

# Agenda

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## Audit and Governance Committee

Date: **Monday 22 September 2014**

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Time: **6.00 pm**

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Place: **St Aldate's Room, Town Hall**

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For any further information please contact:

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Officer**

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# Audit and Governance Committee

## Membership

**Chair**                      Councillor James Fry

**Vice Chair**

Councillor Jean Fooks  
Councillor Van Coulter  
Councillor Roy Darke  
Councillor Mike Rowley  
Councillor Scott Seamons  
Councillor David Thomas

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# AGENDA

	<b>Pages</b>
<b>1 APOLOGIES FOR ABSENCE</b>	
<p>The quorum for this Committee is three Members and substitutes are allowed.</p>	
<b>2 DECLARATIONS OF INTERESTS</b>	
<b>3 EXTERNAL AUDIT - AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2014</b>	1 - 18
<p>Annual Result Report from External Auditors.</p>	
<b>4 STATEMENT OF ACCOUNTS 2013/14</b>	19 - 160
<p>The Head of Finance has submitted a report which details the Council's Statement of Accounts for approval and authorisation.</p>	
<p><b><u>Recommendations:</u></b> That the Committee:</p>	
<p>1 Approve the audited 2013/14 Statement of Accounts and authorise the Head of Finance and Chair of the Committee to sign the Statement of Accounts</p>	
<p>2 Approve the Letter of Representation to enable the opinion to be issued</p>	
<b>5 INTERNAL AUDIT PROGRESS QUARTER 1 2014/15 - PRICEWATERHOUSECOOPERS (PWC)</b>	161 - 170
<p>The Head of Finance has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers, which details the progress made in delivering the work set out in the 2014/15 audit plan.</p>	
<p>The Committee is asked to comment on and note the report.</p>	
<b>6 PROGRESS ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS</b>	171 - 178
<p>The Head of Finance has submitted a report which updates the Committee on the progress made on the implementation of internal and external audit recommendations.</p>	
<p>Recommendation: That the Committee note the report.</p>	

**7 RISK MANAGEMENT STRATEGY** 179 - 220

The Head of Finance has submitted a report which details a review of the Council's Risk Management Strategy for comment prior to its consideration by the City Executive Board.

**Officer Recommendation:** That the Committee consider the revised Risk Management Strategy and Operating Framework attached at Appendices 1 and 2 and, if the Committee wishes, convey recommendations to the City Executive Board.

**8 RISK MANAGEMENT QUARTERLY REPORTING: QUARTER 1, 2014/15** 221 - 228

The Head of Finance has submitted a report which outlines the corporate and service risks as at the end of Quarter 1, 30<sup>th</sup> June 2014.

**Recommendation:** The Committee is asked to note the contents of this report.

**9 MINUTES** 229 - 234

Minutes of the meeting held on 26<sup>th</sup> June 2014.

**10 DATES AND TIMES OF MEETINGS**

The Committee will meet at 6.00pm in the Town Hall on the following dates:

Thursday 18<sup>th</sup> December 2014

Thursday 26<sup>th</sup> February 2015

Thursday 23<sup>rd</sup> April 2015

## **DECLARING INTERESTS**

### **General duty**

You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed "Declarations of Interest" or as soon as it becomes apparent to you.

### **What is a disclosable pecuniary interest?**

Disclosable pecuniary interests relate to your\* employment; sponsorship (ie payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licences for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

### **Declaring an interest**

Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest.

If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

### **Members' Code of Conduct and public perception**

Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member "must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself" and that "you must not place yourself in situations where your honesty and integrity may be questioned". What this means is that the matter of interests must be viewed within the context of the Code as a whole and regard should continue to be paid to the perception of the public.

\*Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those of the member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.

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# Oxford City Council

## Audit and Governance Committee Summary

For the year ended 31 March 2014

Audit Results Report – ISA (UK & Ireland) 260

22 September 2014

1



Mick West, Director  
[mwest@uk.ey.com](mailto:mwest@uk.ey.com)

Alan Witty, Manager  
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Agenda Item 3

# Contents

- ▶ Executive summary
- ▶ Extent and progress of our work
- ▶ Addressing audit risk
- 2 ▶ Financial statements audit – issues and findings
- ▶ Arrangements to secure economy, efficiency and effectiveness
- ▶ Independence and audit fees
- ▶ Appendices



# Executive summary

## Key findings

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### Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit and Governance Committee - on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2013-14 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

#### Financial statements

- ▶ As of 22 September 2014, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate, through the few matters we have to communicate, that the Council has prepared its financial statements adequately.

#### Value for money

- ▶ We have completed our work and expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

#### Whole of Government Accounts

- ▶ We expect to issue an unqualified confirmation to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

#### Audit certificate

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

# Extent and purpose of our work

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## The Council's responsibilities

- The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
- The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Purpose of our work

- Our audit was designed to:
  - Express an opinion on the 2013-14 financial statements
  - Report on any exception on the governance statement or other information included in the foreword
  - Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion)

In addition, this report contains our findings related to the areas of audit emphasis, our views on the Council's accounting policies and judgments and significant deficiencies in internal control.

As a component auditor, we also follow the group instructions and send to the National Audit Office our group assurance certificate, audit results report and auditor's report on the consolidation schedule.

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than the specified party.

# Addressing audit risks

## Significant audit risks 1

We identified the following significant audit risk during the planning phase of our audit, as reported in our Audit Plan. Here, we set out how we have gained audit assurance over the issue. A significant risk is an identified assessed risk of material misstatement that, in an auditor's judgement, requires special audit consideration.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
<b>Significant audit risks (including fraud risks)</b>		
<b>Management override</b> As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	<ul style="list-style-type: none"><li>• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li><li>• Reviewed accounting estimates for evidence of management bias</li><li>• Evaluated the business rationale for any significant unusual transactions</li></ul>	Our general audit work on journals, accounting estimates and significant unusual transactions identified no matters that we need to bring to the Council's attention.

# Addressing audit risks

## Other audit risks

We identified the following other audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit Risk identified within our Audit Plan	Audit Procedures performed	Assurance gained and issues arising
<b>Other audit risks identified in our Audit Plan</b>		
<p><b>Transfer of Housing Revenue Account balances and assets to the General Fund</b></p> <p>This transaction is high value and it is important that it is recorded correctly within the financial statements of the Council</p>	<ul style="list-style-type: none"> <li>Ensured that the criteria to permit the transfer were met</li> <li>Reviewed the accounting for the transfer</li> <li>Considered further Government guidance on such transfers</li> </ul>	<p>We found:</p> <ul style="list-style-type: none"> <li>the criteria to permit the transfer had been met</li> <li>the transfer of balances and assets had been accounted for accurately</li> <li>No further guidance has been issued on the issue.</li> </ul> <p>No matters arising</p>
<p><b>Implementation of Agresso fixed asset module</b></p> <p>The implementation of the fixed asset module is important</p>	<ul style="list-style-type: none"> <li>Reviewed implementation including work by Internal Audit</li> <li>Tested balances rolled forward from the old system into the new module to ensure completeness and accuracy</li> </ul>	<p>Our review gave us assurance that the transfer did not contain any material errors</p> <p>No matters arising</p>

# Addressing audit risks

## *Other audit risks*

We also draw to your attention the following other audit risk identified after the planning phase of our audit. Here, we set out how we have gained audit assurance over the issue.

Audit Risk	Audit Procedures performed	Assurance gained and issues arising
<b>Other audit risk identified after we issued our Audit Plan</b>		
<p><b>Changes to arrangements for council tax support and business rates</b></p> <p>The new NDR system introduced full accrual accounting. One of the consequences of this is that billing authorities, such as the Council, will now have to calculate a provision in respect of valuation appeals that have yet to be decided at the year end. Previously, the impact of these appeals was not recognised until the appeal had been settled. Any outstanding appeals at 31 March 2013, not previously provided for, became a liability of the Council's Collection Fund on transition.</p>	<p>We focused on an early discussion of the approach taken to calculating the provision against the criteria set out in IAS 37 and reviewed the supporting evidence to that approach.</p>	<ul style="list-style-type: none"><li>• We found that the provisions on the appeals already made had been calculated appropriately.</li><li>• No provision has been made for claims not made but based on past experience will be made.</li></ul>

# Financial statements audit

## *Issues and misstatements arising from the audit 1*

### Progress of our audit

- ▶ The following areas of our work programme remain to be completed at the time of drafting this report. We will provide an update of progress at the Audit and Governance Committee meeting.
  - ▶ Receipt of a letter of representation
  - ▶ Final review of financial statements to include review of amendments to the Comprehensive Income and Expenditure statement and to the Revaluation Reserve and Capital Adjustment Account.
- ∞ ▶ Subject to the satisfactory resolution of the above items, we propose to issue an unqualified auditor's report on the financial statements.

### Uncorrected misstatements

- ▶ We have identified one misstatement within the draft financial statements, which management has chosen not to adjust.
- ▶ We request that this uncorrected misstatement be corrected or a rationale as to why it is not corrected be considered and approved by the Audit and Governance Committee and provided within the Letter or Representation
- ▶ Appendix 1 to this report sets out the uncorrected misstatement

### Corrected misstatements

- ▶ See the following page

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:

- ▶ Qualitative aspects of your accounting practices; estimates and disclosures
- ▶ Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions
- ▶ Any significant difficulties encountered during the audit
- ▶ Other audit matters of governance interest

We have no matters we wish to report.

# Financial statements audit

## *Issues and misstatements arising from the audit 2*

### Corrected misstatements

Our audit identified a number of misstatements which we highlighted to management for amendment. All of these will be corrected in the revised financial statements presented to the Audit and Governance Committee.

We consider a number of these misstatements to be significant and we set out the context and nature of some of these in Appendix 2 to this report.

Further amendments are being processed and are subject to audit review:

- ▶ **Internal recharges** – service expenditure and income in the Comprehensive Income and Expenditure Statement includes Direct Services costs and recharges which grosses up the reported expenditure income. Amendments are being made to the 2013-14 (£25m) Statement and the 2012-13 (£24m) comparatives to eliminate the internal transactions.
- ▶ There is no impact on the net income and expenditure position from these amendments.
- ▶ The Council needs to establish effecting accounting arrangements that eliminate internal recharges from reported expenditure and income

- ▶ **HRA Dwellings impairments and revaluations** – the Council has been incorrectly accounting for impairments and revaluations of dwellings. Where previous impairments have been charged to the HRA, subsequent upward valuations should be credited to the HRA (until the previous impairments are cleared) but have been credited to the revaluation reserve in error. This understates the impairments in the HRA; understates the capital adjustment account and overstates the revaluation reserve. Amendments are being made to the 2013-14 Statements and the comparative 2012-13 Statements. A prior year adjustment is being made to the opening balances for 2012-13 increasing the capital adjustment account balance by £7m and reducing the revaluation reserve by £7m (to nil for council dwellings). There is uncertainty about the value of the prior year adjustment because the accounting records going back to 2007-08, when the revaluation reserve was introduced at zero value, were inadequate. It is the best estimate available of the correction needed.
- ▶ There is no impact on the net balance sheet position from these amendments.
- ▶ The Council needs to improve its arrangements for documenting and accounting for changes in the value of council dwellings.

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# Financial statements audit (continued)

## *Internal Control, Written Representations & Whole of Government Accounts*

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### Internal control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

10 We have reviewed the Annual Governance Statement and can confirm that:

- ▶ It complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework
- ▶ It is consistent with other information that we are aware of from our audit of the financial statements

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

### Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We are not requesting any specific representations in addition to the standard representations other than on the uncorrected misstatement.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters that arise to the Audit and Governance Committee.



# Arrangements to secure economy, efficiency and effectiveness

*The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Oxford City Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.*

## Criteria 1 - Arrangements for securing financial resilience

*"Whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future"*

## Criteria 2 - Arrangements for securing economy, efficiency and effectiveness

*"Whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity"*

→ We did not identify any significant risks for these two criteria. Significant risks are issues that would require specific risk-based work to ensure we can issue a safe value for money conclusion. However, we did identify in our Audit Plan the following key area that we needed to consider to support our value for money conclusion.

Value for money conclusion risks	Audit Procedures performed
<b>Key area for consideration</b>	
From April 2013, there will be changes to the arrangements for both local council tax support and business rates. These changes represent a significant change for the Council and bring both financial and reputational risks.	We focused on how the Council <ul style="list-style-type: none"> <li>• Managed these changes.</li> <li>• Assessed the likely impact of the changes on its financial position and built these into its future financial projections and budget</li> </ul>

We have no matters to report in respect of the two criteria including our work on the key area for consideration

# Independence and audit fees

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## Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 27 February 2014.
- ▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code of Audit Practice and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- ▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view.
- ▶ If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit and Governance Committee on 22 September 2014.
- ▶ We confirm that we have met the reporting requirements to the Audit and Governance Committee, as 'those charged with governance' under International Standards on Auditing (UK&I) 260. Our communication plan to meet these requirements were set out in our Audit Plan of 27 February 2014.

12

# Independence and audit fees

## Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2013-14	Scale fee 2013-14	Variation comments
	£s	£s	
Total audit fee – Code work	TBC	114,000	
Certification of claims and returns	Work in progress	39,900	The scale fee has been reduced because we are no longer required to carry out certification work for the national non-domestic rates return or council tax benefits in the benefits subsidy claim
Non-audit work	0	0	-

- ▶ Our actual Code work fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

# Appendix 1 - Uncorrected audit misstatements

- The following misstatements have been identified during the course of our audit and in our professional judgement warrants communicating to you.
- The items have not been corrected by management.

Disclosure	Description of misstatement
14 1. Comprehensive Income and Expenditure Statement	Not amended to reflect the changes to pension disclosure requirements (£1.3m). No impact on Balance Sheet or the bottom line.
2. Provision for Non Domestic Rate Appeals	Not amended to include a provision for appeals not yet made but likely to be made based on past experience.

# Appendix 2 - Corrected audit misstatements

- The following corrected misstatements have been identified during the course of our audit and warrant communicating to you.
- These items have been corrected by management within the revised financial statements.

## Balance Sheet and Statement of Comprehensive Income and Expenditure

Item of Account	Nature	Type	Balance Sheet	Statement of Comprehensive Income & Expenditure
	Description	F, P, J	Debit/(Credit)	Debit/(Credit)
1. Short Term Debtors 15	The preceptor and CLG debtor balances on council tax and NDR were disclosed as gross rather than net as required by the Code. The debtors balances in relation to these accounts were overstated by £6.8 m. The overall impact is offset by the creditors balances noted below.	F	Credit - £6.8m	
2. Short Term Creditors	The creditor balances on council tax and NDR was disclosed as gross rather than net as required by the Code. The creditors balances in relation to these accounts was overstated by £6.8m.	F	Debit - £6.8m	
Cumulative effect of corrected misstatement	<b><i>F=Factual, P= Projected J=judgemental</i></b>		Nil	

# Appendix 2 - Corrected audit misstatements

The following misstatements, have been identified during the course of our audit and in our professional judgement warrant communicating to you.

These items have been corrected by management within the revised financial statements.

## Disclosures

Disclosure	Description of misstatement
1. Note 33 – Grant Income. Grants Credited to Services Housing Benefits Grant	Grant disclosed understated - £60.6 m amended to £66.2 m
2. Note 42 d and e – Financial Instruments: - Analysis of Financial Liabilities - Analysis of Financial Assets	Disclosures contained some assets and liabilities which were inconsistent with the description of the Note. The Analysis of Financial Assets contained liabilities and Analysis of Financial Liabilities contained assets. This resulted in the transfer of assets of approximately £38 m one way and liabilities of approximately £32 m the other way.

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17

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



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**To:** Audit and Governance Committee

**Date:** 22 September 2014

**Report of:** Head of Finance

**Title of Report:** Statement of Accounts for the Year Ending 31<sup>st</sup> March 2014

## **Summary and Recommendations**

**Purpose of report:** To submit the Council's Statement of Accounts for approval and authorisation.

**Key decision?** No

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** Budget

**Recommendations:** That the Committee:

1 approve the audited 2013/14 Statement of Accounts and authorise the Head of Finance and Chair of the Committee to sign the Statement of Accounts

2 approve the Letter of Representation to enable the opinion to be issued

**Appendix 1 - Statement of Accounts 2013/14**

1. On the 26<sup>th</sup> June 2014 the draft 2013/14 Statement of Accounts, (the Statements) were certified by the 'Responsible Officer', the Head of Finance as a true and fair view of the financial position of the authority at the 31<sup>st</sup> March 2014. The accounts were duly authorised to be released for audit.
2. Following audit by Ernst and Young the Statements are re-certified by the Head of Finance and re-presented to this Audit and Governance Committee for final approval, prior to 30<sup>th</sup> September.
3. The Audit of the Statement of Accounts is now complete and the auditor has, in line with the Code of Practice, issued a draft report on the outcome of the audit. This report appears elsewhere on the agenda of the meeting.
4. The auditor is expected to issue an **unqualified opinion** on the financial statements.

#### **Uncorrected Misstatements**

5. The Auditors identified two misstatements within the draft financial statements, which officers have not amended in the final version of the Statements. These relate to :
  - a. A restatement of the Comprehensive Income & Expenditure Statement (CIES) to reflect the changes to International Accounting Standards IAS19 – pension disclosure.

The change suggested is a technical accounting issue arising from a revision to an accounting standard. The change has no impact on the overall financial position of the Council as the entries are reversed out through accounting adjustments. In officers opinion the change would have added additional complexity to what is already a complicated statement and would have provided no additional benefit to the reader of the accounts. Therefore, it was decided not to adjust.

- b. In 2013/14 the accounts were required to be adjusted to reflect the level of appeals in respect of Business Rates. The level of appeals at year end totalled £5.4 million and the accounts were duly adjusted following external advice to provide a provision of £1.7 million charged to the Council's Collection Fund. However, the auditors believe that the provision should be further amended to account for 'appeals not yet made but likely to be made based on past experience'

Officers believe that the existing provision is sufficient, especially since the incidence of successful appeals will be offset to some extent by unsuccessful appeals. However, the position will be monitored going forward.

### **Other Significant Changes to the Statements of Accounts**

6. The external auditor has identified a number of changes to the accounts which they are required to bring to the attention of the Committee. These changes do not have any impact on the Council's overall financial position as they relate to notes, Balance Sheet items or items which are reversed out of the Comprehensive Income and Expenditure Statement (CIES) under accounting practices. Nonetheless the changes are required to comply with the Accounting Code.
7. Appendix A, attached, shows a revised set of accounts to those presented to the Committee in June, which incorporates the adjustments that have been made as a consequence of the audit. The changes included in the auditor's report are:
  - Changes to Debtors and Creditors to reflect the netting off of Government and preceptor balances for Council Tax and Business Rates as required by the Accounting Code. This has the effect of reducing debtors by £6.8 million and creditors by a similar figure;
  - Correction to the value shown in note 33 for Housing Benefit Grant received from £60.6m to £66.2m
  - Adjustments to the Financial Instruments Note 42 to reflect the changes to debtors and creditors referred to above.
8. At the time of writing this report there are a number of issues still subject to audit review although these changes have been reflected in the revised set of Accounts attached at Appendix A. These issues relate to :
  - **Internal recharges** -Income and expenditure under the Accounting Code is required to be netted off. The cost of works and associated income received by Direct Services from internal service users such as Highways and Housing for works undertaken had been shown gross.. This has resulted in changing both the gross income and expenditure by an amount of £26 million. There is no net overall change to the bottom line.
  - **HRA Dwelling Impairments and Revaluations** –The council have been incorrectly accounting for impairments and revaluations. Where previous impairments have been charged to the HRA, subsequent upwards valuations should be credited to the HRA (until the previous impairments are cleared) but have been credited to the revaluation reserve in error. This understates the impairments in the HRA and overstates the revaluation reserve. A prior year adjustment was subsequently made in 2012/13 of £7 million together with an in-year adjustment of £43 million. There is no net overall change to the accounts.

9. Also on the agenda is a draft Letter of Representation which the Committee is asked to approve. This is a letter from the Council's Section 151 Officer setting out the processes and procedures the Council adopts to ensure that it is in compliance with its statutory requirements and that it has a sufficiently robust control framework to prevent and detect fraud and irregularities. Ernst and Young require this letter before they issue their opinion.

**Financial Implications**

10. These are covered within the main body of the report.

**Legal Implications**

11. These are covered within the main body of the report.

**Risk Implications**

12. There are no risk implications arising from the recommendations shown in this report.

**Name and contact details of author:-**

Name: Nigel Kennedy

Job title: Head of Finance

Service Area / Department Organisational Development and Corporate Services

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# **Statement of Accounts 2013/14**



## CONTENTS

	<b>PAGES</b>
<b>INTRODUCTION</b>	
STATEMENT OF RESPONSIBILITIES	6
EXPLANATORY FOREWORD	7-20
<b>CORE FINANCIAL STATEMENTS:</b>	
MOVEMENT IN RESERVES STATEMENT	25
COMPREHENSIVE INCOME & EXPENDITURE STATEMENT	26
BALANCE SHEET	27
CASH FLOW STATEMENT	28
<b>NOTES TO THE CORE FINANCIAL STATEMENTS</b>	<b>31-81</b>
<b>SUPPLEMENTARY FINANCIAL STATEMENTS</b>	
HOUSING REVENUE ACCOUNT AND NOTES	85-90
COLLECTION FUND AND NOTES	91-92
GROUP ACCOUNTS	93-100
<b>ACCOUNTING POLICIES</b>	<b>103-118</b>
<b>GLOSSARY OF TERMS AND ABBREVIATIONS</b>	<b>121-125</b>
<b>INDEX OF NOTES TO THE ACCOUNTS</b>	<b>129-130</b>
<b>INDEPENDENT AUDITORS REPORT AND CERTIFICATES</b>	<b>133-134</b>

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# **INTRODUCTION**

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## INTRODUCTION

Welcome to Oxford City Council's Statement of Accounts for the year ending 31 March 2014.

