revenue Expenditure	The Council's day-to-day expenditure (for example wages, stationery and interest charges).
Revenue Support Grant (RSG)	Government revenue grant paid by local authorities.
S106 agreements	Where a developer undertakes to provide community benefits (for example, a percentage of affordable housing).
Stock	Raw materials and stores which the Council has bought and holds in stock for use as required.

Work in Progress

The cost of work done on an uncompleted project at a specified date which has not been recharged to the appropriate account at that date.

Amendments from Draft Statement of Accounts to Final Statement of Accounts
Adjustments to core statements

Change required		Reason for change	Issue ref.
5.1 Income and Expenditure Account (I&E) - page 21			
	Debit	Credit	
Interest and Investment Income			
£175,490			Iceland impairment
Deficit for Year	£175,490		Iceland impairment
	Cultural, Environmental and Planning		Useful economic lives
	£628,574		
	Highways, Roads and Transport services		Useful economic lives
	£22,750		
	Deficit for year	£651,324	Useful economic lives
5.2/5.3 Statement of Movement on General Fund Balances - pages 22 & 23			
	Debit	Credit	
Deficit for Year on I&E	£175,490		Iceland impairment
Depreciation and Impairment of Fixed Assets	£651,324		Useful economic lives

Change required		Reason for change	Issue ref.
5.4 Statement of Total Recognised Gains and Losses (STRGL) - page 24			
Debit	Credit		
Deficit for Year on I&E £175,490		In the draft statement of accounts the impairment was only made against the principle amount due from Iceland, however the interest outstanding should also have been impaired.	Iceland impairment
	Increase in share of collection fund £16,000	2008/09 showed collection fund movement of £98,000 but should have shown £114,000.	
	Increase in share of collection fund £79,095	Prior period adjustment was made in error, as journals were entered the wrong way round.	Collection Fund
5.5 Balance sheet - page 25			
Debit	Credit		
Creditors £47,000	Cash £47,000	Delays in completing the bank reconciliation meant that this adjustment was not picked up in time for the draft statements. This was noted at June's A&GC.	Cheques double-posted.
Creditors £158,190	Collection Fund reserve £158,190	Accrual journal input the wrong way round initially.	Collection Fund
Debtors £196,678.63	Cash £196,678.63	There was a timing difference between reconciliations, and the difference was recorded as cash in transit. The movement was actually a debtor, not cash	Cash in transit
Fund balances £175,490	Investments £175,490	In the draft statement of accounts the impairment was only made against the principle amount due from Iceland, however the interest outstanding should also have been impaired.	Iceland impairment
Fixed Assets £811,228 & Revaluation Reserve £2,387,510	Capital Adjustment Account £3,198,738	Useful Economic Lives incorrect on a number of assets had lead to over-depreciation on a number of Buildings. £2,547,919 related to prior years.	Useful economic lives
5.6 Cash Flow Statement - page 26			
Debit	Credit		
Revenue Activities Net Cash Flow £47,000	Revenue Activities Net Cash Flow £47,000	Delays in completing the bank reconciliation meant that this adjustment was not picked up in time for the draft statements.	Cheques double-posted.
Revenue Activities Net Cash Flow £651,324	Revenue Activities Net Cash Flow £651,324	Useful Economic Lives incorrect on a number of assets had lead to over-depreciation on a number of Buildings.	Useful economic lives

Amendments from Draft Statement of Accounts to Final Statement of Accounts
Adjustments to notes and disclosures