The Statement of Accounts is a statutory document providing information on the cost of services provided by Oxford City Council to the council tax payer and the council house tenant and detailing how those services were financed. In addition, it provides information, within the Balance Sheet on page 27 of the value of the Council's assets (what we own), what is owed and the value of our liabilities (what we owe). It is in essence, a statement of how well we have managed your money over the last twelve months.

The report provides, in accordance with International Financial Reporting Standards (IFRS), the accounts for the General Fund, Housing Revenue Account, Collection Fund and all other accounts for which the Council is responsible. The Council's Balance Sheet provides details of its Assets and Liabilities as at 31 March 2014. Other supporting statements are provided to help to explain the figures in the accounts. In addition, a glossary can be found at the back of the Statement of Accounts publication to help explain some of the technical terms.

On pages 93 to 103 the main Accounting Statements are replicated to incorporate the Group Accounts of the Authority. These Group accounts reflect the Council's financial position inclusive of the Council's Assets and Liabilities relating to its 50% share in its joint venture with Grosvenor Developments Limited to form the Barton LLP Oxford.

The accounts and all relevant documents are subject to review by Ernst & Young LLP who provide their opinion on the Council's accounts. Ernst & Young LLP gave an unqualified opinion on the Statement of Accounts presented for 2012/13, the third year of adoption of IFRS and they will be required to give an opinion on the 2013/14 Statement of Accounts.

Should you have any comments or wish to discuss this Statement in further detail then please contact the Council's Financial Accounting Manager, Anna Winship on 01865 252517, or email [awinship@oxford.gov.uk](mailto:awinship@oxford.gov.uk).

I hope you find the Statement of interest and may I take the opportunity of thanking you for taking time to read it.

Nigel Kennedy  
Head of Finance (Section 151 Officer)

Oxford City Council  
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## INTRODUCTION

### The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Head of Finance (Section 151 Officer).
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets, and
- approve the Statement of Accounts.

### The Responsibilities of the Head of Finance (Section 151 Officer)

The Head of Finance (Section 151 Officer) is 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 Code).

In preparing the Statement of Accounts, the Head of Finance (Section 151 Officer) has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that are reasonable and prudent, and
- complied with the local authority Code.

The Head of Finance (Section 151 Officer) has also:

- kept proper accounting records which are up to date, and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts as set out on pages 25 to 117 presents a true and fair view of the financial position of Oxford City Council as at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

The unaudited Accounts were issued on 26 June 2014 and the audited accounts will be authorised for issue on 22 September 2014.

Signed	_____	Date	_____
	Nigel Kennedy		
	Head of Finance (Section 151 Officer)		

Signed	_____	Date	_____
	Councillor		
	Chair of Audit & Governance Committee		

## EXPLANATORY FOREWORD

### Purpose of Explanatory Foreword

The purpose of the explanatory foreword is to provide a commentary on the Statement of Accounts for the year as seen 'through the eyes' of management. It fulfils the same requirement as that of a Directors report in company accounts. The foreword seeks to provide a concise and understandable guide for the reader of the accounts to the most significant aspects of the Authority's financial performance during the year, its year end financial position and cash flows.

### 1. Major Changes Affecting the Statement of Accounts

The Council's accounting policies are set out on pages 103-118 of the Statement of Accounts. These Policies are largely unchanged from last year. However there are some changes and events that have taken place over the year which have a material impact on the understanding of the Accounts.

### Material Changes

#### ◇ Pension Fund

The Council's liability to provide for the cost of past employment benefits to staff have increased in the year ended 31 March 2014.

The liability reported as at 31 March 2013 was £89.3 million. The revised liability as at the 31 March 2014 is £107.3 million. The increase is due to a number of factors, the most significant of which are actuarial losses of £13.4 million (due to significant losses arising from changes in inflation estimates and life expectancy, offset by gains in the defined benefit obligation) and net interest costs. More information regarding the Defined Benefit Pension Scheme can be found in note 39 of the Statement of Accounts (page 72). The past history of the movement on the pension liability is disclosed and shows that over the past five years the liability has been as high as £145.6 million. The overall liability this year can be seen to be £38.3 million lower than the peak experienced.

#### ◇ Localisation of Council Tax Benefit

Council Tax Benefit was replaced with a new system of Council Tax Support in April 2013. The previous Council Tax Benefit Grant paid by Central Government has been subsumed into the Council's Formula Grant (after a reduction of 10%) from 2013/14 and from 2014/15 is not separately identifiable. The scheme can be set locally, although with some stipulations such as pensioners not being disadvantaged. The Council Tax Reduction Scheme for Oxford City Council was agreed by City Executive Board on 5 December 2012 and largely replicates the previous benefit system, although it is implemented by awarding discounts to local taxpayers. Thus for 2013/14 onwards the Council's band D equivalent Council Tax will be lower than in previous years and the revenue account will not be charged with the cost of Council Tax benefits.

#### ◇ Homelessness Prevention Grant

Homelessness Prevention Grant of around £1 million was previously paid to the Council as a specific grant. From 2013/14 this grant is now included within the calculation of Formula Grant.

#### ◇ Business Rates Retention

Over recent years, Business Rates have been collected by Councils and paid over to Central Government. The Government would then redistribute Business Rates revenues on a formulaic basis as part of the Local Government Finance Settlement. All of the risks of non-collection were borne by Central Government. From 1 April 2013 the basis for this funding changed.

## EXPLANATORY FOREWORD

The funding received from Retained Business Rates is now directly dependant on the amount of Business Rates collected locally. Total Business Rates collected, after allowing for appeals and losses on collection are split 50/50 between Billing Authority and Central Government known as the Local and Central Share respectively. The Billing Authority will, in turn, split the local share between itself and Oxfordshire County Council on an 80/20 basis. A tariff payment, is paid, in the City Councils Case, increased in line with inflation each year, to Central Government. The remaining amount is in turn compared to the baseline funding figure (for Oxford City this is £5.468 million for 2013/14) and a levy of 50% of the excess is payable to the Government, leaving the balance with the Billing Authority.

For 2013/14 the Council received the amount calculated on the NNDR1 Form submitted to Government in January 2013. Any difference between this and in-year activity forms the National Non Domestic Rates (NNDR) Collection Fund balance for the year and is distributed in subsequent financial years. Since there is a deficit on the NNDR Collection Fund for 2013/14 of £1.5 million due to the level of appeals, the Council has set aside an amount equivalent to its share of the deficit (£0.6 million) in Earmarked Reserves so that there is no pressure on the General Fund resulting from this in future financial years.

In 2013/14, for the first year, an accrual for 50% of the value of the pre 2013/14 appeals to valuation have been included within the Councils Financial Statements, this equates to £1.7 million. The Council did not elect to spread these appeals over 5 years and instead took the full amount in 2013/14.

Business Rates yield can vary due to appeals, losses on collection and business closures or start ups. Hence the resulting amount of income derived from Retained Business Rates can also vary. This risk is now not entirely borne by Central Government but is shared between Central Government, Oxford City Council and Oxfordshire County Council in the percentages 50%/40%/10% respectively. The Government have set a "safety net" which applies if Business Rates income falls by more than 7.5% in comparison to baseline funding. In the Council's case this safety net will kick in should Business Rate income fall below the baseline by £410,000. The new scheme has therefore led to changes in accounting in the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, and the Collection Fund for 2013/14 onwards as well as shifting the balance of risk between Central and Local Government.

◇ **Transfer of Non-Dwelling Assets**

During the year the Council transferred its non-dwelling Housing Revenue Account (HRA) assets (shops and garages) from the HRA to the General Fund. This was approved by the Council with an effective date of 1 April 2013 and will result in additional net income being received by the General Fund on an on-going basis.

◇ **Transfer of HRA Balances**

At 1 April 2013 the HRA held £7 million in the Major Repairs Reserve. Legislation allowed the Council to transfer the £7 million from the HRA reserves into the General Fund and the Council took the opportunity to do this and moved the £7 million into Earmarked Reserves. This was a one-off opportunity and the legislative ability to effect this transfer has subsequently been removed.

### Prior Year Restatement

The comparative figures for 2012/13 have been restated for the following reasons:

◇ **Revaluation of Council Dwellings**

## EXPLANATORY FOREWORD

Revaluation of Council Dwellings subsequent to earlier impairments on those assets up to 31 March 2013 had not been reversed through the Capital Adjustment Account but were credited to the Revaluation Reserve in error. Restatement of these reserves as at 1 April 2013 resulted in the opening balances of the Revaluation Reserve being reduced, and the Capital Adjustments Account being increased by £21.7 million.

◇ **The Netting Down of Internal Charges on the Comprehensive Income and Expenditure Statement**

Internal work undertaken by the Council's Direct Services department had not been removed on producing the figures for service income and expenditure disclosed on the face of the Comprehensive Income and Expenditure Statement for 2012/13. The expenditure and income relating to this internal work have been removed from the 2013/14 figures and restated figures for 2012/13 provided. There is no change to the net cost of services or to the total Comprehensive Income and Expenditure figures.

## 2. Summary of 2013/14 Outturn

### General Fund

The Council's outturn position was favourable at the year end leading to a surplus of £5.371 million which was subsequently transferred into Earmarked Reserves primarily for funding future capital schemes. This favourable position was after taking into account a net contribution to Earmarked Reserves of £7.35 million. The bulk of this contribution relates to the one-off transfer of £7 million from HRA balances to the General Fund.

### HRA

The HRA outturn position was favourable at the year end with a surplus of £0.3 million, after making a contribution to the HRA Capital Expenditure Reserve of £7.4 million. This has allowed the HRA working balances to increase to £4 million. During the year a transfer of £7 million was made from the HRA to the General Fund under legislative powers subsequently removed during 2013/14. In addition, all HRA non-dwelling assets (including shops and garages) with a value of £22.9 million were transferred to the General Fund during 2013/14.

### Capital

The Council's Capital Programme showed a total spend of £22 million; a variation against the original budget (£43 million) of some £21 million. Of this variation approximately £4 million related to Corporate Assets, £5 million to the delayed build of the Competition Swimming Pool at Blackbird Leys and £8 million to HRA new build. Other variances are discussed in more detail below on page 12.

The Council is in the process of implementing a new Capital Gateway process which will closely track the delivery of capital projects against predefined criteria. It is anticipated that this process will improve capital programme delivery in the future.

## 3. The Statement of Accounts

**The Statement of Accounts consists of the following:**

- The Statement of Responsibilities, setting out the general responsibilities of both the City Council, and the Section 151 Officer (The Head of Finance). The Head of Finance is to sign a statement that the accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for that year then ended (page 6).
- The Core Financial Statements (pages 25-28, supplementary statements 85-100) incorporating:

## EXPLANATORY FOREWORD

- a. Movement in Reserves Statement – (MIRS) a statement used to adjust International Financial Reporting Standards accounting practice to Local Government proper practice to ensure the accounting changes do not impact on Council Tax and create any additional burden.
  - b. The Comprehensive Income and Expenditure Statement - a statement which incorporates all revenue income and expenditure relating to the year.
  - c. Balance Sheet - which records all the assets and liabilities at the Balance Sheet date of 31 March.
  - d. Cashflow Statement - a statement that shows the inflows and outflows of cash during the year reconciled to the year end cash position.
  - e. Housing Revenue Account - a statement which brings together all transactions during the year in relation to the management and maintenance of the Council's 7,755 dwelling stock.
  - f. Collection Fund - a statement which brings together all transactions during the year relating to the collection of Business Rates and Council Tax income together with payments and receipts from Government and payments made to the preceptors, the County Council; Police Crime and Commissioner (Thames Valley) and Parish Councils.
  - g. Group Accounts - a statement which reflects that the Council has a 50% interest with Grosvenor Developments Limited in a joint venture for the construction of dwellings at Barton. The Council's share of the assets and liabilities of this company are required to be incorporated in to the Council's accounts.
- The Statement of Accounting Policies, setting out the detailed rules under which we account for assets, liabilities, income and expenditure (pages 103-118).

### **Details Of The Core Financial Statements**

#### **The Movement in Reserves Statement (MIRS)**

The MIRS shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) totalling around £68.5 million as at 31 March 2014 and unusable reserves which are not 'cash backed' totalling 425.8 million.

The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (page 26). These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes.

The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

**General Fund Working Balance** - this is £3.6 million as at 31 March 2014, and has remained static since 31 March 2013.

**HRA Working Balance** - the in-year HRA surplus of £0.3 million has been added to the HRA working balance increasing it from £3.7 million to £4 million as at 31 March 2014.

**Earmarked General Fund Reserves** – as at 31 March 2013 these stood at £15.6 million, as shown on page 43. In 2013/14 the Council made a net transfer in to reserves of £12.7 million bringing the balance to £28.3 million as at 31 March 2014. Key movements include:

- **Revenue Contribution to Capital Reserve** - this has increased from £1.6 million to £6.9 million during the year. This reserve will be used going forward to support future Capital schemes.



## EXPLANATORY FOREWORD

- **Property Fund Reserve** - the Council intends to invest in property to deliver an on-going revenue benefit to the General Fund; this reserve of £7 million has been set up to support this process.
- **Loan & Property Fund Guarantee Reserve** - the Council has invested £3 million in property funds in the year to gain a revenue return in the future and is in the process of increasing this investment. Since there is a risk involved in these types of investments, an Earmarked Reserve of £0.4 million has been set up to mitigate against these.
- **NNDR Retention Reserve** - £0.6 million. The new Business Rates retention system places additional risks on Council's increasing the fluctuations between years of surplus or deficit on the NNDR Collection Fund; this reserve will be used to balance out the fluctuations between years and mitigate the pressure on the General Fund.

**HRA Earmarked Reserves** - as at 31 March 2014 these stood at £8.5 million following a net transfer in to the reserves of £7.2 million. A new reserve - The HRA Capital Financing Reserve - has been set up with a transfer of £7.7 million which will be used going forward to support future Housing Revenue Account Capital Schemes.

**Insurance Reserves** - as at 31 March 2014 these stood at £1.5 million are held to cover uninsured excesses and future liabilities including those arising from the administrative arrangements of the Council's previous insurers Municipal Mutual Insurance (MMI). Of this balance, £1.3 million is related to HRA liabilities and £0.2 million is related to General Fund.

**Capital Receipts Unapplied** - as at 31 March 2014 the Council held approximately £22.4 million usable capital receipts: £3.9 million having been used to finance the Capital Programme. The remaining receipts will be used over the life of the Medium Term Financial Plan. Major disposals in the year included:

- St Clements - £3.6 million
- Botley Cemetery Lodge; and - £0.4 million
- Bury Knowle Stables - £0.5 million

### **The Comprehensive Income and Expenditure Statement**

This Statement (page 26) shows the cost in the year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Amounts Reported for Resource Allocation Decisions note (page 60) shows how the Comprehensive Income and Expenditure Statement reconciles back to the management accounts reported quarterly to the City Executive Board, further details and the outturn are discussed below.

### **General Fund Revenue Outturn 2013/14**

The Council set a budget for spending on General Fund services of £25 million, to be financed by Grant funding of £8.2 million, Business Rates income of £5.7 million and Council Tax of £11.1 million.

The Council Tax for a Band D property was set at £268.19, a 1.99% increase on the previous year.

During the year the Council transferred its non-dwelling HRA assets from the HRA to the General Fund which was approved by Council in September 2013. The budget was revised for 2013/14 resulting in a budgeted surplus of £1.3 million, being the net income relating to these assets.

## EXPLANATORY FOREWORD

The following table summarises the outturn position in the format used for 2013/14 internal reporting and as reported to the City Executive Board on 3 July 2014.

	NET APPROVED BUDGET 2013/14 £000	NET REVISED BUDGET 2013/14 £000	NET EXPENDITURE 2013/14 £000	VARIANCE £000
City Regeneration	(283)	(103)	(370)	(267)
Community Services	8,296	8,836	8,083	(753)
Organisational Development & Corporate Services	13,066	13,156	13,173	17
<b>Total Ex' SLA's &amp; Capital Charges</b>	<b>21,079</b>	<b>21,889</b>	<b>20,886</b>	<b>(1,003)</b>
SLA's and Capital Charges	1,612	447	-763	(1,210)
Corporate Contingencies	2,336	1,974	-	(1,974)
<b>Net General Fund Expenditure</b>	<b>25,027</b>	<b>24,310</b>	<b>20,123</b>	<b>(4,187)</b>
Net Transfers (to)/from Reserves	-	(605)	4,766	5,371
<b>Net Budget Requirement</b>	<b>25,027</b>	<b>23,705</b>	<b>24,889</b>	<b>1,184</b>
Government Funding	8,219	8,219	8,305	86
Business Rates	5,661	5,661	5,470	(191)
Council Tax	11,301	11,301	11,302	1
Parish Precept	(154)	(154)	(188)	(34)
<b>Total Funding</b>	<b>25,027</b>	<b>25,027</b>	<b>24,889</b>	<b>-138</b>

Major variations include:

### City Regeneration

The directorate had an outturn position of £0.37 million which is a favourable variance of £0.267 million against the revised budget.

#### Favourable

- Regeneration and Major Projects had a favourable outturn of £0.411 million primarily due to additional income generated from commercial properties rent reviews and new properties being brought into use.

#### Adverse

- City Development was £0.141 million overspent primarily as a result of Building Control Fees being lower than budgeted.

### Community Services

The directorate had an outturn position of £8.083 million, which is a favourable variance of £0.753 million against the revised budget.

#### Favourable

- Direct Services had a favourable outturn position of £0.823 million largely caused by staffing vacancies (£0.450 million), a surplus of £0.3 million from off-street car parking primarily due to demand continuing despite increased charges, and additional external works income including street cleansing and engineering, all of which is partly offset by some additional costs relating to rates, the depot lease, and an internal income pressure relating to Motor Transport.

#### Adverse

- Policy, Culture and Communication had a £0.071 million overspend due primarily to additional costs relating to the Christmas Light Festival.

### Organisational Development and Corporate Services

The directorate had an outturn position of £13.173 million, which is an adverse variance of £0.017 million against the revised budget. This is due to minor variances in supplies and services across the directorate.

## EXPLANATORY FOREWORD

### SLA's, Capital Charges and Corporate Budgets

#### Favourable

- £0.7 million additional interest receivable due largely to changes in the interest rates charged to the HRA.
- Corporate budgets of around £0.2 million for global budget pressures such as inflation on utility charges, which did not have to be used.
- £2 million contingency budgets which did not need to be used due to the Council's success in achieving its efficiency targets.

#### Net Transfers to Reserves

- The analysis of the net transfer to reserves of £12.7 million is shown in Note 7 (page 43) to the accounts. The most notable transfers are detailed above on page 10.

### The Balance Sheet

The Balance Sheet (page 27) shows the value as at 31 March 2014 of the assets and liabilities recognised by the Authority. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

- **Usable Reserves** - those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves to meet unforeseen circumstances and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- **Unusable Reserves** – those reserves that the Authority is not able to use to provide services. This category of reserves includes those that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that reflect timing differences shown in the Movement in Reserves Statement line “adjustments between accounting basis and funding basis under regulations”.

The Balance Sheet (page 27) can be summarised as follows:

	2013/14 £000	2012/13 £000	Variation £000
Value of Land and Property owned	736,983	678,016	58,967
Cash Investments, assets held for sale and stock	63,111	45,816	17,295
Money Oxford owes	(344,930)	(315,866)	(29,064)
Money Oxford is owed	39,074	31,468	7,606
<b>Net worth of Council at 31st March</b>	<b>494,238</b>	<b>439,434</b>	<b>54,804</b>

There has been an increase in the net worth of the Council in the order of £55 million from the previous year. This has largely arisen from:

- An increase of around £17.2 million from increased short term investments of surplus cash.
- An increase in money owed by Oxford City Council of around £29.1 million, £18 million of which relates to a deterioration of the Pension Fund deficit.
- An increase of around £59 million in the value of property owned.

## EXPLANATORY FOREWORD

### Cash Flow Statement

The Cash Flow Statement (page 28) shows the changes in Cash and Cash Equivalents of the Council during the reporting period. The Statement shows how the Council generates and uses Cash and Cash Equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for the purchase of resources which are intended to contribute to the Authority's future service delivery.

The overall increase in cash and cash equivalents i.e. short term investments between 2012/13 and 2013/14 is approximately £0.8 million.

### The Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement (page 85) shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practice, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

The increase or decrease in the year, using the basis for which rents are raised, is shown in the Movement on the Housing Revenue Account Statement, a snapshot of which is shown below:

	Budget £000	Actual £000	Variance £000
<b>Net Income</b>	<b>(42,817)</b>	<b>(42,261)</b>	<b>556</b>
<b>Expenditure</b>			
Tenancy Management	16,877	16,686	(191)
Repairs and Maintenance	9,992	9,545	(447)
<b>Total</b>	<b>26,869</b>	<b>26,231</b>	<b>(638)</b>
Appropriations	19,078	15,728	(3,350)
<b>Net (surplus)/deficit</b>	<b>3,130</b>	<b>(302)</b>	<b>(3,432)</b>
<b>Working Balance</b>	<b>(5,670)</b>	<b>(4,000)</b>	<b>1,670</b>

The HRA was budgeted to make a contribution from working balances of £3.1 million for 2013/14. The outturn position as shown was a contribution to working balances of £0.3 million, a favourable variance of £3.4 million. This £0.3 million transfer to the HRA working balance leaves the balance standing at £4 million. Notable variations include:

#### **Net Income**

The adverse variance of £0.6 million due to:

- The transfer of non-dwelling assets (i.e garages and shops) from the HRA to the General Fund, offset by
- Higher dwelling rental income due to voids being less than originally budgeted and the impact of Right to Buy disposals being less than budgeted

## EXPLANATORY FOREWORD

### Tenancy Management Cost

Tenancy Management Costs show a favourable variation of £0.2 million over the original budget due to additional interest costs of £0.7 million, offset by reductions in Bad Debt Provision of £0.3 million and savings of £0.6 million on service expenditure primarily in respect of public utility costs, consultancy fees, salary costs of the Major Projects Team, and savings associated with recharges for overhead costs.

### Repairs and Maintenance

Responsive and Cyclical Repair costs were underspent primarily due to savings associated with service contract payments.

### Appropriations

The brought forward HRA balance was originally budgeted at £8.8 million but the actual brought forward was £3.7 million because of a higher transfer to Capital Reserves made at the end of 2012/13. This has resulted in lower transfers into Capital Reserves being made in 2013/14 compared to the budget.

### The Collection Fund

The Collection Fund (page 91) is the Council's statement reflecting its statutory obligation as a Billing Authority to maintain a separate Collection Fund. The Statement shows the transactions the Council as a Billing Authority has undertaken in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

The Collection Fund Balance at the end of the year was £0.1 million net deficit. This represents a £1.5 million deficit on the Business Rates and £1.4 million surplus on the Council Tax element. The Council Tax balance is shared between Oxford City Council, Oxfordshire County Council and Police and Crime Commissioner (Thames Valley) in proportion to their precept. The Business Rates balance from 31 March 2014 is shared between Central Government, Oxford City Council and Oxfordshire County Council in the percentages 50%/40%/10% respectively. There are no balances shown for Business Rates for 2012/13 because prior to 2013/14 any balance was settled by Central Government. The following table shows the proportionate shares:

	Council Tax 2013/14 £000	Business Rates 2013/14 £000	Total 2013/14 £000	Council Tax 2012/13 £000
Oxford City Council	234	(600)	(366)	88
Oxfordshire County Council	1,018	(150)	868	385
Police and Crime Commissioner (Thames Valley)	135	-	135	51
Central Government	-	(749)	(749)	-
<b>Total</b>	<b>1,387</b>	<b>(1,499)</b>	<b>(112)</b>	<b>524</b>

The main reasons for the surplus on the Council Tax Collection Fund are:

- The allowance for non-collection was increased with the introduction of the Council Tax Reduction Scheme, however collection rates remained as per previous years; and
- A lot of work was undertaken during the year to remove exemptions and discounts that people are not entitled to with the result that the collectible debt increased over the projections.

The main reason for the Business Rates Collection Fund deficit is the estimated cost of backdated appeals being charged to the Collection Fund in 2013/14.

## EXPLANATORY FOREWORD

### Group Accounts

#### Barton Oxford LLP

The Council entered into a partnership with Grosvenor Developments Limited to form a joint venture company to develop housing on land owned by the Council at Barton. The Council provided Group Accounts for the first time in 2011/12 to record the Council's share in the joint venture.

The Statement of Accounts for 2013/14 also provide Group Accounting Statements, which reflect the following:

- Within the City Councils, Property, Plant and Equipment balance on the Balance Sheet is a 50% share of the Barton Oxford LLP Development Property at a value of £1.985 million which reflects capital expenditure up to 31 March 2014. The Councils share is arrived at after deducting the LLP's costs of acquiring land from Oxford City Council (£0.958 million) to avoid double counting.

The Barton Oxford LLP includes an accumulated loss to 31 March 2014 of £17,000. The loss recorded in the 2013/14 LLP accounts amounted to £4,000 - 50% of this loss rests with Oxford City Council. The City Council's Statement of Accounts also holds a long term Debtor of £0.958 million in respect of land plus capitalised interest transferred from the City Council to the LLP.

See page 94 for a more detailed account of the Group movements

#### Capital Outturn 2013/14

The Council's budgeted capital spend for 2013/14 was approximately £43 million, actual spend was £22 million; a variation of £21 million. Of this variation approximately £5 million related to the Competition Swimming Pool at Blackbird Leys and another £5 million to Homes and Communities Agency (HCA) New Build. The remaining £11 million relates to other slippage that will be carried forward to be spent in future years. Other notable slippage includes the following:

#### General Fund

- £0.4 million Museum of Oxford Development
- £0.3 million Superconnected Cities
- £0.4 million Rose Hill Community Centre
- £0.3 million 23-25 Broad Street
- £5 million Homelessness Property Acquisitions
- £0.7 million Town Hall works
- £0.4 million Leisure Centre Improvement
- £1 million Develop new burial space
- £0.6 million Sports Pavilions

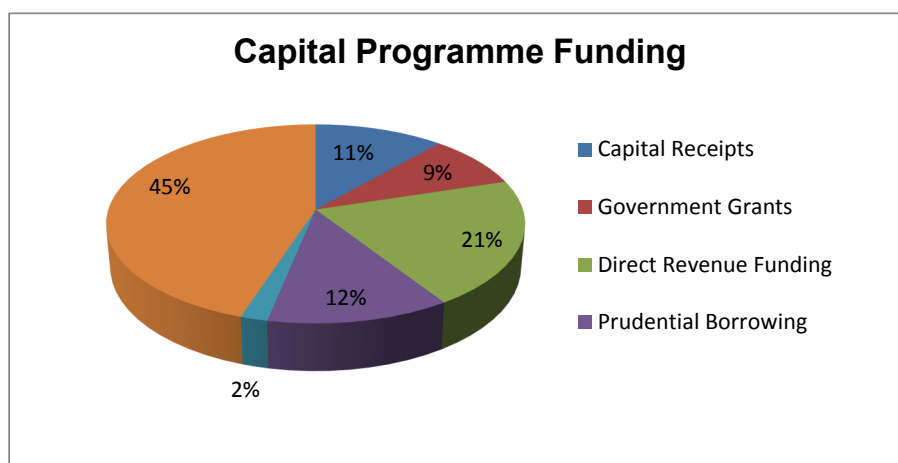
#### Housing Revenue Account

- £1.5 million Horspath Road Depot
- £0.6 million Homes at Barton

## EXPLANATORY FOREWORD

### Funding the Capital Programme

The General Fund Capital Programme spend totalled £11 million and was funded through a combination of capital receipts (£2.5 million), Government Grants (£0.9 million), Direct Revenue Funding from the General Fund (£4.5 million), Prudential Borrowing (£2.7 million), Developer Contributions (£0.4 million). The Housing Programme was financed £9.8 million from Housing Revenue Resources and £1 million from grant from the Homes and Communities Agency.



### Contingencies and Provisions

As at 31 March 2014 the Council has made financial provision of £3.9 million for expenditure likely to be incurred some time in the future. Included in this figure are the following amounts:

- Rent Deposit Scheme – £1.3 million - this provision covers deposits paid on behalf of tenants placed in private rented properties by the Council. The provision assumes a write off of approximately 86% of the debt.
- Singletree Repairs and Maintenance - £0.3 million – a provision to cover major works in respect of a leaseholder property. When the leasehold property is resold a percentage of the resale value is paid into the provision.
- Council Tax Court Costs - £0.4 million. This provision is against court costs that have been raised against outstanding Council Tax arrears.
- Provision for NNDR Appeals - £1.7 million. Following the reform of Business Rates, the risk of appeals is shared between Central Government, the Council and Oxfordshire County Council. This is a new provision for this year and relates to the Council's potential liability for the cost of appeals. The Council's share of the overall collection fund deficit has been transferred to earmarked reserves

### **Icelandic Banking Losses - Update**

In October 2008 a number of Icelandic banks filed for administration. The Council held deposits with two of these banks, Glitnir and Heritable of £1.5 million and £3 million respectively. Developments over the last year are as follows:

- **Glitnir** - The repayment date of the fifth currency (in Icelandic Krona (ISK)) is still to be confirmed as changes to Icelandic law are required to allow ISK to be transferred out of Iceland. Once this has been resolved, it is expected that we will receive close to 100% of our initial deposit. £1.2 million has been received to date.
- **Heritable Bank** - In respect of the Council's £3 million deposits with Heritable bank, the Council continues to receive repayments and it is expected that approximately 90% will be received. A further £421,000 has been received in this financial year, totalling £2.8 million received to date.

## EXPLANATORY FOREWORD

### 4. Financial Prospects Looking Forward

#### General Fund

The 2013/14 outturn position was favourable with the Council having a surplus on its General Fund of £5.4 million in the year which was transferred into Earmarked Reserves largely to finance the Capital Programme as follows:

- £0.2 million transfer to fund the Council's Employee Partnership Payment which will be paid to staff with good attendance and performance appraisals who are not entitled to an increment in 2014/15
- £0.2 million to contribute to a Government and Environment Agency funded project for a flood relief channel to the West of Oxford
- £4.6 million to support future General Fund Capital Schemes and
- £0.4 million to mitigate risks involved in investing in property in order to gain a revenue return. These investments will be incorporated into the Treasury Management Strategy at its next review

The Council made net transfers to Earmarked Reserves of £12.7 million. This included £7 million in relation to balances transferred from the HRA to the General Fund and which have now been placed into a Property Reserve for the purchase of property that generates an on-going revenue stream. The General Fund Working Balance remains static at £3.6 million, a level which is considered prudent for this Authority based on net expenditure and known risks.

The Council's Medium Term Financial Plan for 2014/15 to 2017/18 agreed at Council in February 2014 estimated working balances at year end as follows:

	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000
Working Balance at year end	3,621	3,621	3,621	3,621

To achieve this position a programme of savings, service reductions and increased fees and charges totalling £6.4 million over the next four years needs to be determined. This programme is inherently risky with a large amount coming from new trading activities, although there are contingencies held in reserve in the event that some of these income streams or savings targets are not achieved.

Going forward there are a number of significant uncertainties and risks which the Council needs to monitor including:

- Changes in Business Rate income projections impacting the Council due to increased risks to the Council's finances arising from the reform scheme
- Welfare Reform impacts
- Changes to the income receivable from New Homes Bonus as a result of new build being lower than anticipated
- Increases in inflation
- Slippage occurring in the delivery of savings and income generation projects
- Unidentified additional pressures arising that have an on-going financial impact on the Council



## EXPLANATORY FOREWORD

The Council's Medium Term Financial Plan includes reductions in Revenue Support Grant of 47% to 2015/16 (taking 2010 as a base) and further reductions, taking grant to zero by 2020. There is a risk that the next Comprehensive Spending Review will result in more reductions in Central Government funding for Local Government or that those assumed occur at a faster rate.

Pressure will continue on the Council's income streams such as off-street parking, planning and licensing and with bank base rates at an all time low, investment income earned will also be suppressed.

Demand for services, however, especially housing, are likely to rise and the Council will need to ensure robust management of its finances going forward.

### **Housing Revenue Account (HRA)**

HRA Reform came into effect from 1 April 2012. The Council has agreed a substantial and ambitious HRA Capital Programme which is shown in the HRA revenue budgets in future years. The HRA continues to be more than sustainable into the future based on current assumptions; however there are a number of areas which the Council will need to consider and monitor over the following years including:

- The impact of Right to Buy Discounts on dwelling numbers and consequently on rental income
- The revenue impact of the planned HRA Capital Schemes which may take the HRA up to its maximum borrowing capacity and could have an impact on the overall HRA position; and
- Barton Development (Acquisition of Social Housing) – there is an umbrella agreement relating to the Barton Development which stipulates that each developer will appoint a builder who must sell the social housing units built to fulfil the developers' obligations to provide social housing to the Council. The number of properties involved is expected to be in the region of 350 and is estimated that it will cost the Council £38.2 million (which is provided for within the HRA business plan) over the financial years 2013/14 to 2023/24.

### **Capital**

The Council's Capital Programme over the 4 years from 2014/15 budget amounts to around £142 million. This level of programme carries with it risks of non-delivery which the Council aims to mitigate through an improved gateway process. The Capital Programme includes major projects such as the refurbishment of sports pavilions, a new swimming pool, replacement of the Council's vehicle fleet, the construction of a car park at Oxpens to assist in the development of Westgate, and the property investment strategy. Whilst some of this Programme will be funded by capital receipts from the disposal of other land and buildings, additional prudential borrowing may be required, which will impact on the revenue account.

Within the HRA Capital Programme in addition to the annual refurbishment programme, there is also £13.4 million of new build in the next four years to build 113 dwellings part funded from Homes and Communities Agency (HCA) grant. The HRA Capital Programme for the next four years is budgeted at £81 million in total.

## EXPLANATORY FOREWORD

### **In Conclusion**

I would like to thank Finance staff for their work in preparing these Statements. I hope the information is helpful in allowing you to have a clear understanding of how the Council's money has been spent in 2013/14.

We've tried hard to present information as clearly as possible, but if you want to find out more about these accounts you can:

- visit our website at [www.oxford.gov.uk](http://www.oxford.gov.uk)
- send an e-mail to either:  
Head of Finance (Section 151 Officer) (Nigel Kennedy at [nkennedy@oxford.gov.uk](mailto:nkennedy@oxford.gov.uk)) or  
Financial Accounting Manager (Anna Winship at [awinship@oxford.gov.uk](mailto:awinship@oxford.gov.uk))
- write to us at:  
Oxford City Council  
1st Floor, St Aldate's Chambers  
109 St Aldate's  
Oxford OX1 1DS
- or, contact our auditors Ernst & Young LLP via the Audit Manager, Alan Witty at [awitty@uk.ey.com](mailto:awitty@uk.ey.com)

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# **CORE FINANCIAL STATEMENTS**

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**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2014**

The following statement shows the movement in year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes.

The Net Increase/(Decrease) before Transfers to/from Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Note	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserves	Capital Receipts Reserve	Capital Grants Unapplied Reserves	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31st March 2012 carried forward</b>		5,245	12,390	2,620	789	-	12,953	369	34,366	362,898	397,264
<b>Movement in Reserves during 2012/13</b>											
Surplus/(Deficit) on the Provision of Services		3,217	-	5,456	-	-	-	-	8,674	-	8,674
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	33,497	33,497
<b>Total Comprehensive Income and Expenditure</b>		<b>3,217</b>	<b>-</b>	<b>5,456</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,674</b>	<b>33,497</b>	<b>42,171</b>
Adjustments between Accounting Basis & Funding Basis under Regulations	6	(11)	-	(3,836)	-	7,000	4,478	(87)	7,544	(7,544)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>		<b>3,206</b>	<b>-</b>	<b>1,620</b>	<b>-</b>	<b>7,000</b>	<b>4,478</b>	<b>(87)</b>	<b>16,217</b>	<b>25,953</b>	<b>42,170</b>
Transfers (to)/from Earmarked Reserves	7	(4,828)	4,828	(542)	542	-	-	-	-	-	-
<b>Increase/(Decrease) in 2012/13</b>		<b>(1,622)</b>	<b>4,828</b>	<b>1,078</b>	<b>542</b>	<b>7,000</b>	<b>4,478</b>	<b>(87)</b>	<b>16,217</b>	<b>25,953</b>	<b>42,170</b>
<b>Balance at 31st March 2013 carried forward</b>		<b>3,622</b>	<b>17,218</b>	<b>3,698</b>	<b>1,331</b>	<b>7,000</b>	<b>17,431</b>	<b>282</b>	<b>50,583</b>	<b>388,851</b>	<b>439,434</b>
<b>Movement in Reserves during 2013/14</b>											
Surplus/(Deficit) on the Provision of Services		4,048	-	52,988	-	-	-	-	57,035	-	57,035
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	(2,248)	(2,248)
<b>Total Comprehensive Income and Expenditure</b>		<b>4,048</b>	<b>-</b>	<b>52,988</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,035</b>	<b>(2,248)</b>	<b>54,786</b>
Adjustments between Accounting Basis & Funding Basis under Regulations	6	8,596	-	(45,603)	-	(7,000)	4,965	(100)	(39,142)	39,158	16
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>		<b>12,644</b>	<b>-</b>	<b>7,385</b>	<b>-</b>	<b>(7,000)</b>	<b>4,965</b>	<b>(100)</b>	<b>17,894</b>	<b>36,910</b>	<b>54,804</b>
Transfers (to)/from Earmarked Reserves	7	(12,644)	12,644	(7,083)	7,083	-	-	-	-	-	-
<b>Increase/(Decrease) in 2013/14</b>		<b>0</b>	<b>12,644</b>	<b>302</b>	<b>7,083</b>	<b>(7,000)</b>	<b>4,965</b>	<b>(100)</b>	<b>17,894</b>	<b>36,910</b>	<b>54,804</b>
<b>Balance at 31st March 2014 carried forward</b>		<b>3,623</b>	<b>29,861</b>	<b>4,000</b>	<b>8,414</b>	<b>0</b>	<b>22,396</b>	<b>182</b>	<b>68,476</b>	<b>425,762</b>	<b>494,238</b>

**COMPREHENSIVE INCOME & EXPENDITURE STATEMENT FOR THE YEAR ENDED  
31 MARCH 2014**

This statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement (page 25).

	2013/14			2012/13 Restated			2012/13		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Notes									
Central Services to the Public	4,027	(1,702)	2,325	4,016	(1,459)	2,557	4,016	(1,459)	2,557
Cultural Services	12,611	(4,238)	8,373	12,273	(3,269)	9,004	13,110	(4,106)	9,004
Environment and Regulatory Services	19,167	(6,873)	12,294	15,513	(6,897)	8,616	20,242	(11,626)	8,616
Planning Services	7,992	(4,001)	3,991	7,811	(1,541)	6,270	7,811	(1,541)	6,270
Highways and Transport Services	9,544	(9,723)	(179)	11,449	(9,782)	1,667	13,137	(11,470)	1,667
Local Authority Housing (HRA)	25,505	(84,695)	(59,190)	27,996	(40,482)	(12,486)	27,996	(40,482)	(12,486)
Other Housing Services	78,290	(74,416)	3,874	87,300	(80,999)	6,301	103,559	(97,258)	6,301
Corporate and Democratic Core	3,714	(71)	3,643	3,675	(52)	3,623	3,675	(52)	3,623
Non Distributed Costs	1,955	(1,923)	32	1,609	(1,581)	28	1,609	(1,581)	28
<b>Cost of Services</b>			<b>(24,838)</b>			<b>25,580</b>			<b>25,580</b>
Other Operating Expenditure			(2,400)			(3,075)			(3,075)
Financing and Investment Income and Expenditure			(429)			(2,561)			(2,561)
Taxation and Non-Specific Grant Income			(29,368)			(28,618)			(28,618)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>(57,035)</b>			<b>(8,674)</b>			<b>(8,674)</b>
(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets			(11,178)			(22,114)			(22,114)
Actuarial (Gains)/Losses on Pension Assets and Liabilities			13,426			(11,383)			(11,383)
<b>Other Comprehensive Income and Expenditure</b>			<b>2,248</b>			<b>(33,497)</b>			<b>(33,497)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(54,787)</b>			<b>(42,171)</b>			<b>(42,171)</b>

The restatement for 2012/13 relates to one matter:  
Netting down internal charges for internal work undertaken by the Councils Direct Services department



## BALANCE SHEET AS AT 31 MARCH 2014

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are Usable Reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves to deal with unforeseen events and any statutory limitations on their use (for example the Capital Receipts Reserve can only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; as well as reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Note	2013/14 £000	2012/13 £000
Property, Plant & Equipment	11	632,022	581,949
Heritage Assets	12	2,496	2,496
Investment Properties	13	101,359	92,744
Intangible Assets	14	1,107	827
Long Term Investments	15	2,894	32
Long Term Debtors	15	17,099	16,774
<b>Long Term Assets</b>		<b>756,977</b>	<b>694,822</b>
Short Term Investments	15	47,780	32,868
Assets Held for Sale	19	1,489	2,799
Inventories	16	775	774
Short Term Debtors	15 & 17	15,136	12,268
Cash and Cash Equivalents	15 & 18	10,171	9,343
<b>Current Assets</b>		<b>75,351</b>	<b>58,052</b>
Short Term Borrowing	15	(730)	(910)
Short Term Creditors	15 & 20	(21,189)	(14,396)
<b>Current Liabilities</b>		<b>(21,919)</b>	<b>(15,306)</b>
Long Term Creditors	15	(70)	-
Provisions	21	(3,942)	(2,209)
Long Term Borrowing	15	(199,710)	(200,443)
Other Long Term Liabilities	15	(107,753)	(90,601)
Capital Grants Receipts in Advance	33	(4,696)	(4,881)
<b>Long Term Liabilities</b>		<b>(316,171)</b>	<b>(298,134)</b>
<b>Net Assets</b>		<b>494,238</b>	<b>439,434</b>
Usable Reserves	MIRS	(68,476)	(50,583)
Unusable Reserves	23	(425,762)	(388,851)
<b>Total Reserves</b>		<b>(494,238)</b>	<b>(439,434)</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

The Cash Flow Statement shows the changes in the Cash and Cash Equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses Cash and Cash Equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

	Notes	2013/14 £000	2012/13 £000
Net (Surplus)/Deficit on the Provision of Services		(57,035)	(8,674)
Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements		28,632	(14,264)
Adjustments for Items Included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities		-	-
<b>Net Cash Flows from Operating Activities</b>		<b>(28,404)</b>	<b>(22,938)</b>
Investing Activities	25	26,101	17,833
Financing Activities	26	1,472	660
<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>		<b>(831)</b>	<b>(4,445)</b>
Cash and Cash Equivalents at the Beginning of the Reporting Period		(9,342)	(4,898)
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	18	<b>(10,173)</b>	<b>(9,342)</b>

# **NOTES TO THE CORE FINANCIAL STATEMENTS**

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## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Accounting Standards that have been issued, but not yet adopted by the Code of Practice

Those that will affect the presentation of the Group Accounts are as follows:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures

The likely outcome of applying these standards which will be effective from 1 April 2014 is to change from the proportionate consolidation method to the equity method. This will require recognition of the investment in the joint venture Barton Oxford LLP in accordance with IFRS 11 paragraphs C2 to C5.