Note amended	Adjustment and reason for amendment	Page	Issue ref.
Explanatory Foreword	Disclosure on borrowing facilities should have been included within the draft Statement, but was omitted in error	6	
6.1 Prior Period Adjustment (PPA)	Adjusted to show reversal of entries through the STRGL and change in 2008/09 collection fund movement, as accrual journals were input the wrong way round.	27	Collection Fund
	Fixed Asset note adjusted for Prior period depreciation changes of £2,547,919 following review of Useful economic lives	27	Useful economic lives
6.5 Employees Remuneration	The amount disclosed in respect of the Chief Finance Officer's remuneration in 2008/09 should have been £66,382 and £13,409 respectively, not £57,720 and £11,659 as shown in the draft Statement. This was noted as an error at June's A&GC.	30	
6.9 Finance and Operating Leases	Figures showed Net Book Value, but in line with SORP requirements should also show Gross book value and Accumulated Depreciation. This has now been added.	32	
6.12 Fixed Assets	Movements between lines, as some transfers were shown as disposals in one category and additions in another. We had to deal with these transferred assets as disposals and additions within our financial system, but should have shown substance over form within note 6.12.	34	
	Land and Buildings adjusted for Depreciation by £811,228 following review of Useful economic lives	34	Useful economic lives
6.14 Capital Commitments	Due to the mis allocation of commitments between revenue and capital the Capital commitment for Fusion was understated and should have been £3,950,000 not £3,823,000.	35	
6.17 - Net Assets employed	Due to Collection Fund journals having been input incorrectly Net Assets Employed has been adjusted by £158,190	36	Collection Fund
	Adjusted by £175,490 as in the draft statement of accounts the impairment was only made against the principle amount due from Iceland, however the interest outstanding should also have been impaired.	36	Iceland impairment
	Adjusted by £3,198,738 following review of Useful economic lives	36	Useful economic lives

Note amended	Adjustment and reason for amendment	Page	Issue ref.
6.18 Assets - Useful Life	Useful Economic Lives were omitted from the Intangible Asset disclosure in error. This has now been corrected.	36	
6.28 Debtors	There was a timing difference between reconciliations, and the difference was recorded as cash in transit. The movement was actually a debtor, not cash, resulting in an increase in debtors by £196,678.63	40	Cash in transit
6.29 Sundry creditors	Delays in completing the bank reconciliation meant that this £47,000 adjustment was not picked up in time for the draft statements.	40	Cheques double-posted.
	£158,190 adjustment for Collection fund accruals input the wrong way round.	40	Collection Fund
6.33 Reserves	Collection Fund balance adjusted by £158,190 to take account of collection fund journals input the wrong way round.	42	Collection Fund
	Capital Adjustment Account credited by £3,198,738 following review of Useful economic lives	42	Useful economic lives
	Revaluation Reserve Account debited by £2,387,510 following review of Useful economic lives	42	Useful economic lives
6.34 Capital Adjustment Account	Capital Adjustment Account credited by £3,198,738 following review of Useful economic lives	43	Useful economic lives
6.35 Revaluation Reserve Account	Revaluation Reserve Account debited by £2,387,510 following review of Useful economic lives	43	Useful economic lives
6.40 Financial Instruments	Delays in completing the bank reconciliation meant that this £47,000 adjustment was not picked up in time for the draft statements.	46	Cheques double-posted.
	£5,665,000 added to note for Long Term Debtors, this was omitted in error from the draft statements but is required by the SORP.	46	

Note amended	Adjustment and reason for amendment	Page	Issue ref.
6.43 Cash Flow	Delays in completing the bank reconciliation meant that this £47,000 adjustment was not picked up in time for the draft statements. Financial instruments adjustments figure misstated by £76,000 in draft statements. This has been adjusted.	53	Cheques double-posted.
	£79,095 adjustment for collection fund to take account of collection fund journals input the wrong way round.	53	Collection Fund
	There was a timing difference between reconciliations, and the difference was recorded as cash in transit. The movement was actually a debtor, not cash, resulting in a reduction in cash of 196,678.63	53	Cash in transit
	Non-cash items from I&E £651,324 following review of Useful economic lives	53	Useful economic lives
6.44 Reconciliation of Movement in Cash to Net Debt	Delays in completing the bank reconciliation meant that this £47,000 adjustment was not picked up in time for the draft statements.	53	Cheques double-posted.
7.11 Housing Subsidy	A casting error in 2008/09 resulted in the 'Housing subsidy payable' line changing from £10,544k to £10,545k. This was noted at June's A&GC.	60	
7.14 Rent Arrears	2008/09 figures were incorrect - the figures from 2007/08 had been copied into the draft Statement of accounts in error.	60	
9.9 Actuarial Gains and Losses	2007/08 liability figure showed £190,200 but should have been £174,760. This has now been amended.	68	