#### Other Standards affecting the Core Statements:

IFRS 32 Financial Instruments: Presentation, this standard will be effective from 1 April 2014 and will require the offsetting of Financial Assets and Financial Liabilities. This will affect the level of detail disclosed in the Balance Sheet.

Annual improvements to IFRS 2009-2011 Cycle - this is a review process of all IFRS's and it is possible but unlikely to change any Accounting Policies.

## **2. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

### **Icelandic Bank transactions**

The Council had £4.5 million invested with two failed Icelandic banks, however, as at 31 March 2014, only £0.5 million remains outstanding. The remaining outstanding funds are expected to be received almost in full from the Icelandic banks over the coming months.

### **Changes to Levels of Funding for Local Government**

There remains a high degree of uncertainty about future levels of Government Grant funding for local government including the future of Business Rate income. A proportion of this funding is derived from retained Business Rates, which is subject to an index linked tariff payable to Central Government. Whilst the Authority can benefit to a limited degree from increased Business Rates from new businesses, it can also lose (subject to a safety net) if Business Rates income starts to decline.

However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

### **Componentisation of Fixed assets**

Where Assets had been found to have significant components which would materially affect the depreciation charge, components have been identified and the depreciation of individual components applied.

The Council's Housing stock is subject to componentisation. The policy treats the components with a short life such as kitchens and heating systems as cost items only affected by additions and disposals and de-recognition. The land and structure of the building are the elements that benefit from any revaluation gain.

### **Treatment of Future Capital Receipts from Joint Venture**

The Council has entered into a joint venture with Grosvenor Development Limited, in respect of land which the Council owned at Barton. Under the terms of the agreement the Council transferred this land to the Joint Venture, and will receive the capital receipt for the value in 2019, until such time the Council will be entitled to interest income on the outstanding Land value.

A long term debtor and a deferred capital receipt have been created for the Land value, and interest income is being accrued and will be received in 2019.

## **3. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

### **NDR Appeals Provision**

The Council is required to estimate the value of successful Business Rates appeals, for the first time in 2013/14. The level of these appeals currently stands at £5.4 million spread over a number of years and any provision would have the effect of reducing the level of Business Rates income in the year. The Council have taken external advice on the value of successful appeals and made a provision of £1.7m in the Statement of Accounts.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council has carried out sensitivity analysis on the data received from the Valuation Office to ensure that the provision is robust and evidence shows that 71 appeals have been settled since the 31<sup>st</sup> March 2014, therefore demonstrating the need for the appeal provision to sit at this level.

The items in the Authority's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The Council has a programme of capital works (£27.5 million per year on its housing stock) and undertakes major repairs and maintenance which underpin the assumptions made regarding the useful lives assigned to the assets.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that if the annual depreciation charge for assets were to increase by 1% the extra charge would amount to £118,000.
Provisions rent deposit	The Council operates a rent deposit scheme which provides the deposit necessary for an eligible resident to occupy private rented accommodation. The deposit is repayable. The certainty of repayment is very difficult to estimate. The Council has continued to make an 85% provision during 2013/14 and the total provision now stands at £1.25 million. Only 10% of the deposit paid will be recovered.	If the current provision is found to be inaccurate an extra 1% provision would result in the extra cost of £41,000.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions cannot be measured accurately. The assumptions interact in complex ways. During 2013/14, the Council's actuaries advised that the net pensions liability had increased by £18 million. The total Pension deficit is £107,329 million.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2014, the Council had a balance of sundry debtors of £24.2 million. A review of significant balances suggested that an impairment of doubtful debts of £5 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional 1% or £0.2 million to be set aside as an allowance.
Non Domestic Rates (NDR) Appeals	The Council has set aside a provision to cover successful appeals lodged against NDR banding with the Valuation Office, based on a professional estimate of outstanding appeals	If the provision is incorrect, there would be an impact on the collection fund balance. A 1% increase in the provision would lead to an increased charge of £17,000. This would be split between the Council and preceptors, with 50% of the amount impacting the Council.

The bad debt provision has been calculated on the following basis:

General Fund		Collection Fund			Court Costs	
Sundry Debtors		Council				
		Tax	NDR			
Age of Debt	Provision	Year Debt Raised			Year Debt Raised	
		Provision	Provision		Provision	Provision
		2013/14	1.50%	0.75%	2013/14	25%
<1 Year	0%	2012/13	25%	56%	2012/13	40%
<2 Years	100%	2011/12	50%	77%	2011/12	70%
<3 Years	100%	2010/11	75%	80%	2010/11	70%
<4 Years	100%	2009/10	80%	90%	2009/10	90%
<5 Years	100%	2008/09	92%	98%	2008/09	90%
<6 Years	100%	2007/08	92%	98%	2007/08	90%
>6 Years+	100%	2006/07	92%	98%	2006/07	90%
		2005/06	92%	98%	2005/06	94%
		2004/05	94%	98%	2004/05	96%
		2003/04	96%	98%	2003/04	97%
		2002/03	97%	98%	2002/03	97%
		2001/02 & prior years	100%	98%	2001/02 & prior years	100%

#### 4. Material Items of Income and Expenditure

##### Pension Fund Actuarial Loss

The Pension Fund Actuary has reported an actuarial loss for 2013/14 of £13 million. This is reported as a loss on the Comprehensive Income & Expenditure, and subsequently adjusted (in accordance with proper practice) via the Movement in Reserves Statement to ensure it has no General Fund Balance implications.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 5. Events After the Balance Sheet Date

The Statement of Accounts will be authorised for issue by the Head of Finance (Section 151 Officer) on 22 September 2014. Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the Financial Statements and notes will be adjusted in all material respects to reflect the impact of this information.

### 6. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Comprehensive Income and Expenditure Account recognised by the Authority in year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

#### General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities are to be met, except to the extent that statute provides otherwise. These rules can specify the financial year in which liabilities and payments should impact the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

#### Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

#### Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve (MRR), which controls the application of the "notional" Major Repairs Allowance (MRA) calculated having regard to CLG's self-financing valuation for Oxford City Council. The MRA is restricted to being applied to new capital investment on HRA assets, the repayment of HRA debt or meeting liabilities under credit arrangements. The MRR is used to record a balance of usable capital resources.

#### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

#### Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council have yet to apply the expenditure. The grant terms restrict the application of expenditure and/or the financial year in which this can take place.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**6. Adjustments between Accounting Basis and Funding Basis under Regulations 2012/13**

2012/13	Usable Reserves					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of Non-Current Assets	12,414	4,838	-	5,873	-	(23,125)
Revaluation losses on Property Plant and Equipment	-	-	-	-	-	-
Movements in the market value of Investment Properties	(4,349)	-	-	-	-	4,349
Movements in the market value of Rent-to-mortgage properties	107	-	-	-	-	(107)
Amortisation of Intangible Assets	101	-	-	-	-	(101)
Capital grants and contributions applied	-	-	-	-	-	-
Movement in the Donated Assets Account	-	-	-	-	-	-
Revenue expenditure funded from Capital under Statute	1,368	2	-	-	-	(1,370)
Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,855)	-	-	-	-	3,855
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	(276)	-	-	-	-	276
Capital expenditure charged against the General Fund and HRA balances	(5,428)	-	-	-	-	5,428
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(350)	-	437	-	(87)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(2,243)	-	445	-	-	1,798

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**6. Adjustments between Accounting Basis and Funding Basis under Regulations 2012/13 – cont.**

2012/13	Usable Reserves					Unusable Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	5,692	-	-	(5,692)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(1,508)	-	-	1,508
Contribution from the Capital Receipts Reserve towards administrative costs of Non-Current Asset disposals	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	588	-	(588)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve (England and wales):</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(44)	-	-	-	-	44
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	8	-	-	-	-	(8)
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(7,590)	-	7,590
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**6. Adjustments between Accounting Basis and Funding Basis under Regulations 2012/13 – cont.**

2012/13	Usable Reserves					Unusable Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	8,838	54	-	-	-	(8,892)
Employer's pensions contributions and direct payments to pensioners payable in the year	(6,104)	-	-	-	-	6,104
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	20	-	-	-	-	(20)
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(808)	(13)	-	-	-	821
Other transfer adjustments	-	(8,717)	-	8,717	-	-
<b>Total Adjustments</b>	<b>(11)</b>	<b>(3,836)</b>	<b>4,478</b>	<b>7,000</b>	<b>(87)</b>	<b>(7,544)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 6. Adjustments between Accounting Basis and Funding Basis under Regulations 2013/14.

2013/14	Usable Reserves					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of Non-Current Assets	6,687	(35,612)	-	-	-	28,925
Revaluation losses on Property Plant and Equipment	-	-	-	-	-	-
Movements in the market value of Investment Properties	(3,123)	-	296	-	-	2,827
Movements in the market value of Rent-to-mortgage properties	(427)	-	-	-	-	427
Amortisation of Intangible Assets	214	-	-	-	-	(214)
Capital grants and contributions applied	-	-	-	-	-	-
Movement in the Donated Assets Account	-	-	-	-	-	-
Revenue expenditure funded from Capital under Statute	953	135	-	-	-	(1,088)
Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,523)	(1,826)	512	-	-	3,837
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						-
Statutory provision for the financing of capital investment	(92)	-	-	-	-	92
Capital expenditure charged against the General Fund and HRA balances	(4,538)	-	-	-	-	4,538
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(2,326)	-	-	-	(100)	2,426

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**6. Adjustments between Accounting Basis and Funding Basis under Regulations 2013/14 – cont.**

2013/14	Usable Reserves					Unusable Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	9,789	-	-	(9,789)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(3,876)	-	-	3,876
Contribution from the Capital Receipts Reserve towards administrative costs of Non-Current Asset disposals	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,756		(1,756)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(8,422)	-	8,422
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(47)	-	-	-	-	47
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(6)	-	-	-	-	6
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**6. Adjustments between Accounting Basis and Funding Basis under Regulations 2013/14 – cont.**

2013/14	Usable Reserves					Unusable Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,824)	-	-	-	-	6,824
Employer's pensions contributions and direct payments to pensioners payable in the year	11,298	101	-	-	-	(11,399)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						-
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	366	-	-	-	-	(350)
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:</b>						-
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						-
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	228	21	-	-	-	(249)
<b>Other transfer include</b>						-
<b>Adjustment between the Capital Adjustment Account and the Revaluations Reserve</b>						-
Adjustments between accounting basis and funding basis under regulations	7,000	(8,422)		1,422		-
<b>Total Adjustments</b>	<b>8,596</b>	<b>(45,603)</b>	<b>4,965</b>	<b>(7,000)</b>	<b>(100)</b>	<b>39,158</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **7. Transfers to/from Earmarked Reserves**

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2013/14.



## NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance at 31 March 2014 £000	Transfers In 2013/14 £000	Transfers Out 2013/14 £000	Balance at 31 March 2013 £000	Transfers In 2012/13 £000	Transfers Out 2012/13 £000	Balance at 31 March 2012 £000
<b>General Fund:</b>							
General Licensing reserve	(51)	(8)	-	(44)	(44)	-	-
CLG Homelessness Grant	(666)	(249)	2	(420)	(420)	-	-
Taxi Licencing Reserve	(212)	(14)	-	(198)	-	13	(211)
Town Hall Equipment Reserve	(20)	-	4	(24)	-	-	(24)
Work Of Art Reserve	(5)	-	-	(5)	-	-	(5)
Shopmobility Reserve	(12)	-	51	(63)	(14)	-	(49)
Employee Cost Reserve	(1,348)	(46)	368	(1,670)	(508)	50	(1,212)
Customer Services Server Replacement	-	-	-	-	-	29	(29)
Oxford Business Contributions	-	-	-	-	-	35	(35)
SALIX Energy Projects Reserve	(257)	(59)	112	(310)	(79)	40	(271)
SALIX Management Fee	(14)	(6)	-	(8)	(8)	-	-
IT Infrastructure and Equipment Reserve	(353)	-	-	(353)	(185)	-	(168)
Repairs & Maintenance Reserve	(614)	(155)	-	(459)	-	-	(459)
Reserve for Land Charges	(42)	-	-	(42)	(18)	27	(50)
Business Transformation Projects	(617)	(395)	666	(887)	(490)	772	(1,169)
City Council Elections Reserve	(58)	(48)	-	(10)	(47)	96	(59)
Committed Projects Reserve	(1,265)	(786)	994	(1,473)	(1,099)	685	(1,060)
CRM Rollout Reserve	-	-	100	(100)	-	-	(100)
Grants Reserve	(931)	(817)	789	(903)	(721)	2,304	(2,486)
Direct Revenue Funding of Capital	(6,857)	(12,458)	7,220	(1,619)	-	150	(1,769)
Land at Barton	(105)	(17)	48	(136)	(62)	131	(206)
Homelessness	(916)	-	-	(916)	(650)	-	(266)
HMO Licensing Reserve	(242)	-	105	(347)	(56)	90	(380)
Community Services Carry Forward Reserve	(574)	(35)	19	(559)	(579)	20	-
Organisational Development Reserve	(523)	(200)	400	(723)	(486)	386	(623)
Lord Mayors Deposit	(59)	-	-	(59)	(66)	8	-
Home Choice fund for single persons	(36)	-	-	(36)	(41)	5	-
Rose Hill Demolition	(339)	-	-	(339)	(339)	-	-
Oxfordshire Total Refit Project (EU funding)	-	(68)	281	(213)	(213)	-	-
Town Team Partners	(10)	-	-	(10)	(10)	-	-
Assets of Community Value	(21)	(8)	-	(13)	(13)	-	-
Unlawful Dwellings Reserve	(96)	(60)	114	(150)	(150)	-	-
Westgate Redevelopment Reserve	(3,279)	-	-	(3,279)	(3,279)	-	-
Flood Reserve	(301)	(200)	49	(150)	(150)	-	-
Loan and Property Fund Guarantee Reserve	(516)	(401)	-	(115)	-	-	(115)
P&R County Contribution - Future Maintenance	(117)	(117)	-	-	-	-	-
Direct Payment Project Arrears Reserve	(194)	(194)	-	-	-	-	-
Business Support Scheme	(63)	(63)	-	-	-	-	-
Severe Weather Recovery Scheme	(35)	(35)	-	-	-	-	-
Berkshire, Oxfordshire, Buckinghamshire and Milton Keynes Planning Fund	(4)	(4)	-	-	-	-	-
Property Fund Reserve	(7,000)	(7,000)	-	-	-	-	-
NNDR Retention Reserve	(600)	(600)	-	-	-	-	-
<b>Total General Fund</b>	<b>(28,351)</b>	<b>(24,042)</b>	<b>11,321</b>	<b>(15,632)</b>	<b>(9,726)</b>	<b>4,841</b>	<b>(10,748)</b>
<b>HRA:</b>							
Committed Projects Reserve	(267)	-	549	(816)	(816)	317	(317)
IT Project Work	(120)	-	-	(120)	-	-	(120)
IT Equipment Reserve	(305)	-	4	(309)	-	-	(309)
HRA Capital Projects	(7,772)	(7,772)	-	-	-	-	-
	<b>(8,464)</b>	<b>(7,772)</b>	<b>553</b>	<b>(1,245)</b>	<b>(816)</b>	<b>317</b>	<b>(746)</b>
<b>Insurance Funds:</b>							
Self Insurance Fund - HRA	(1,271)	-	87	(1,358)	-	6	(1,363)
Self Insurance Fund - GF	(190)	-	126	(316)	-	7	(324)
<b>Total Capital and Insurance Funds</b>	<b>(1,461)</b>	<b>-</b>	<b>213</b>	<b>(1,674)</b>	<b>-</b>	<b>13</b>	<b>(1,687)</b>
<b>Grand Total</b>	<b>(38,276)</b>	<b>(31,814)</b>	<b>12,087</b>	<b>(18,549)</b>	<b>(10,542)</b>	<b>5,171</b>	<b>(13,181)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

<b>General Fund: Reserve Descriptions</b>	
General Licensing Reserve	Reserve to ensure the ring-fencing of the general licensing team function to fund future service area expenditure.
CLG Homelessness Grant	Reserve needed to finance delayed/planned homelessness preventative activities.
Taxis Licensing Reserve	Created to support future taxi licensing activities. Year-end taxi licensing surpluses are transferred to this reserve that funds future service improvements within the Taxi Licensing area.
Town Hall Equipment Reserve	Used to maintain or replace Town Hall equipment.
Work of Art Reserve	Created to finance the purchase or restoration of City Council works of art.
Shopmobility Reserve	Created to fund the maintenance or replacement of Shopmobility equipment.
Employee Cost Reserve	Created to cover the severance and associated payments relating to employees, following organisational development reviews.
Customer Services Server Replacement Reserve	Created to fund a replacement Customer Services IT server
Oxford Business Contributions Reserve	Used to fund contributions to Business Partnership Schemes within Oxford.
Salix Energy Projects Reserve	Created from an initial grant made available via Salix. The reserve is used to implement energy efficient schemes within the City.
Salix Management Fee	Reserve represents contributions received to fund future energy assistant post activities.
IT Infrastructure and Equipment Reserve	Used to fund the purchase of new IT infrastructure equipment and IT projects across the Council.
Repairs and Maintenance Reserve	The reserve will be used to cover substantive repairs in the Leisure Services and other areas.
Reserve for Land Charges Reserve	This is an equalisation reserve in that year-end Land Charges surpluses are used to fund future expenditure and or year-end deficits.
Business Transformation Projects	At the year-end budgets associated with incomplete transformation projects are transferred to this reserve. At the start of the following year projects are approved to continue and the funds allocated back to the projects.
City Council Elections Reserve	Created from the budget surplus/(deficit) on the City Council Elections activity. City elections are held every 2 years and this reserve is used to fund additional costs in election year.
Committed Projects Reserve	Created to cover carry-forward requests from service areas, and fund expenditure commitments
CRM Rollout Reserve	Created to fund the rollout of the Council's Customer Relationship Management (CRM) programme.
Grants Reserve	This reserve was initially set up to hold various grant monies received by the City Council and or unused in-year budgetary provision for various community/non-HRA housing based activities. As the utilisation of these grants spreads across several years the release of those resources will be undertaken gradually as well as new grant monies being added.
Direct Revenue Funding of Capital Reserve	Created to fund future rolling programme capital requirements.
Land at Barton Reserve	This is an HCA grant made available to fund regeneration activities.
Homelessness Reserve	The Council as part of its 2011/12 budget committed to annually setting aside resources to assist in the anticipated increased cost of Homelessness activity predicted to occur for the City as a result of welfare reforms. This reserve holds the balance of the resources so far provided.
HMO Licensing Reserve	Reserve to ensure the ring-fencing of HMO Licensing income to fund future service area expenditure.
Community Services Carry Forward Reserve	Reserve reflects additional Directorate's expenditure commitments including funding of future cultural Community and Neighbourhood initiatives and community safety/educational activities
Organisational Development Reserve	Created to fund the agreed partnership payment, and other pay related items.
Lord Mayors Deposit	Reserve represents resources held for assisting homeless applicants with rent deposit and/or bonds.
Home Choice Fund for single persons	Reserve represents resources held for assisting single homeless applicants with rent deposit and/or bonds.
Rosehill Demolition	Reserve represents resources held to assist in the re-development of the Rosehill Community Centre initiative.
Oxfordshire Total Refit Project (EU Funding)	This was created to assist in the co-operation with partners in the pursuance of adopting and implementing energy saving initiatives within Oxfordshire.
Town Team Partners	Reserve represents grant funded activity to improve City High Streets.
Assets of Community Value	Created to finance the purchase or restoration of City Council assets of Community value.
Unlawful Dwellings Reserve	Reserve created to fund enforcement activity associated with the identification of unlawful dwellings being used within the City.
Westgate Redevelopment Reserve	Required to fund temporary car park facilities and other associated works arising due to the planned re-development of the Westgate site in the city centre.
Flood Reserve	Reserve created to fund flood maintenance work not eligible for Government re-imburement under the Belwin scheme
Loan and Property Fund Guarantee Reserve	The Council has provided a loan guarantee for the Arts at the Old Fire Station and the Charities Aid Foundation. The reserve will only be used if the guarantee is called in.
P&R County Contribution - Future Maintenance	Represents resources needed to fund future Park and Ride maintenance obligations associated with County Council sites.
Direct Payment Project Arrears Reserve	This figure represents the level of HRA arrears that potentially increased as a result of the Council embarking on the Direct Payments project. The resources can be kept by the authority until expiry of the claim period.
Business Support Scheme	This reserve has been set up to mitigate future Local Cost of Benefits risks.
Severe Weather Recovery Scheme	Reserve set up to fund expenditure arising from future severe weather activities.
BOB MK	Planning Fund ring fenced between Berkshire, Oxfordshire, Buckinghamshire and Milton Keynes Councils. Oxford City Council administers this fund.
Property Fund Reserve	Reserve set up to finance future Property Fund activities.
Indirect Property Fund Reserve	Reserve set up to finance future Indirect Property Fund activities.
NNDR Retention Reserve	This reserve is to cover the deficit in NNDR Collection Fund that will be charged to the General Fund in future years.

## NOTES TO THE CORE FINANCIAL STATEMENTS

<b>HRA: Reserve Descriptions</b>	
Committed Project Reserve	Created to set aside resources needed to complete and/or fund schemes for which budget allocation has been approved, but the spend has yet to be committed.
IT Project Work Reserve	This reserve was created to fund IT work projects.
IT Equipment Reserve	The IT Equipment reserve is used to fund replacement and/or upgrade of the Housing Revenue Account IT systems.
Projects Reserve	Reserve set up to predominately fund future HRA capital works.
<b>Capital and Insurance Funds: Descriptions</b>	
Self Insurance Fund - HRA	The Self Insurance Fund reserve is used to cover claim costs that are below the Council's insurance policy excess limit for HRA service areas.
Self Insurance Fund - GF	The Self Insurance Fund reserve is used to cover claim costs that are below the Council's insurance policy excess limit for GF service areas.

### 8. Other Operating Expenditure

	2013/14 £000	2012/13 £000
Parish Council Precepts	189	193
Payments to the Housing Capital Receipts Pool	1,756	587
(Gains)/Losses on the Disposal of Non-Current Assets	(4,345)	(3,855)
<b>Total</b>	<b>(2,400)</b>	<b>(3,075)</b>

### 9. Financing and Investment Income and Expenditure

	2013/14 £000	2012/13 £000
Interest Payable and Similar Charges	6,779	6,705
Pensions Interest Costs and Expected Return on Pensions Assets	3,973	2,617
Finance Charges	(499)	(685)
Interest Receivable and Similar Income	(478)	(443)
Income & Expenditure in Relation to Investment Properties and Changes in their Fair Value	(9,107)	(10,755)
Other Investment Income	(1,097)	-
<b>Total</b>	<b>(429)</b>	<b>(2,561)</b>

### 10. Taxation and Non Specific Grant Income

	2013/14 £000	2012/13 £000
Council Tax Income	(11,535)	(12,641)
Non Domestic Rates	(5,470)	(11,799)
Non-Ringfenced Government Grants	(10,037)	(1,835)
Capital Grants and Contributions	(2,326)	(2,343)
<b>Total</b>	<b>(29,368)</b>	<b>(28,618)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 11. Property, Plant and Equipment - Movements in 2013/14

#### Movements in 2013/14

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
<b>At 1 April 2013</b>	475,414	111,698	16,376	207	991	4,015	1,758	610,459
Additions	8,345	2,782	3,202	60	120	-	5,447	19,956
Assets recognised / derecognised under finance lease	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	2,301	-	-	37	-	-	2,338
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	42,943	(1,752)	(2)	-	-	-	-	41,189
Derecognition - disposals	-	(58)	(1,288)	-	(34)	(715)	-	(2,095)
Derecognition - other	(1,138)	-	-	-	-	-	-	(1,138)
Assets reclassified (to)/from Held for Sale	(3,380)	(350)	-	-	-	-	-	(3,730)
Other movements in cost or valuation	-	(1,625)	-	-	(90)	-	-	(1,715)
<b>At 31 March 2014</b>	<b>522,184</b>	<b>112,996</b>	<b>18,288</b>	<b>267</b>	<b>1,024</b>	<b>3,300</b>	<b>7,205</b>	<b>665,264</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2013</b>	(9,190)	(11,157)	(7,964)	(90)	(21)	(88)	-	(28,510)
Depreciation charge	(6,332)	(3,593)	(1,765)	(15)	(21)	(36)	-	(11,762)
Depreciation written out to the Revaluation Reserve	-	476	-	-	-	-	-	476
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,322	644	-	-	-	-	-	3,966
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services	-	-	(142)	-	-	-	-	(142)
Derecognition - disposals	-	13	1,143	-	-	27	-	1,183
Derecognition - other	82	18	-	-	-	-	-	100
Other movements in depreciation and impairment	82	1,365	-	-	-	-	-	1,447
<b>At 31 March 2014</b>	<b>(12,036)</b>	<b>(12,234)</b>	<b>(8,728)</b>	<b>(105)</b>	<b>(42)</b>	<b>(97)</b>	<b>-</b>	<b>(33,242)</b>
<b>Net Book Value</b>								
At 31 March 2014	510,148	100,762	9,560	162	982	3,203	7,205	632,022
At 31 March 2013	466,224	100,541	8,412	117	970	3,927	1,758	581,949
<b>Movement in NBV</b>	<b>43,924</b>	<b>221</b>	<b>1,148</b>	<b>45</b>	<b>12</b>	<b>(724)</b>	<b>5,447</b>	<b>50,073</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 11. Property, Plant and Equipment - cont. - Comparative Movements in 2012/13

#### Movements in 2012/13

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>								
<b>At 1 April 2012</b>	468,173	114,288	14,238	207	295	4,960	919	603,080
Additions	6,749	3,833	2,447	-	36	-	826	13,891
Assets recognised / derecognised under finance lease	-	(42)	-	-	-	-	-	(42)
Donations	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	8,647	9,486	-	-	681	186	-	19,000
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,213)	(12,966)	-	-	-	(463)	-	(17,642)
Derecognition - disposals	(54)	-	(309)	-	(8)	-	-	(371)
Derecognition - other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(1,362)	(1,718)	-	-	-	(212)	-	(3,292)
Other movements in cost or valuation	(1,350)	(568)	-	-	(13)	(457)	13	(2,375)
<b>At 31 March 2013</b>	<b>476,590</b>	<b>112,313</b>	<b>16,376</b>	<b>207</b>	<b>991</b>	<b>4,014</b>	<b>1,758</b>	<b>612,249</b>
At 1 April 2012	(7,139)	(14,681)	(6,210)	(79)	-	(101)	-	(28,210)
Depreciation charge	(5,445)	(4,124)	(2,033)	(11)	(21)	(214)	-	(11,848)
Depreciation written out to the Revaluation Reserve	2,804	312	-	-	-	-	-	3,116
Depreciation written out to the Surplus/Deficit on the Provision of Services	551	7,219	-	-	-	115	-	7,885
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services	(1,177)	(614)	-	-	-	-	-	(1,791)
Derecognition - disposals	1	-	282	-	-	-	-	283
Derecognition - other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	38	118	(3)	-	-	112	-	265
<b>At 31 March 2013</b>	<b>(10,367)</b>	<b>(11,770)</b>	<b>(7,964)</b>	<b>(90)</b>	<b>(21)</b>	<b>(88)</b>	<b>-</b>	<b>(30,300)</b>
<b>Net Book Value</b>								
At 31 March 2013	466,223	100,543	8,412	117	970	3,926	1,758	581,949
At 31 March 2012	461,034	99,606	8,028	128	295	4,859	919	574,869
<b>Movement in NBV</b>	<b>5,190</b>	<b>937</b>	<b>384</b>	<b>(11)</b>	<b>675</b>	<b>(932)</b>	<b>839</b>	<b>7,080</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at Historical Cost	-	-	9,560	162	196	-	7,205	17,123
Valued at fair value as at:								
31 March 2014	510,148	28,271	-	-	1	456	-	538,876
31 March 2013	-	22,586	-	-	742	886	-	24,214
31 March 2012	-	3,267	-	-	-	72	-	3,339
31 March 2011	-	37,255	-	-	-	-	-	37,255
31 March 2010	-	7,335	-	-	2	1,789	-	9,126
31 March 2009	-	609	-	-	-	-	-	609
31 March 2008	-	1,235	-	-	-	-	-	1,235
31 March 2007	-	-	-	-	-	-	-	-
De-minimis	-	204	-	-	41	-	-	245
Total Cost or Valuation	<b>510,148</b>	<b>100,762</b>	<b>9,560</b>	<b>162</b>	<b>982</b>	<b>3,203</b>	<b>7,205</b>	<b>632,022</b>

### a) Capital Commitments

At 31 March 2014, the Authority had entered into a number of contracts for the construction of or enhancement to Property, Plant and Equipment for completion in 2014/15 and future years, budgeted at £21.4 million. Similar commitments at 31 March 2013 were £8.8 million. The major commitments are:

		31 March 2014 £000	31 March 2013 £000
Window Replacement Programme	Nationwide	-	357
City Centre Offices	Paragon Management	-	90
The Old Fire Station Refurbishment	Kingerlee	-	34
New Build Competition Pool	Wilmot Dixon	5,913	7,683
Refurbishment of Tower Blocks	EC Harris	391	678
Affordable Homes Programme	EC Harris	13,812	-
Refurbishment of Grandpont Pavilion	Beard	492	-
Refurbishment of Blackbird Leys Pavilion	Wilmot Dixon	463	-
Roofing in Littlemore	GSR	150	-
External Adaptions	SCM	110	-
Communal Areas	Pyrotec/Direct Services	60	-
		<b>21,391</b>	<b>8,842</b>

### b) Revaluations

The Valuation report for 2013/14 was prepared by Richard Hawkes MRICS (Registered Valuer), Corporate Asset Manager, Regeneration and Major Projects, Oxford City Council.

#### External valuation

The valuation work was completed using external valuers supplemented by the internal team. The annual external valuations were provided as follows:

- Investment Property  
A desktop review of all investment assets was undertaken by Richard Hawkes MRICS, this exercise identified 49 properties with a probability of a significant change in value during 2013/14. These properties were then valued by Richard Waterson MRICS from Drivers Jonas.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- **Council Dwellings**  
A total of 20 council dwellings were re-valued by Robin Marfleet MRICS from Drivers Jonas. This exercise will ensure all Beacons are valued over a 5 year period.
- **Other Land and Buildings**  
In year two of a five year cycle, a total of 21 Property, Plant & Equipment assets were re-valued by Richard Waterson MRICS from Drivers Jonas.

### **Internal valuation**

All external valuations were subject to a desktop review process by the Regeneration and Major Projects team.

Houses in multiple occupation were valued internally as at 1 April 2013.

Two assets held for sale (AHFS) were re-valued or reviewed as at 1 April 2013.

Rent To Mortgage properties were valued internally as at 1 April 2013.

These internal valuations were signed off by Richard Hawkes MRICS.

### **The significant assumptions applied in estimating the fair values are:**

Existing Use Value (EUV) is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing. The parties are taken to have acted knowledgeably, prudently and without compulsion. The valuation will disregard potential alternative uses and any other characteristics of the property which would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Where insufficient market-based evidence of fair value is available because an asset is specialised and/or rarely sold, the Code permits the use of Depreciated Replacement Cost (DRC).

Existing Use Value Social Housing (EUV-SH) is the estimated amount for which a property should exchange on the date of valuation, between a willing buyer and a willing seller, in an arm's-length transaction. There is presumption of proper marketing and that the parties are acting knowledgeably, prudently and without compulsion.

### **Market Value (MV)**

Market Value is defined as 'The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'

## **12. Heritage Assets**

### **a) Valuations at Market Value**

A full explanation of the type of Heritage Assets can be found in note 43 to these Accounts (page 80). During 2013/14 no new heritage assets have been acquired; neither have any heritage assets been disposed of.

An assessment of impairment was undertaken and none was identified as at 31 March 2014. All heritage assets except for the category of non-operational property were last valued on 1 April 2011 by Coram James, specialist Art and Antique valuers - Robert James BA MRICS MNAVA undertook the valuation work. These assets are subject to a five year cycle of valuation where appropriate. The non operational property assets are valued at depreciated replacement cost.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority	The Great Mace	Furniture	Civic Regalia	Fire Arms	Pictures and Drawings	Non Operational Property Fountain & Sculpture	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:							
1 April 2012	1,411	47	363	38	423	214	2,496
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
<b>31 March 2013</b>	<b>1,411</b>	<b>47</b>	<b>363</b>	<b>38</b>	<b>423</b>	<b>214</b>	<b>2,496</b>
1 April 2013	1,411	47	363	38	423	214	2,496
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
<b>31 March 2014</b>	<b>1,411</b>	<b>47</b>	<b>363</b>	<b>38</b>	<b>423</b>	<b>214</b>	<b>2,496</b>

### 13. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2013/14 £000	2012/13 £000
Rental Income from Investment Property	7,447	7,092
Direct operating expenses arising from Investment Property	(959)	(686)
<b>Net Gain/(Loss)</b>	<b>6,488</b>	<b>6,406</b>

Investment property valuations were reviewed to identify assets that could have experienced a significant change in value. All such assets identified were valued as at 31 March 2014.

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property.

The following table summarises the movement in the fair value of Investment Properties over the year:



## NOTES TO THE CORE FINANCIAL STATEMENTS

	2013/14 £000	2012/13 £000
<b>Balance at start of the year</b>	<b>92,744</b>	<b>86,488</b>
Additions:		
Subsequent expenditure	466	529
Less:		
Disposals	-	(1,167)
<b>Net gain/(loss) from fair value adjustments</b>	<b>93,210</b>	<b>85,850</b>
Transfers:		
(To)/from Property Plant and Equipment	5,031	2,376
(To)/from Assets Held for Sale	-	345
Other Changes (net revaluation)	3,118	4,173
<b>Balance at the end of the year</b>	<b>101,359</b>	<b>92,744</b>

### 14. Intangible Assets

The Authority accounts for its software as an Intangible Asset, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible Assets includes both purchased licenses and software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The Council amortises intangible assets according to the expected economic useful life on a straight line basis.

The average amortisation period is 5 years.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>		
- Gross carrying amounts	1,129	561
- Accumulated amortisation	(302)	(201)
<b>Net Carrying Amount at Start of Year</b>	<b>827</b>	<b>360</b>
Additions:		
- Internal development	-	-
- Purchases	494	569
- Acquired through Business Combinations	-	-
Amortisation for the period	(214)	(101)
Other Changes	-	-
<b>Net Carrying Amount at End of Year</b>	<b>1,107</b>	<b>827</b>
Comprising:		
- Gross Carrying Amounts	1,623	1,129
- Accumulated Amortisation	(516)	(302)
	<b>1,107</b>	<b>827</b>

The amortisation of £0.2 million is shown in net cost of services under Non-Distributed Cost.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**15. Financial Instruments**

The following categories of financial instrument are carried in the Balance Sheet (page 27).

Categories of Financial Instruments	Long-term		Current	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
<b>Investments</b>				
Loans and Receivables	2,894	32	57,951	42,211
<b>Total Investments</b>	<b>2,894</b>	<b>32</b>	<b>57,951</b>	<b>42,211</b>
<b>Debtors</b>				
Loans and Receivables	17,099	16,774	15,136	12,268
<b>Total Debtors</b>	<b>17,099</b>	<b>16,774</b>	<b>15,136</b>	<b>12,268</b>
<b>Borrowings</b>				
Financial Liabilities at Amortised Cost	(199,710)	(200,443)	(730)	(910)
<b>Total Borrowings</b>	<b>(199,710)</b>	<b>(200,443)</b>	<b>(730)</b>	<b>(910)</b>
<b>Other Long Term Liabilities</b>				
Deferred Liabilities	(172)	(779)	-	(282)
Finance Lease Liability	(253)	(212)	(8)	-
Liability for Defined Benefit Pension Scheme	(107,328)	(89,328)	-	-
<b>Total Other Long Term Liabilities</b>	<b>(107,753)</b>	<b>(90,319)</b>	<b>(8)</b>	<b>(282)</b>
<b>Creditors</b>				
Financial Liabilities at Amortised Cost Amounts	(70)	-	(21,189)	(14,396)
Financial Assets carried at Contract Amounts	-	-	-	-
<b>Total Creditors</b>	<b>(70)</b>	<b>-</b>	<b>(21,189)</b>	<b>(14,396)</b>

**16. Inventories**

	Consumable Stores		Maintenance		Total	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
<b>Balance Outstanding at Start of Year</b>	<b>24</b>	<b>14</b>	<b>750</b>	<b>754</b>	<b>774</b>	<b>768</b>
Purchases	73	59	3,122	3,773	3,195	3,832
Recognised as an Expense in the Year	(65)	(49)	(3,129)	(3,777)	(3,194)	(3,826)
Written-off Balances	-	-	-	-	-	-
Reversals of Write-offs in Previous Years	-	-	-	-	-	-
<b>Balance Outstanding at Year End</b>	<b>32</b>	<b>24</b>	<b>743</b>	<b>750</b>	<b>775</b>	<b>774</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Maintenance Inventories

The Council holds stock of varying items (Building Materials, Winter Grit, Tarmac, Paving Slabs, Life Belts, Vehicle Parts, Personal Protective Equipment, Street Furniture, Fertiliser, etc.) to ensure services can run in a timely manner. This stock is held at the relevant depots.

### Consumable Inventories

This includes stock of a non operational nature which includes Eye Care Vouchers, Prepaid Envelopes etc.

### 17. Short Term Debtors

The table below shows the amount that the Council was owed at 31 March 2014 by third parties, together with amounts paid by the Council in advance of receipt of goods or services.

	2013/14 £000	2012/13 £000
Central Government Bodies	1,990	3,819
Other Local Authorities	374	2,971
Other Entities and Individuals	12,772	5,478
<b>Total</b>	<b>15,136</b>	<b>12,268</b>

### 18. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	2013/14 £000	2012/13 £000
Cash Held by the Authority	14,353	12,205
Bank Current Accounts	(4,182)	(2,862)
<b>Total Cash and Cash Equivalents</b>	<b>10,171</b>	<b>9,343</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 19. Assets Held for Sale

	Current		Non Current	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
<b>Balance Outstanding at Start of Year</b>	2,799	1,008	-	-
Assets newly classified as Held for Sale:				
Property Plant and Equipment	350	1,952	-	-
Council Dwellings	3,719	1,429	-	-
Assets declassified as Held for Sale:				
Property Plant and Equipment	-	(25)	-	-
Council Dwellings	(339)	(74)	-	-
Investment Property	-	(345)	-	-
Assets sold	(5,040)	(1,146)	-	-
<b>Balance Outstanding as Year End</b>	<b>1,489</b>	<b>2,799</b>	-	-

### 20. Short Term Creditors

The table below shows the amount that the Council owed as at 31 March 2014 to third parties, together with amounts received by the Council in advance of supply of goods or services.

	2013/14 £000	2012/13 £000
Central Government Bodies	(2,754)	(1,056)
Other Local Authorities	(1,490)	(3,763)
NHS Bodies	(25)	-
Other Entities and Individuals	(16,920)	(9,577)
<b>Total</b>	<b>(21,189)</b>	<b>(14,396)</b>

### 21. Provisions

Provisions for doubtful debts are separately disclosed against debtors on the Balance Sheet. The total value of Provisions held as at 31 March 2014 are:

	Outstanding Legal		Injury and Damage		Other Provisions		Total £000
	Current £000	Non Current £000	Current £000	Non Current £000	Current £000	Non Current £000	
<b>Balance at 1 April 2012</b>	-	(1,337)	-	-	-	(4,961)	(6,298)
Additional Provisions Made in Year	-	-	-	-	-	(62)	(62)
Amounts Used in Year	-	1,337	-	-	-	548	1,885
Unused Amounts Reversed in Year	-	-	-	-	-	2,266	2,266
Unwinding of Discounting in Year	-	-	-	-	-	-	-
<b>Total Provisions as at 31 March 2013</b>	-	-	-	-	-	(2,209)	(2,209)
<b>Balance at 1 April 2013</b>	-	-	-	-	-	(2,209)	(2,209)
Additional Provisions Made in Year	-	-	-	-	-	(1,924)	(1,924)
Amounts Used in Year	-	-	-	-	-	191	191
Unused Amounts Reversed in Year	-	-	-	-	-	-	-
Unwinding of Discounting in Year	-	-	-	-	-	-	-
<b>Total Provisions as at 31 March 2014</b>	-	-	-	-	-	(3,942)	(3,942)

Note: There is no injury and damage compensation provision (current or non-current).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Outstanding Legal Cases

There are no outstanding legal cases which we have made a provision for.

### Other Provisions

**Lord Mayors Deposit Scheme** – There is a present obligation to pay out bonds to the landlord if the tenant defaults on rent or damages the property. The amount and frequency of these payments is unknown, and a provision is set up based on historical data that we hold.

**Rent Deposit Scheme** – There is a present obligation to the landlord, a large number of deposits are currently not returned due to damage to properties, and there is a probable outflow on these bonds. It is estimated that the payment will not be greater than the original bond.

**NNDR Appeals** - There is a new requirement for the Council to provide for potential future obligations arising from appeals made to the NNDR valuations.

### 22. Usable Reserves

Movements in the Authority's Usable Reserves are detailed in the Movement of Reserves Statement (page 25) and Note 6 (page 35).

### 23. Unusable Reserves

	2013/14 £000	2012/13 Restated £000	2012/13 £000
Revaluation Reserve	(27,324)	(33,186)	(54,895)
Capital Adjustment Account	(491,677)	(430,494)	(408,785)
Deferred Capital Receipts Reserve	(15,798)	(15,608)	(15,608)
Pensions Reserve	107,329	89,328	89,328
Collection Fund Adjustment Account	377	27	27
Accumulated Absences Account and Employee Reserve	1,331	1,082	1,082
<b>Total Unusable Reserves</b>	<b>(425,762)</b>	<b>(388,850)</b>	<b>(388,850)</b>

Restatement of the reserves has been necessary due to an accounting error. The error relates to revaluation gains on previously impaired Council Dwellings. The revaluation gain was credited to the revaluation reserve but should have been credited to the HRA and the Capital Adjustment Account. The restatement increases the Capital Adjustment Account and decreases the Revaluation Reserve balance brought forward as at 1 April 2013 by £21.7 million, of which £14.5 million relates to 2012/13 and the remaining £7.2 million is prior to 2012/13.

#### a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Revaluation Reserve	2013/14 £000	2012/13 Restated £000	2012/13 £000
<b>Balance at 1 April</b>	(33,186)	(34,870)	(34,870)
Upward revaluation of assets	-	(26,086)	(26,086)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services (Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	2,421	3,971	3,971
	(30,766)	(56,985)	(56,985)
Revaluation Posted to HRA 2012-13		14,512	
Revaluation Posted to HRA Pre 2012-13		7,197	
Difference between fair value depreciation and historical cost depreciation	3,053	1,809	1,809
Accumulated gains on assets sold or scrapped	388	-	
Amount written off to the Capital Adjustment Account	-	281	281
<b>Balance at 31 March</b>	<b>(27,324)</b>	<b>(33,186)</b>	<b>(54,895)</b>

### b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement and depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority to finance the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created.

Note 6 (page 35) provides details of the source of all the transactions posted to the Account apart from those involving the Revaluation Reserve.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2013/14		2012/13 Restated		2012/13	
	£000	£000	£000	£000	£000	£000
<b>Capital Adjustment Account</b>						
<b>Balance at 1 April</b>		(430,494)		(412,976)		(412,976)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	10,965		21,316		21,316	
Revaluation losses on Property, Plant and Equipment	-		(281)		(281)	
Amortisation of Intangible Assets	214		101		101	
Revenue expenditure funded from capital under statute	1,088		1,371		1,371	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to Comprehensive Income and Expenditure Statement	5,564		2,632		2,632	
		<b>17,831</b>		<b>25,139</b>		<b>25,139</b>
Adjusting amounts written out of the Revaluation Reserve		-		-		-
Net written out amount of the cost of non-current assets consumed in the year		<b>17,831</b>		<b>25,139</b>		<b>25,139</b>
Revaluation Posted to HRA 2012-13			(14,512)			
Revaluation Posted to HRA Pre 2012-13			(7,197)			
<b>Capital financing applied in the year:</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure	(3,876)		(1,508)		(1,508)	
Use of the Major Repairs Reserve to finance new capital expenditure	(8,422)		(7,590)		(7,590)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,426)		(1,798)		(1,798)	
Application of grants to capital financing from the Capital Grants Unapplied Account	-		-		-	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(92)		(276)		(276)	
Capital expenditure charged against the General Fund and HRA balances	(4,538)		(5,428)		(5,428)	
		<b>(19,354)</b>		<b>(38,309)</b>		<b>(16,600)</b>
Upward Revaluation of Council Dwellings credited to HRA		<b>(42,943)</b>		-		-
Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement		(16,717)		(4,348)		(4,348)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-		-		-
<b>Balance at 31 March</b>		<b>(491,677)</b>		<b>(430,494)</b>		<b>(408,785)</b>

### c) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as available for financing new capital expenditure until they are backed by cash. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	(15,608)	(14,883)
Adjustment for restatement in respect of Finance Leases	-	-
Transfer of deferred sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	(481)	(733)
Transfer to the Capital Receipts Reserve upon receipt of cash	291	8
<b>Balance at 31 March</b>	<b>(15,798)</b>	<b>(15,608)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### d) Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service; updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to the Pension Fund or pays pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the resources the Authority has set aside compared to the benefits earned by past and current employees. The statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>89,328</b>	<b>97,923</b>
Actuarial gains or losses on pensions assets and liabilities	13,426	(11,383)
Reversal of items relating to retirement benefits debited or credited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	11,399	8,892
Employer's pensions contributions and direct payments to pensioners payable in the year	(6,824)	(6,104)
<b>Balance at 31 March</b>	<b>107,329</b>	<b>89,328</b>

### e) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>27</b>	<b>6</b>
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	350	21
<b>Balance at 31 March</b>	<b>377</b>	<b>27</b>

### f) Accumulated Absences Account and Employment Reserve Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

The Employment Reserve accounts for the Termination Payments that have been accrued but not paid as at 31 March 2014. These accruals are reversed and therefore mitigated through the Movement in Reserves Statement.



## NOTES TO THE CORE FINANCIAL STATEMENTS

	2013/14 £000	2012/13 £000
<b>Accumulated Absences Account</b>		
<b>Balance at 1 April</b>	1,082	1,902
Settlement or cancellation of accrual made at the end of the preceding year	(1,011)	(1,643)
Additional accrual during the year	1,260	823
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	249	(820)
<b>Balance at 31 March</b>	<b>1,331</b>	<b>1,082</b>

### 24 Operating Activities

	2013/14 £000	2012/13 £000
<b>Operating activities within the Cashflow Statement include the following cashflows relating to Interest</b>		
Cash Interest Received	438	532
Cash Interest Paid	(7,079)	(7,449)
<b>Total</b>	<b>(6,641)</b>	<b>(6,917)</b>

### 25. Investing Activities

	2013/14 £000	2012/13 £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	22,003	16,360
Purchase of short-term and long-term investments	17,774	9,223
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(10,688)	(5,716)
Other capital cash receipts in advance	(2,988)	(2,034)
<b>Total Cash Flows from Investing Activities</b>	<b>26,101</b>	<b>17,833</b>

### 26. Financing Activities

	2013/14 £000	2012/13 £000
Repayment of Long Term Borrowing	1,628	643
Other receipts from Financing Activities	(248)	(112)
Payments for the reduction of a Finance Lease Liability	92	129
<b>Total Cash Flows from Financing Activities</b>	<b>1,472</b>	<b>660</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Full Council on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to Capital Expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.
- expenditure on some support services is budgeted for centrally and not charged to services.

The Income and Expenditure of the Authority's principal services recorded in the budget reports for the year is as follows:

#### Services Income and Expenditure

	City Regeneration £000	Community Services £000	Organisational Development & Corporate Services £000	Total Cost of Services £000
<b>2013/14</b>				
Fees, Charges and other Service Income	(51,470)	(49,659)	(19,641)	(120,770)
Government Grants	(92)	(1,960)	(66,945)	(68,997)
Revaluation Gain Council Dwellings	(42,943)	-	-	(42,943)
<b>Total Income</b>	<b>(94,505)</b>	<b>(51,619)</b>	<b>(86,586)</b>	<b>(232,710)</b>
Employee expenses	8,478	28,328	12,504	49,310
Other service expenses	17,241	29,296	71,812	118,349
Support service recharges	8,595	8,214	9,127	25,936
Depreciation, Amortisation and Impairment	8,397	5,407	473	14,277
<b>Total Expenditure</b>	<b>42,711</b>	<b>71,245</b>	<b>93,916</b>	<b>207,872</b>
<b>Net Expenditure</b>	<b>(51,794)</b>	<b>19,626</b>	<b>7,330</b>	<b>(24,838)</b>

#### Services Income and Expenditure

	Chief Executive £000	City Regeneration £000	Community Services £000	Organisational Development & Corporate Services £000	Total Cost of Services £000
<b>2012/13</b>					
Fees, Charges and other Service Income	(1,151)	(47,914)	(43,567)	(14,639)	(107,271)
Government Grants	(239)	(524)	(76,593)	(1,984)	(79,340)
<b>Total Income</b>	<b>(1,390)</b>	<b>(48,438)</b>	<b>(120,160)</b>	<b>(16,623)</b>	<b>(186,611)</b>
Employee expenses	717	7,730	25,409	12,190	46,046
Other service expenses	1,006	16,982	100,528	4,911	123,427
Support service recharges	175	8,336	3,627	7,354	19,492
Depreciation, Amortisation and Impairment		11,948	10,912	366	23,226
<b>Total Expenditure</b>	<b>1,898</b>	<b>44,997</b>	<b>140,476</b>	<b>24,821</b>	<b>212,191</b>
<b>Net Expenditure</b>	<b>507</b>	<b>(3,441)</b>	<b>20,316</b>	<b>8,198</b>	<b>25,580</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### ▫ Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a substantive analysis of the (surplus) or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement (page 26).

2013/14	Cost of Services	Corporate Amounts	Total (Surplus)/Deficit on the Provision of Services
	£000	£000	£000
Revaluation Gain Council Dwellings	(42,943)	-	(42,943)
Fees, Charges and Other Service Income	(120,770)	(9,107)	(129,877)
Interest and Investment Income	-	(2,074)	(2,074)
Income from Council Tax	-	(11,535)	(11,535)
Government Grants and Contributions	(68,997)	(17,834)	(86,831)
<b>Total Income</b>	<b>(232,710)</b>	<b>(40,550)</b>	<b>(273,260)</b>
Employee Expenses	49,310	-	49,310
Other Service Expenses	118,349	-	118,349
Support Service Recharges	25,936	-	25,936
Depreciation, Amortisation and Impairment	14,277	-	14,277
Interest Payments	-	10,752	10,752
Precepts & Levies	-	189	189
Payments to Housing Capital Receipts Pool	-	1,756	1,756
(Gain)/ Loss on Disposal of Fixed Assets	-	(4,345)	(4,345)
<b>Total expenditure</b>	<b>207,872</b>	<b>8,352</b>	<b>216,224</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(24,838)</b>	<b>(32,197)</b>	<b>(57,035)</b>
2012/13	Cost of Services	Corporate Amounts	Total (Surplus)/Deficit on the Provision of Services
	£000	£000	£000
Fees, Charges and Other Service Income	(107,271)	(10,755)	(118,026)
Interest and Investment Income	-	(1,128)	(1,128)
Income from Council Tax	-	(12,641)	(12,641)
Government Grants and Contributions	(79,340)	(15,978)	(95,318)
<b>Total Income</b>	<b>(186,611)</b>	<b>(40,502)</b>	<b>(227,113)</b>
Employee Expenses	46,046	-	46,046
Other Service Expenses	123,427	-	123,427
Support Service Recharges	19,492	-	19,492
Depreciation, Amortisation and Impairment	23,226	-	23,226
Interest Payments	-	9,323	9,323
Precepts & Levies	-	193	193
Payments to Housing Capital Receipts Pool	-	587	587
(Gain)/ Loss on Disposal of Fixed Assets	-	(3,855)	(3,855)
<b>Total expenditure</b>	<b>212,191</b>	<b>6,248</b>	<b>218,439</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>25,580</b>	<b>(34,254)</b>	<b>(8,674)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28. Trading Operations

A number of operations that the Council undertakes 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 Net Operating Expenditure.

		2013/14 £000	2012/13 £000
<b>Building Control Charging Account</b>	Turnover	(453)	(418)
	Expenditure	552	497
	<b>(Surplus)/Deficit</b>	<b>99</b>	<b>79</b>
<b>Trade Refuse &amp; Recycling</b>	Turnover	(2,541)	(2,374)
	Expenditure	1,586	1,351
	<b>(Surplus)/Deficit</b>	<b>(955)</b>	<b>(1,023)</b>
<b>Estates</b>	Turnover	(1,845)	(2,166)
	Expenditure	1,287	1,619
	<b>(Surplus)/Deficit</b>	<b>(558)</b>	<b>(547)</b>
<b>Net Surplus on Trading Operations</b>		<b>(1,414)</b>	<b>(1,491)</b>

### 29. Agency Services

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.

		2013/14 £000	2012/13 £000
Routine Maintenance Expenditure		1,334	1,305
Administrative Costs		-	-
<b>Net Expenditure recharged to Oxfordshire County Council arising from the Agency Arrangement</b>		<b>1,334</b>	<b>1,305</b>

For a number of years, Oxford City Council have exercised their right under Section 42 of the Highways Act to maintain the unclassified roads in Oxford using funding provided by Oxfordshire County Council.

This work covers areas such as pothole maintenance, footpath maintenance, road improvement schemes, carriageway surface dressing, grass verge cutting and road and path side tree maintenance. Also included are winter maintenance, white lining and drainage maintenance.

Currently the City Council's in-house service providers carry out the maintenance operation of S42. This work is split into four; Highways Engineering, Carriageway and Pavement Maintenance and Grass Cutting which are undertaken by the Engineering teams and Grounds Maintenance teams respectively. The fourth area of work is Tree Maintenance, which is carried out by the Leisure & Parks Tree team.

### 30. Members' Allowances

The Authority paid the following amounts to Members of the Council during the year:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2013/14 £000	2012/13 £000
<b>Members' Allowances</b>		
Allowances	330	332
Expenses	4	3
<b>Total Payments</b>	<b>334</b>	<b>335</b>

### 31. Officers Remuneration - Senior Employees

The remuneration paid to the Authority's senior employees is as follows:

Name/Title		Salary, Fees and Allowances	Pension Contributions	Total
		£	£	£
Chief Executive	2013/14	139,860	28,251	168,111
	2012/13	140,000	28,280	168,280
Executive Director, City Regeneration	2013/14	111,229	22,468	133,697
	2012/13	109,541	22,127	131,668
Executive Director, Community Services	2013/14	111,229	22,468	133,697
	2012/13	109,500	22,119	131,619
Executive Director, Organisational Development and Corporate Services	2013/14	111,229	22,468	133,697
	2012/13	108,703	21,780	130,483
Head of Law & Governance/Monitoring Officer	2013/14	84,462	16,980	101,442
	2012/13	83,236	17,172	100,408
Head of Finance/Section 151 Officer	2013/14	84,462	16,980	101,442
	2012/13	82,096	15,352	97,448

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Other Employees Receiving more than £50,000	Number of employees 2013/14	Number of employees 2012/13
£50,000 - £54,999	8	7
£55,000 - £59,999	6	3
£60,000 - £64,999	7	6
£65,000 - £69,999	4	3
£70,000 - £74,999	3	4
£75,000 - £79,999	2	-
£80,000 - £84,999	2	2
£85,000 - £89,999	-	-
£90,000 - £94,999	-	1
£95,000 - £99,999	1	-
£135,000 - £139,999	-	1
<b>Total Number of Employees</b>	<b>33</b>	<b>27</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Exit Package cost band including special payments

	Number of compulsory redundancies		Number of other agreed departures		Total number of packages		Total cost of exit packages	
	2013/14 Nos	2012/13 Nos	2013/14 Nos	2012/13 Nos	2013/14 Nos	2012/13 Nos	2013/14 £000	2012/13 £000
£0- £20,000	-	-	31	10	31	10	222	109
£20,001- £40,000	-	-	7	3	7	3	191	89
£40,001- £60,000	-	-	4	2	4	2	193	83
£60,001- £80,000	-	-	-	-	-	-	-	-
£80,001- £100,000	-	-	-	-	-	-	-	-
£100,001- £150,000	-	-	-	3	-	3	-	329
<b>Total</b>			<b>42</b>	<b>18</b>	<b>42</b>	<b>18</b>	<b>606</b>	<b>610</b>

### 32. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2013/14 £000	2012/13 £000
External Audit	116	130
Audit Commission Rebate	(15)	-
Cost for additional work relating to objections to the accounts	-	10
Certification of Grant Claims & Returns	44	84
<b>Total</b>	<b>145</b>	<b>224</b>

### 33. Grant Income

The Authority has credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

	2013/14 £000	2012/13 £000
<b>Grants Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	8,220	229
New Homes Bonus	1,731	1,296
National Non-Domestic Rates	5,280	11,799
Business Rates Relief	190	-
DCLG Council Tax Transition Grant	42	-
Capitalisation Provision Redistribution Grant	43	-
Developer Contributions	470	892
Environment Agency Funding	-	90
Disabled Facilities Grant	450	526
Barton Adventure Play Park	68	346
HCA Funding - Affordable Housing	1,048	-
WREN Grant	-	34
Oxford Wheels Project	-	100
Community Spaces Grant	-	82
Contribution to Skate Park	8	32
New Growth Points	243	163
Council Tax Freeze Grant	-	310
Healthy Living	-	77
Contribution to Drainage Works at Headington Hill Park	18	-
Contribution to 21 Buckler Drive	20	-
Contribution to Pavillions Programme	2	-
<b>Total</b>	<b>17,833</b>	<b>15,976</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2013/14 £000	2012/13 £000
<b>Grants Credited to Services</b>		
Housing Benefits Grant	66,200	75,829
Local Services Support Grant	-	962
Sports England - Sports Grants	818	841
Direct Payments DWP Project	385	448
Department of Environment and Climate Change Funding	-	310
Carbon Hub	-	279
Community Safety	319	160
Communities and Local Government New Burdens Council Tax Reform	79	84
Housing Fraud Investigation	110	80
Universal Credits	35	60
Breaking the cycle of Deprivation Programme LAA Grant Funding	-	55
Home Improvements (Supporting People)	49	53
Department of Work and Pensions (DWP) Grant	-	38
County Council - Community Action groups	-	27
Oxford Story	-	21
Positive Futures Grant	-	21
English Heritage Oxford Heritage Asset Register	5	20
CLG Assets of Community Value	8	13
CLG Town Team Partners	-	10
County Council - Performance Reward Grant	-	10
Arts Council Funding	68	10
English Heritage Oxford Archeological Plan	-	5
Active Communities Grant 7/9 -County	-	4
DFT Clean Bus Technology Fund	200	-
Get Healthy Funding	80	-
Oxfordshire Total Refit	78	-
DWP Housing benefit New Burdens Grant	63	-
S31 Rogue Landlord - Unlawful Dwellings	60	-
DEFRA Air Quality Grant	50	-
County Council Community Centre Grant	34	-
CO Individual Electoral Registration Grant	32	-
Community Activation Fund Grant	26	-
County Sports Partnership	25	-
Mayday Trust Project	25	-
Contributions to Christmas Lights Festival	22	-
Sport England Coaching	20	-
DEFRA Environmental Stewardship	20	-
DCLG New Places of Growth	20	-
DWP - Housing benefit Transitional Funding (S5/2013)	18	-
DECC Heat Networks Delivery Unit Grant	17	-
Heritage Conservation Fund	15	-
DWP - Benefit Cap Personal independence Payment	13	-
Sport England Grant funding re Pongathon	10	-
Heritage Lottery Fund Grant	10	-
Contributions to Dance Projects	9	-
DCLG Community Right to Challenge Grant	9	-
DFT Office for Low Emission Vehicles Grant	8	-
IDE&A Economic Growth Grant	7	-
Blackbird Leys Job Club	7	-
Provision of Equipment for Oxford Festival	6	-
Go Active 2013	6	-
EU Bonn Grant	5	-
Youth Voice Project	5	-
DWP - Local Authority Data Sharing	5	-
Oxford University Renaissance	5	-
Contributions to Severe Weather Emergency Provision	4	-
Contributions to Cemeteries	4	-
Staff Awards sponsorship	3	2
<b>Total</b>	<b>68,997</b>	<b>79,341</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

An amount equivalent to the grant received from the Department for Culture, Media and Sport to support the Free Swimming programme was paid to Fusion Lifestyle, the charity responsible for the management of the Council's Leisure Centres.

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the money to be returned to the provider if they are not used for the purpose specified. The balances at the year end are as follows:

### Capital Grants Receipts in Advance

	2013/14 £000	2012/13 £000
Barton Adventure Play Park	25	93
West End Partnership	17	260
Housing Delivery (New Growth Points) Allocation	185	185
HCA Growth Fund Grant	734	734
Developer Contributions	3,571	3,515
WREN Funding Contribution	89	56
Contribution to DA Works at 21 Buckler Road	-	20
Contribution to Heading Hill Park Engineering Works	-	18
Competition Pool Sport England	68	-
Community Infrastructure Levy	7	-
<b>Total</b>	<b>4,696</b>	<b>4,881</b>

### Revenue Grants

	2013/14 £000	2012/13 £000
Lottery Funding	6	6
HCA Housing Delivery New Growth Points	-	13
Sport England funding	528	496
CLG Tenancy Fraud Investigations	12	25
EA Flood Prevention Grant	-	69
DEFRA Air Quality Grant	53	29
DEFRA Contaminated Land Grant	19	19
HIA Supporting People Grant	29	32
DEFRA Low Carbon Framework Grant	64	214
DECC 12/13 Grant (Pioneer Places)	18	-
Sport England Pongathon Grant	10	-
DECC Heat Networks Delivery Unit Grant	17	-
CO Individual Electoral Registration Grant	24	-
Community Sport Activation Fund	33	-
DEFRA Environmental Stewardship	10	-
County Council Community Centre Grant	34	-
Imagine Foundation Grant	5	-
DCLG Community Right to Challenge Grant	9	-
DFT Clean Bus Technology Fund	50	-
DFT Office for Low Emission Vehicles Grant	4	-
IDE&A Economic Growth Grant	7	-
<b>Total</b>	<b>932</b>	<b>903</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 34. Related Parties

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

Central Government has significant influence over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, Housing Benefits). Grants received from government departments are set out in the subjective analysis in Note 27 (page 60) on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are shown in Note 33 (page 64).

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 for 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. The total of members allowances is shown in Note 30 (page 62).

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 Members concerned in a position to exert undue influence or control. A grant of approximately £93,000 was paid to a voluntary organisation of which two members close family are trustees. This grant was made with proper consideration of their declarations of interest.

There are a number of senior officers who are appointed Directors of the Barton Oxford LLP, an arms length company set up between the Council and Grosvenor Developments Limited to facilitate new housing in Barton.

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

- Central Government – Central Government provide 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. The County Council administers the Council's local government pension scheme.
- Oxfordshire County Council - the Council utilises the ICT service provided by Oxfordshire County Council., for a period ending 31 March 2016.
- Fusion Lifestyle - The Council has a contract with Fusion Lifestyle a social enterprise with charitable status to manage and develop the Council's seven public leisure facilities.
- Barton Oxford LLP – an arms length company set up between the Council and Grosvenor Developments Limited to facilitate new housing in Barton.
- Local Boards and Trusts – Officers and Members represent the Council on various organisations, there are no material transactions.
- Visit Oxfordshire - the Council works closely with Visit Oxfordshire to provide tourism across the city.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

The Council is required to make a charge to its revenue account to reflect debt repayment, Minimum Revenue Provision (MRP). At 1 April 2013 the Council had a negative non-housing CFR and therefore no MRP is required in 2013/14.

	2013/14 £000	2012/13 £000
<b>Opening Capital Financing Requirement</b>	<b>218,120</b>	<b>221,207</b>
<b>Capital Investment</b>		
Property Plant and Equipment	19,956	13,891
Investment Properties	466	529
Intangible Assets	494	569
Revenue Expenditure Funded from Capital under Statute	1,087	1,371
<b>Total Capital Spend</b>	<b>22,003</b>	<b>16,360</b>
<b>Sources of Finance</b>		
Capital Receipts	(3,876)	(1,508)
Government Grants and other Contributions	(2,426)	(9,424)
Sums Set Aside from Revenue	(13,179)	(5,428)
Finance Leases	(92)	(322)
MRP/Loans fund principal	-	(2,766)
<b>Sources of Finance Total</b>	<b>(19,573)</b>	<b>(19,448)</b>
<b>Closing Capital Financing Requirement</b>	<b>220,550</b>	<b>218,120</b>
<b>Explanation of Movements in Year</b>		
(Increase) in Underlying Need to Borrow (unsupported by Government Financial Assistance)	(2,430)	-
Decrease in Underlying Need to Borrow (unsupported by Government Financial Assistance)	-	3,088
<b>(Increase)/Decrease in Capital Financing Requirement</b>	<b>(2,430)</b>	<b>3,088</b>

### 36. Leases

#### a) Authority as Lessee

#### FINANCE LEASE

The Council has recognised an administrative building, and equipment where the Council acts as a service operator where assets are held under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	31 Mar 2014	31 Mar 2013
	£000	£000
Other Land and Buildings	141	147
Vehicles, Plant, Furniture and Equipment	18	170
<b>Total</b>	<b>159</b>	<b>317</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following:

	31 Mar 2014	31 Mar 2013
	£000	£000
<b>Finance lease liabilities (net present value of minimum lease payments)</b>		
- Current	8	92
- Non Current	252	260
Finance Costs Payable in Future Years	124	135
<b>Minimum Lease Payments</b>	<b>384</b>	<b>487</b>

The minimum lease payments are payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	£000	£000	£000	£000
Not later than one year	17	103	8	92
Later than one year and not later than five years	67	67	33	32
Later than five years	300	317	219	228
<b>Total</b>	<b>384</b>	<b>487</b>	<b>260</b>	<b>352</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/14 £215,720 contingent rents were payable by the Authority (£269,650 in 2012/13)

### OPERATIONAL LEASES

The Council leases property on operating lease arrangements with typical lives of 30 years. The future minimum lease payments due under non-cancellable leases in future years are:

	31 Mar 2014	31 Mar 2013
	£000	£000
<b>Operating Leases</b>		
Not later than one year	640	713
Later than one year and not later than five years	984	1,248
Later than five years	1,702	1,431
<b>Total</b>	<b>3,326</b>	<b>3,392</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The following lease payments recognised as expenses, with separate amounts for the contingent rents and sublease payments receivable.

	31 Mar 2014 £000	31 Mar 2013 £000
Minimum lease payment	1,298	732
Contingent rent	463	35
Sublease payment receivable	(35)	(35)
<b>Total</b>	<b>1,726</b>	<b>732</b>

### b) Authority as Lessor

#### FINANCE LEASES

The Authority leases out many properties, and an assessment has been undertaken to establish those that are considered to have transferred the risks of ownership to the lessee. The Land Elements are considered to be Operational Leases, but in some cases the Building Element is considered to have transferred risks and rewards and are therefore treated as finance leases.

	31 Mar 2014 £000	31 Mar 2013 £000
<b>Finance Lease debtor (net present value of minimum lease payments)</b>		
- Current	7	7
- Non Current	9,826	9,849
Unearned Finance Income*	-	-
Unguaranteed Residual Value of Property**	577	577
<b>Gross Investment in the Lease</b>	<b>10,410</b>	<b>10,433</b>

\* Detail required by paragraph 4.2.4.2(10) of the code

\*\* Detail required by paragraph 4.2.4.2(11) of the code.

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment In The Lease		Minimum Lease Payments	
	31 Mar 2014 £000	31 Mar 2013 £000	31 Mar 2014 £000	31 Mar 2013 £000
Not later than one year	7	7	7	7
Later than one year and not later than five years	31	29	31	29
Later than five years	10,372	10,397	9,027	9,820
<b>Total</b>	<b>10,410</b>	<b>10,433</b>	<b>9,065</b>	<b>9,856</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/14 £297,000 were receivable by the Authority (2012/13 £311,000)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### OPERATIONAL LEASES

The Council leases out Property and equipment as Operational Leases. These include shorter term leases, where the risks and rewards are retained by the Council. The future minimum lease payment receivable are stated, as well as the expected estimated continuation of the leases over the remaining lives of the asset:

Operating Leases	31 Mar 2014 £000	31 Mar 2013 £000
Not later than one year	5,667	5,585
Later than one year and not later than five years	19,986	20,909
Later than five years	61,254	63,561
<b>Total</b>	<b>86,907</b>	<b>90,055</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into.

In 2013/14 £1.85 million contingent rents were received by the Authority (£1.35 million in 2012/13).

### 37. Impairment Losses

Impairment losses during 2013/14 are included in Note 11 (page 46).

### 38. Termination Benefits and Exit Payments

Termination benefits are payable as a result of either:

- An employer's decision to terminate an employee's employment before the normal retirement date, or
- An employee's decision to accept voluntary redundancy in exchange for termination benefits.

The Council's IAS 19 report includes termination curtailment costs of £182,000, and the entries are charged to the Comprehensive Income and Expenditure account in the way specified by the termination cost requirement. The Council's termination costs were reflected in the IAS 19 report; there were no new costs other than those in the IAS 19 report recognised in 2013/14.

A payment in respect of previously recognised costs amounted to £188,000, these were initially charged in past cost of service in the Comprehensive Income and Expenditure Account, and were removed to avoid double counting. These costs were then reinstated via the Movement in Reserves Statement to allow the burden to fall on the General Fund in line with the minimum required charge.

	2013/14 £000	2012/13 £000
Termination costs B/fwd	258	480
New termination costs in year	-	18
Less costs removed in year	(188)	(240)
<b>Balance C/fwd</b>	<b>70</b>	<b>258</b>

### Exit Payments

Exit payments are required to be disclosed in bands of £20,000 up to £100,000 and bands of £50,000 thereafter, shown on Note 31 (page 63). The exit payment includes pension strain costs on termination as well as redundancy and other payments. However, pension strain costs represent a future liability rather than a current year payment. The termination costs and IAS 19 costs do not include redundancy payments which are included in the disclosure note for exit payments.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Authority terminated the contracts of a number of employees in 2013/14, incurring total costs of £606,000 (£610,000 in 2012/13).

### 39. Defined Benefit Pension Scheme

#### a) Participation in the Pension Scheme

As part of the terms and conditions of employment of its Officers, the Authority makes contributions towards the costs of Scheme Member Employment Benefits. Although these benefits will not actually be payable until an employee retires, the Authority has a commitment to make the payments at the time that the employee earns their future entitlements.

#### b) Transactions Relating to Post Employment Benefits

The costs of retirement are recognised and reported in the Cost of Service when they are earned by the employees, rather than when the benefits are paid. However, the charge required to be made to the Council Tax is based on the cash payable in the year, so the real costs of post employment retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

Transactions Relating to Post Employment Benefits	Local Government Pension Scheme		
	2013/14 £000	IAS Revised 2012/13 £000	2012/13 £000
<b>Cost of Services</b>			
Current Service Cost	7,244	6,754	6,445
Past Service Costs	182	-	(479)
Settlements and Curtailments	-	-	309
Administration Expenses	102	99	-
<b>Financing and Investment Income and Expenditure</b>			
Interest Cost	3,871	4,365	11,424
Expected Return on Scheme Assets			(8,807)
<b>Total Post Employment Benefit Charged to the Surplus/(Deficit) on the Provision of Services</b>	<b>11,399</b>	<b>11,218</b>	<b>8,892</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>			
<b>Remeasurement of the Net Benefit Liability Comprising</b>			
Return on Plan Assets (excluding amount included in the net interest expense)	(1,171)	(25,488)	-
Other actuarial gains/(losses) on assets	2,643	-	-
Changes in Financial Assumptions	8,725	11,934	-
Actuarial gains and losses arising on the change of demographic assumptions	14,230	-	-
Experience loss/(gains) on defined benefit obligation	(11,001)	325	(11,383)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>13,426</b>	<b>(13,229)</b>	<b>(11,383)</b>
<b>Movement in Reserves Statement</b>			
Reversal of Net Charges made to the Surplus/(Deficit) for the Provision of Services for Post Employment Benefits in accordance with the Code	(11,399)	(11,218)	(8,892)
<b>Actual amount charges against the General Fund Balance for pensions in the year</b>			
Employers' Contributions Payable to Scheme	6,824	6,104	6,104

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Account at 31 March 2014 is £37.4 million loss. (£24.2 million loss as at 31 March 2013).

### c) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and discretionary benefit liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Council Fund are based on the latest valuation of the scheme as at 31 March 2014 is set out below.

The principal assumptions used by the actuary are:

	2013/14	2012/13
<b>Long-term Expected Rate of Return on Assets in the Scheme:</b>		
Equity Investments	7.00%	6.00%
Bonds	3.90%	3.41%
Average All	5.03%	4.13%
<b>Mortality Assumptions:</b>		
<b>Longevity at 65 for Current Pensioners</b>		
Men	23.2	19.2 years
Women	25.5	23.2 years
<b>Longevity at 65 for Future Pensioners</b>		
Men	25.4	21.1 years
Women	27.9	25.1 years
<b>Rate of Inflation</b>		
RPI	3.60%	3.40%
CPI	2.80%	2.60%
Rate of increase in Salaries	4.60%	4.40%
Rate of Increase in Pensions	2.80%	2.60%
Rate for Discounting Scheme Liabilities	4.50%	4.50%
Take up option to convert annual pension to lump sum	50.00%	50.00%

### Members Assumption

Members will exchange half of their commutable pension for cash at retirement. Active members will retire one year later than they are first able to without reduction.

Proportion of Assets Held	2013/14	2012/13
	%	%
Equity Investments	68	69
Debt Instruments	16	16
Other Assets	16	15
<b>Total</b>	<b>100</b>	<b>100</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### d) Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2013/14 £000	IAS Revised 2012/13 £000	2012/13 £000
<b>Opening Balance 1 April</b>	<b>275,402</b>	<b>251,205</b>	<b>251,205</b>
Current Service Cost	7,244	6,445	6,445
Interest Cost	12,216	11,424	11,424
Contributions by Scheme Participants	1,943	1,874	1,874
Remeasurement (gains) and losses	-	-	12,259
Actuarial (gains) and losses from demographic assumptions	14,230	-	-
Actuarial (gains) and losses from changes in financial assumptions	8,725	11,934	-
Experience (gain)/loss on defined benefit obligation	(11,001)	325	-
Benefits Paid	(9,571)	(7,635)	(7,635)
Past Service Cost including curtailments	182	309	(170)
Unfunded pension payments	(485)	(479)	-
Curtailments	-	-	-
<b>Closing Balance 31 March</b>	<b>298,885</b>	<b>275,402</b>	<b>275,402</b>

#### Reconciliation of movement in the Fair Value of the Schemes (Plan) Assets

	2013/14 £000	IAS Revised 2012/13 £000	2012/13 £000
<b>Opening Fair Value of Scheme Assets 1 April</b>	<b>186,074</b>	<b>153,282</b>	<b>153,282</b>
Interest Income	8,345	7,059	8,807
Return on plan assets less interest	1,171	25,488	-
Other actuarial (gain)/loss	(2,643)	-	23,642
The effect of changes in foreign exchange rates	-	-	-
Administration expenses	(102)	(98)	-
Employers Contributions	6,824	6,583	6,583
Contributions by Scheme Participants	1,943	1,874	1,874
Settlements	(10,056)	(8,114)	(8,114)
<b>Closing Balance 31 March</b>	<b>191,556</b>	<b>186,074</b>	<b>186,074</b>

#### Pension Assets and Liabilities Recognised in the Balance Sheet

	2013/14 £000	2012/13 £000
<b>Present Value of Liabilities</b>		
Local Government Scheme	<b>(290,549)</b>	<b>(275,402)</b>
Fair Value of Assets in the Local Government Pension Scheme	191,556	186,074
Present Value of Unfunded Obligation	(8,336)	-
<b>Surplus/(Deficit) in the Scheme</b>	<b>(107,329)</b>	<b>(89,328)</b>

#### Sensitive Analysis

#### Impact on the Defined Benefit Obligation in the Scheme

	Increase in the Assumption £000	No Change in the Assumption £000	Decrease in the Assumption £000
<b>Adjustment to mortality age rating assumption</b>			
Present Value of Total Obligation	Plus 1 year to life 288,542	nil 298,885	Minus 1 year 309,319
<b>Adjustment to Long Term Salary Increase</b>			
Present Value of Total Obligation	Plus 1% 299,442	nil 298,885	Minus 1% 298,331
<b>Adjustment to Pension Increase and Deferred Revaluation</b>			
Present Value of Total Obligation	Plus 1% 303,761	nil 298,885	Minus 1% 294,098
<b>Adjustment to Discount Rate</b>			
Present Value of Total Obligation	Plus 1% 293,635	nil 298,885	Minus 1% 304,234



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### **40. Contingent Liabilities**

There is a contingent liability relating to a Council Tax matter on which the Council had originally been awarded a bankruptcy order. An application has been made to annul the order due to the defendants lack of capacity. If successful, the Council may be liable to costs which are uncertain but may be in the order of £0.1 million.

### **41. Contingent Assets**

#### **Old Fire Station Bond Claim**

During 2011/12 the Council undertook a scheme for the refurbishment of one of its' property assets at the 'Old Fire Station' at a cost of around £3 million. During the course of the works the lead contractor ROK filed for liquidation. Appointing an alternative contractor incurred additional costs to the Council in the order of £0.2 million which it is currently attempting to recover from the contract bond. Negotiations are on going with the bondsman and are expected to be resolved by August 2014. It is still difficult to predict the outcome.

### **42. 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 policies and procedures covering specific areas such as credit risk, liquidity risk, refinancing risk and market risk.

#### **a) 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, building societies and other Local Authorities whose credit rating is independently assessed as sufficiently secure by the Council's Treasury Advisors and to restrict lending to a prudent maximum amount for each financial institution. In addition the Council has invested in a Property Fund, which has been assessed by the Council and their Treasury Advisors. 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.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £4.5 million invested in this sector at that time. Over the last few years we have received a substantial amount of these deposits back and now have only £0.5 million outstanding, and this is expected to be received almost in its entirety over the next few months.

The authority does not generally allow credit for customers, such that all creditors are due within 3 months.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies was £61m as at 31 March 2014 and cannot be assessed generally as the risk of any institution failing to make interest payment or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of un-recoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Authority has increased risk with its investment in CCLA (Charities, The Church of England and Local Authorities), however this is mitigated by the provision of an Earmarked Reserve.

### b) Liquidity Risk

The Council has ready access to borrowing 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.

### c) Refinancing and Maturity Risk

The Council maintains a significant 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 a medium term financial policy on reducing the Council's reliance on interest earnings to fund its core activities.

The Council's Treasury and Investment Strategy addresses the main risks and the Council's treasury team address the operational risks within the approved parameters. These include:

- 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:

	2013/14 £000	2012/13 £000
Up to 1 year	17,749	15,248
Between 1 and 5 years	1,434	2,779
Between 5 and 10 years	20,000	20,000
Over 10 years	178,528	178,528
	<b>217,711</b>	<b>216,555</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

### d) Analysis of Financial Liabilities

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 Public Works Loan Board (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.

	2013/14 £000	2012/13 £000
Short Term Borrowing - Public Works Loan Board	730	910
Short Term Borrowing - South Oxfordshire District Council	-	282
Long Term Borrowing - Public Works Loan Board	199,710	200,440
Deferred Liability - South Oxfordshire District Council	-	607
Local Bonds	4	4
Finance Lease Liability	260	352
Cash	(4,182)	(2,862)
Creditors	21,189	16,822
	<b>217,711</b>	<b>216,555</b>
<b>Amortised Cost</b>	<b>217,711</b>	<b>216,555</b>
<b>Fair Value</b>	<b>220,853</b>	<b>219,765</b>

### e) Analysis of Financial Assets

The analysis of Financial Assets is shown in the table below. The amortised cost is an accumulation of the principal and the accrued interest. The majority of 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.

The Council also has £3 million invested in CCLA Property Fund, a fair value for this investment has been included.

	2013/14 £000	2012/13 £000
Short Term Investments	62,133	45,073
Long Term Investments	2,894	32
Debtors	15,136	14,694
Long Term Debtors	17,099	16,774
	<b>97,262</b>	<b>76,573</b>
<b>Amortised Cost</b>	<b>97,496</b>	<b>76,573</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

All trade and other payables are due to be paid in less than one year.

### f) Market Risk

**Interest rate risk** – The Council is exposed to interest rate movements 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 Account 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 Account 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. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the movement in reserves, 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 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, therefore the impact of a 1% increase or decrease in interest rates would have a nil financial impact. However it does have deposits in Money Market Funds (MMF), which are at a variable rate. These funds fluctuate daily but within a range of approximately 0.01%. A 1% increase or decrease in interest rates would impact up to £200,000 per year.

**Price Risk** – The Council has investments in a Property Fund, the unit price can fluctuate both up and down and is monitored closely by the Council. It is also mitigated by an Earmarked Reserve.

**Foreign Exchange Risk** – The Council does not partake in any financial assets or liabilities denominated in foreign currencies.

### g) Financial Instruments Gains and Losses

There are no gains or losses recognised in the Consolidated Income and Expenditure Statement in relation to financial instruments in this financial year.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### h) 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 Public Works Loan Board (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;
- For Property Fund investments, the unit price has been used to provide the fair value;
- 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:

<b>Fair Value of Assets and Liabilities carried at Amortised Cost</b>	<b>2013/14</b>		<b>2012/13</b>	
	<b>Carrying amount £000</b>	<b>Fair Value £000</b>	<b>Carrying amount £000</b>	<b>Fair Value £000</b>
PWLB Debt	200,444	203,586	201,353	219,765
Non - PWLB Debt	-	-	889	889
<b>Total Debt</b>	<b>200,444</b>	<b>203,586</b>	<b>202,242</b>	<b>220,654</b>
Trade Creditors	16,920	16,920	9,577	9,577
<b>Total Financial Liabilities</b>	<b>217,364</b>	<b>220,506</b>	<b>211,819</b>	<b>230,231</b>
Money Market Loans < 1year	62,133	62,133	45,073	45,073
Money Market Loans > 1year	2,894	3,127	-	-
Long Term Debtors	17,099	17,099	16,774	16,774
Trade Debtors	12,772	12,772	5,478	5,478
<b>Total Loans and Receivables</b>	<b>94,898</b>	<b>95,132</b>	<b>67,325</b>	<b>67,325</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 43. Heritage Assets Five Year Summary of Transactions

This Statement discloses the major transactions that have taken place on Heritage Assets. The Assets were shown in 2010/11 for the first time and were introduced mainly at Market Value. The assets were revalued as at 1 April 2010 and therefore as at that date are now showing in our accounts; it was impractical to obtain valuations before this date.

The assets not shown at Market Value are the non operational property assets which are based on Depreciated Historic Cost and the Donated asset. In 2011/12 a Donated Asset was recorded at the cost to the donor. The Donated asset is shown at £14,000; a valuation would have cost the Council which was considered to be not commensurate to the benefit of obtaining the value.

During 2013/14 there have been no purchases, disposals, impairments or additional donated assets. The 2013/14 column below is therefore nil but has been provided to comply with the Code of Practice.

	2013/14 £000	2012/13 £000	2011/12 £000	2010/11 £000
<b>Cost/value of Acquisitions of Heritage Assets</b>				
Great Mace, Plate Room Silver Plaques and Cutlery	1,412	1,412	1,412	1,412
Furniture	47	47	47	13
Civic Regalia including Chains of Office Coat of Arms, registration number, and Organ	363	363	363	361
Fire Arms	38	38	38	38
Pictures and Drawings	423	423	423	420
Non Operational Property	214	214	200	200
<b>Total Cost of Purchases</b>	<b>2,496</b>	<b>2,496</b>	<b>2,483</b>	<b>2,444</b>
Value of Heritage Assets Acquired by Donation	-	-	14	-
<b>Total Donations</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>-</b>
<b>Disposals</b>				
Carrying Value	-	-	-	-
Proceeds	-	-	-	-
<b>Impairment recognised in the period</b>				
Great Mace, Plate Room Silver Plaques and Cutlery	-	-	(1)	-
Furniture	-	-	-	-
Civic Regalia including Chains of Office Coat of Arms, registration number, and Organ	-	-	-	-
Fire Arms	-	-	-	-
Pictures and Drawings	-	-	-	-
Non Operational Property	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>

### Heritage Assets: Further Information on the Museum's Collections

#### The Great Mace, Plate Room Silver Plaques and Cutlery and the Willis Organ

This collection includes a number of maces and silver cups of historic interest and importance. The Great Mace circa 1660 was made to coincide with the restoration of Charles II, with the previous Commonwealth mace being used in the making of the Great Mace.

The Plate Room includes many cups and trophies, while many other silver items of cutlery, badges, tankards are retained in the collection held by the Council.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Other historic cups are displayed and these include the Coronation Cup given by Charles II to the City of Oxford.

A late 19<sup>th</sup> Century Organ built by Henry Willis and Sons in 1896-7 is sited in the Main Hall of the Town Hall. The Organ is rococo style case with three towers and two flats. For the purpose of grouping assets into categories the value has been placed in with the Great Mace.

### **Furniture**

The Furniture recorded as heritage assets excludes four notable mahogany sets of furniture. The Authority considers that due to a combination of the diverse nature and immaterial values, obtaining valuations for any less significant furniture would involve a disproportionate cost in relation to the benefit to the users of financial statements and therefore they are not included on the Balance Sheet.

### **Civic Regalia and Chains of Office**

The Chains of Office include those belonging to the Lord Mayor and Mayoress, the Sheriff and Sheriff's lady, and Deputy Lord Mayor. These are very ornate and valuable items mainly of gold and enamel. The Lord Mayor chain dates back to 1883, and includes a badge relief decorated and enameled with the City Arms.

### **Firearms**

The Firearms date back to the 17th Century, and include a collection of English Lock Muskets. The Firearms are displayed in the Town Hall in glass fronted cases.

### **Pictures and Drawings**

The Art Collection includes paintings (both oil and watercolour) and sketches and is reported on the Balance Sheet at Insurance Value.

A large number of Portraits are to be found in the collection, as well as oils on canvass such as "The rape of the Sabines" presented to the Council by the Duke of Marlborough in 1901.

### **Memorial Gardens and City Walls**

The Authority has identified War Memorials and Garden in St Giles, and the War Memorial in Marston Road, which along with the ancient City walls and Bastion (inside New College, and Hall Street) and the Rewley Abbey Wall meet the criteria of Heritage assets. However, due to their diverse nature these assets lack any comparable market values and cost records do not exist. The cost of providing a Balance Sheet valuation on these assets would be disproportionate to any benefit to the user of the Authorities financial statements and therefore are excluded from the Balance Sheet.

### **Heritage Non Operational Property**

A number of Properties owned by Oxford City are of historic interest but these are operational assets and therefore held within Property, Plant and Equipment.

The Authority has identified the Plain Fountain, comprising an ornate stone fountain covered by an octagonal plate roofed open sided structure with stone columns. A clock with four faces is sited on top of the roof with a decorative metal weather vane installed above. This is a significant Asset in terms of its cultural and Heritage presence and the Asset is included in the Balance Sheet at its Depreciated replacement Cost.

### **Oxford City First Registration number Plate**

The Council Mayors Car carries the first registration plate issued in Oxford, and the plate is valued at market value.

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# **SUPPLEMENTARY FINANCIAL STATEMENTS**

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## HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014

### H1.1 Housing Revenue Account Income and Expenditure Statement

	Note	2013/14 £000	2012/13 £000
<b>Expenditure</b>			
Repairs & Maintenance		10,274	10,904
Supervision & Management		7,292	7,519
Rents, Rates, Taxes & Other Charges		6	(1,090)
Negative HRA Subsidy Payable		-	(231)
Depreciation and Impairment of Non-Current Assets		7,753	10,713
Debt management costs		-	-
Movement in the Allowance for Bad Debts (not specified by the Code)	2.9	179	182
Sums directed by the Secretary of State that are expenditure in accordance with the code		-	-
<b>Total Expenditure</b>		<b>25,504</b>	<b>27,997</b>
<b>Income</b>			
Dwelling Rents (Gross)		(39,773)	(37,208)
Non Dwelling Rents (Gross)		(0)	(1,571)
Charges for Services & Facilities		(1,978)	(1,703)
Revaluation Gain reversing impairment		(42,943)	
<b>Total Income</b>		<b>(84,694)</b>	<b>(40,482)</b>
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(59,190)	(12,485)
HRA Services' share of Corporate and Democratic Core		189	198
<b>Net Income for HRA Services</b>		<b>(59,001)</b>	<b>(12,287)</b>
<b>HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:</b>			
(Gain)/Loss on Sale of HRA Fixed Assets		(1,826)	576
Interest Payable and Similar Charges		7,798	6,895
Interest and Investment Income	2.7	(44)	(64)
Pensions Interest Cost and Expected Return on Pension Assets		85	0
<b>(Surplus)/Deficit for the year on HRA Services</b>		<b>(52,988)</b>	<b>(4,880)</b>

Revaluation gains of £42.9 million were identified which related to impaired assets previously charged to the HRA. Accounting practices requires these revaluation gains to be accounted for via the HRA rather than the revaluation reserve and have therefore been credited to the HRA.

## STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

### H1.2 Movement on the Housing Revenue Income & Expenditure Account

The HRA Income and Expenditure Account shows the actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to account for its statutory housing activity on a different accounting basis, the main differences being that:

- the difference between the depreciation on HRA assets and the Self-Financing Valuation Major Repairs Allowance has to be adjusted back into the balance for the year,
- the gain or loss on the disposal of HRA assets has to be reversed before a final balance is calculated; and
- any impairment on HRA assets, either due to economic consumption or valuation, has to be reversed from the account before a statutory balance can be finalised.

The reconciliation statement below summarises the differences between the outturn on the Income and Expenditure Account and the Housing Revenue Account Balance.

#### MOVEMENT ON THE HRA STATEMENT

	Note	2013/14 £000	2012/13 £000
<b>Balance on the HRA at the end of the Previous Year</b>		(3,698)	(2,620)
(Surplus)/Deficit for the Year on the HRA Income and Expenditure Account		(52,988)	(4,880)
Adjustments between Accounting Basis and Funding Basis Under Statute			
- Exceptional items - transfer to the General Fund		-	-
- Difference between interest payable and similar charges		-	-
- Difference between any other item of income and expenditure		(21)	13
- Gain or (loss) on sale of HRA non-current assets		1,826	(576)
- HRA share of contributions to or from the Pensions Reserve		(101)	(54)
- Capital expenditure funded by the HRA		(135)	1,715
- Sums directed by the Secretary of State to be debited or credited to the		-	-
- Transfer (to)/from the Major Repairs Reserve	2.3	8,422	7,000
- Transfer (to)/from the Capital Adjustment Account		35,612	(4,838)
- Transfer (to)/from Housing Repairs Account		-	-
<b>Net Increase/(Decrease) before Transfers to or from Reserves</b>		<b>(7,385)</b>	<b>(1,620)</b>
Transfer to and (from) Reserves		7,083	542
<b>(Increase)/Decrease in Year on the HRA</b>		<b>(302)</b>	<b>(1,078)</b>
<b>Balance on the HRA at the end of the Current Year</b>		<b>(4,000)</b>	<b>(3,698)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### H2.1 Housing and Garage Stock Numbers

	2013/14	2012/13
<b>Houses</b>		
1 bedroom	277	277
2 bedrooms	843	848
3 bedrooms	2,887	2,903
more than 3 bedrooms	274	274
<b>Flats</b>		
1 bedroom	1,579	1,608
2 bedrooms	1,734	1,751
3 bedrooms	149	152
more than 3 bedrooms	4	4
<b>Non Dwelling Properties</b>		
Hostels	8	8
<b>Overall Total</b>	<b>7,755</b>	<b>7,825</b>
<b>Summary of Changes in Stock</b>	<b>2013/14</b>	<b>2012/13</b>
<b>Stock at 1 April 2013</b>	<b>7,827</b>	<b>7,836</b>
Adjustment Prior Year	(2)	-
Less Sales	(46)	(9)
Other Disposals	(30)	(2)
Additions	6	-
<b>Stock at 31 March 2014</b>	<b>7,755</b>	<b>7,825</b>
<b>Garages and Parking Spaces</b>	<b>2013/14</b>	<b>2012/13</b>
Garages In Block	-	2,280
Garages Within Curtilage	272	272
Parking Spaces	50	50
<b>Overall Total</b>	<b>322</b>	<b>2,602</b>
<b>Summary of Changes in Garages &amp; Parking Spaces</b>	<b>2013/14</b>	<b>2012/13</b>
Stock at 1 April 2013	2,602	2,602
Overstated Demolished from Prior Year	-	-
Demolished/ Disposed	-	-
Non Residential Parking Included in Prior Year	-	-
Garages within Curtilage Overstated in Prior Year	-	-
Stock transferred to the General Fund	(2,280)	-
<b>Stock at 31 March 2014</b>	<b>322</b>	<b>2,602</b>

Other than those garages that are situated within HRA dwelling curtilages, the remaining HRA garages were transferred to the General Fund (GF) with effect from 1 April 2013. This appropriation resulted in all the risks and rewards associated with these assets passing to the Council's General Fund.

## NOTES TO THE HOUSING REVENUE ACCOUNT

The vacant possession of the Council's Housing stock as at 1 April 2013 amounted to £1,555 million representing the economic cost to government of providing council housing, the social housing factor reduction of 32% reduced the value to an Existing Use Value - Social Housing of £497.6 million.

The table below shows the HRA property values as at 1 April 2013 and 31 March 2014.

	2013/14 Cost or valuation £000	2013/14 Depreciation £000	2013/14 Net Book Value £000	2012/13 Cost or valuation £000	2012/13 Depreciation £000	2012/13 Net Book value £000
Council Dwellings	522,184	(12,036)	510,148	475,417	(9,221)	466,196
Other Land and Buildings	2,913	(137)	2,776	20,708	(1,353)	19,355
Vehicles, Plant, Furniture and Equipment	67	(67)	-	67	(67)	-
Infrastructure and Community Assets	-	-	-	69	-	69
Assets Under Construction	3,123	-	3,123	727	-	727
Surplus Assets not Held for Sale	1,078	(56)	1,022	1,793	(58)	1,735
Investment Properties	30	-	30	70	-	70
Assets Held for Sale	1,489	-	1,489	1,006	-	1,006
<b>As at 31 March 2014</b>	<b>530,884</b>	<b>(12,296)</b>	<b>518,588</b>	<b>499,857</b>	<b>(10,699)</b>	<b>489,158</b>

### H2.2 Movement on the Major Repairs Reserve

	2013/14 £000	2012/13 £000
<b>Opening Balance</b>	<b>(7,000)</b>	-
Transfer from Capital Financing Reserve	(6,309)	(5,876)
Excess of Depreciation on Dwellings over Major Repairs Allowance	(2,113)	(2,688)
Additional Resources transferred from HRA	-	(6,026)
Financing of Capital Expenditure (MRA Applied)	8,422	7,590
Transfer to General Fund	7,000	-
<b>Closing Balance</b>	<b>-</b>	<b>(7,000)</b>

### H2.3 Capital Expenditure and Financing

	2013/14 £000	2012/13 £000
Buildings	10,747	7,588
REFCUS	135	2
<b>Total Spend</b>	<b>10,882</b>	<b>7,590</b>
<b>Sources of Finance</b>		
Major Repairs Reserve	8,422	7,590
Grants and Contributions	1,068	-
Capital Receipts	1,392	-
<b>Total Financing</b>	<b>10,882</b>	<b>7,590</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### H2.4 Capital Receipts Received

	2013/14 £000	2012/13 £000
Buildings	(9,084)	(1,151)
<b>Total</b>	<b>(9,084)</b>	<b>(1,151)</b>

### H2.6 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 2013/14 the charges were £134,520 and in 2012/13 they were £2,235.

### H2.7 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.

	2013/14 £000	2012/13 £000
Interest on Cash Balances	(45)	(60)
Interest on Loans to Individuals	1	(4)
<b>Total</b>	<b>(44)</b>	<b>(64)</b>

The Housing Revenue Account was debited with Item 8 interest of £7.8 million in 2013/14, this relates to the proportion of the external interest relating to the Housing Revenue Account.

### H2.8 Financial Reporting Standard (IAS) 19 – Pensions

Included within the Net Cost of Service is the HRA share of contributions from the Pension Reserve. The pension contributions have been calculated in accordance with IAS 19. An adjustment is made within the adjustments between accounting basis and funding basis under statute, so that there is no effect on the HRA surplus for the year.

The current cost of pensions amounting to £0.1 million has been charged to the HRA and the adjustment between accounting bases of £19,000 applied to ensure the HRA is charged with the statutory sum related to the actual cost of pension provision in year (£0.1 million).

## NOTES TO THE HOUSING REVENUE ACCOUNT

### H2.9 Rent Arrears

	2013/14		2012/13	
	£000	% of total rents due	£000	% of total rents due
<b>Arrears Details</b>				
Current Tenants	1,307	3.20	1,402	3.72
Former Tenants	329	0.80	225	0.60
<b>Overall</b>	<b>1,636</b>	<b>4.00</b>	<b>1,627</b>	<b>4.32</b>
<b>Total Rents due in Year</b>	<b>40,890</b>		<b>37,653</b>	

	2013/14 £000	2012/13 £000
<b>Doubtful Debt provision</b>		
Opening Balance	357	229
Write-offs in Year	(119)	(22)
Additional Provision	179	150
<b>Closing Balance</b>	<b>417</b>	<b>357</b>

### H2.10 Trading Operations

Trading Operations relate to work undertaken by the Housing Repairs Workforce. Following a reorganisation of services there were no Trading Operations during 2013/14.

### H2.11 Capital Commitments

<u>Description</u>	<u>Contractor</u>	2013/14 £000	2012/13 £000
Window Replacement Programme	Nationwide	-	357
Tower Blocks	EC Harris	391	678
Roofing	GSR Contracting	150	-
External Adaptions	Fairfax Avenue	110	-
Communal Areas	DS and Pyrotec	60	-
Affordable Housing Programme	Leadbitter Group/EC Harris	13,812	-
<b>Total Capital Commitments HRA</b>		<b>14,523</b>	<b>1,035</b>



## COLLECTION FUND

The Collection Fund is the Council's statement reflecting its statutory obligation as a Billing Authority to maintain a separate Fund showing the transactions the Council as a Billing Authority has undertaken in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

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

	<b>Business Rates</b>	<b>Council Tax</b>	<b>Total</b>
	<b>2013/14</b>	<b>2013/14</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Income</b>			
Council Tax Receivable	-	(68,924)	(68,924)
Business Rate Receivable	(84,469)	-	(84,469)
<b>Sub Total</b>	<b>(84,469)</b>	<b>(68,924)</b>	<b>(153,393)</b>
<b>Expenditure</b>			
Central Government share of PY surplus	-	-	
Oxford City share of PY surplus	-	74	74
Oxfordshire County share of PY surplus	-	320	320
Police & Crime Commissioner share of PY surplus	-	42	42
<b>Sub Total</b>	<b>0</b>	<b>436</b>	<b>436</b>
Central Government Share	40,379	-	40,379
Oxford City Demand	32,303	11,228	43,531
Oxfordshire County Precepts	8,076	48,923	56,999
Police & Crime Commissioner share of PY Precepts	-	6,498	6,498
<b>Sub Total</b>	<b>80,758</b>	<b>66,649</b>	<b>147,407</b>
<b>Charges</b>			
Write Offs	231	192	424
(Increase)/Decrease in Bad Debt Provision	91	785	875
(Increase)/Decrease in Provision for Appeals	4,354	-	4,354
Cost of Collection	220	-	220
Disregarded amounts	314	-	314
<b>Sub Total</b>	<b>5,210</b>	<b>977</b>	<b>6,187</b>
<b>(Surplus) / Deficit arising during year</b>	<b>1,499</b>	<b>(862)</b>	<b>637</b>
<b>(Surplus) / Deficit b/fwd 1st April</b>	<b>-</b>	<b>(525)</b>	<b>(525)</b>
<b>(Surplus)/Deficit C/forward</b>	<b>1,499</b>	<b>(1,387)</b>	<b>112</b>

## COLLECTION FUND

### CF1. 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. From April 2013 the Business Rates Retention Scheme has replaced the former scheme for accounting for the non-domestic rates due/collected. The element of rates the Council were allowed to retain for 2013/14 was assessed at £5.468 million. The Council were required to pay to Central Government both the Central Share of £40.379 million plus the calculated tariff of £26.450 million. In addition we were required to pay £8.076 million to Oxfordshire County Council.

The local rateable value (2010 Rating List) as at 31 March 2014 was £230.9 million (£230.0 million at 31 March 2013). The multiplier for 2013/14 was set at 47.1 pence in the pound (45.8 pence for 2012/13).

### CF2. 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 2013/14 Council Tax including precepts was set at £271.93 for a band D property (2012/13 £267.05)

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	2,314	1,117	6/9	744
B	9,101	4,765	7/9	3,706
C	18,729	12,957	8/9	11,517
D	15,673	11,778	9/9	11,778
E	6,791	5,045	11/9	6,166
F	2,803	2,365	13/9	3,416
G	3,156	2,736	15/9	4,561
H	575	340	18/9	680
	<b>59,142</b>	<b>41,103</b>		<b>42,568</b>
<b>Crown Properties</b>				0
<b>Allowance of 3% for non-collection</b>				(1,277)
<b>Total</b>				<b>41,291</b>

## GROUP ACCOUNTS BARTON OXFORD LLP

Group Accounts are required by the Accounting Code of Practice where an Authority has interests in subsidiaries, associates and/or jointly controlled entities, subject to consideration of materiality.

The Barton Oxford LLP has been established with a contractually binding arrangement whereby the two parties are committed to undertake an activity that is subject to their joint control, with strategic financial and operating decisions relating to the activity requiring the unanimous consent of the parties sharing control. The Barton Oxford LLP controls the assets of the joint venture, incur liabilities and expenses and earn income.

Group Accounts have therefore been produced to consolidate the Barton Oxford LLP into the financial statement of Oxford City Council.

The Barton Oxford LLP joint venture was established on 23 September 2011. The Council entered into a partnership with Grosvenor Developments Limited to form Barton Oxford LLP, a joint venture vehicle to develop social and affordable housing on land owned by the Council at Barton. The Council has a 50% interest in the company and shares profits and losses.

The Council transferred land to the LLP on 31 October 2011. It is estimated that the value will be repaid with interest by January 2019. As at 31 March 2014 the company has been developing land which will be parcelled and sold to developers. Land has not been sufficiently developed as at 31 March 2014 and therefore turnover is nil. 50% of the net liabilities of £8,000 have been incorporated in to the Council's Group Accounts. The total being assets £2.186 million and total liabilities £2.194 million representing the Council's 50% share (page 94).

The current development programme estimates the first parcel of land be disposed of during 2014/15, with further disposals in 2016, 2017 and 2019. Costs attributable to the disposals will run on beyond 2019, and profit distribution happens after all costs have been accounted for in the LLP. The current expectation is that profit will be distributed by the LLP in 2022, at which point the Council will receive its 50% share of the profit.

These Group Accounts shown on the following pages incorporate the Joint Venture using the proportionate consolidation method, this is applied by taking shares of the balances and transactions proportionate to the Authority's interest in the entity, which is 50%.

Barton Oxford LLP accounts are completed on a UK GAAP basis and the Council's accounts are completed on an IFRS basis, however all accounting policies are in line.

The Group Accounts consist of the following:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Notes to the Statement of Accounts
- Cash Flow

**GROUP ACCOUNTS: MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED  
31 MARCH 2014**

This statement shows the movement in year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes.

The Net Increase/(Decrease) before Transfers to/from Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Total Authority Reserves	Group Movements	Authorities share of Reserves Joint Venture Barton Oxford LLP
	£000	£000	£000
<b>Movement in Reserves during 2012/13</b>			
Surplus/(Deficit) on the Provision of Services	8,674	(2)	8,672
Other Comprehensive Income and Expenditure	33,497	-	33,497
<b>Total Comprehensive Income and Expenditure</b>	<b>42,171</b>	<b>(2)</b>	<b>42,169</b>
Adjustments between Accounting Basis & Funding Basis under Regulations	-	-	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>42,170</b>	<b>(2)</b>	<b>42,169</b>
Transfers (to)/from Earmarked Reserves	-	-	-
<b>Increase/(Decrease) in 2012/13</b>	<b>42,170</b>	<b>(2)</b>	<b>42,169</b>
	-		
<b>Balance at 31st March 2013 carried forward</b>	<b>439,434</b>	<b>(6)</b>	<b>439,428</b>
<b>Movement in Reserves during 2013/14</b>			
Surplus/(Deficit) on the Provision of Services	57,035	(2)	57,033
Other Comprehensive Income and Expenditure	(2,248)	-	(2,248)
<b>Total Comprehensive Income and Expenditure</b>	<b>54,786</b>	<b>(2)</b>	<b>54,784</b>
Adjustments between Accounting Basis & Funding Basis under Regulations	16	-	16
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>54,804</b>	<b>(2)</b>	<b>54,802</b>
Transfers (to)/from Earmarked Reserves	-	-	-
<b>Increase/(Decrease) in 2013/14</b>	<b>54,804</b>	<b>(2)</b>	<b>54,802</b>
	-		
<b>Balance at 31st March 2014 carried forward</b>	<b>494,238</b>	<b>(8)</b>	<b>494,230</b>

**GROUP ACCOUNTS: COMPREHENSIVE INCOME & EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2014**

This statement shows the accounting cost in year, of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement (page 94).

	2013/14 Oxford City Council				2013/14 Group Cl&E				2012/13	
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Group Movements £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Net Expenditure £000	Net Expenditure £000
Central Services to the Public	4,027	(1,702)	2,325			4,027	(1,702)	2,325		2,557
Cultural and related Services	12,611	(4,238)	8,373			12,611	(4,238)	8,373		9,004
Environment and Regulatory Services	19,167	(6,873)	12,294			19,167	(6,873)	12,294		8,616
Planning Services	7,992	(4,001)	3,991			7,992	(4,001)	3,991		6,271
Highways and Transport Services	9,544	(9,723)	(179)			9,544	(9,723)	(179)		1,667
Local Authority Housing (HRA)	25,505	(84,695)	(59,190)			25,505	(84,695)	(59,190)		(12,486)
Other Housing Services	78,290	(74,416)	3,874	2		78,292	(74,416)	3,876		6,303
Corporate and Democratic Core	3,714	(71)	3,643			3,714	(71)	3,643		3,623
Non Distributed Costs	1,955	(1,923)	32			1,955	(1,923)	32		28
<b>Cost of Services</b>			<b>(24,838)</b>					<b>(24,836)</b>		<b>25,582</b>
Other Operating Expenditure			(2,400)					(2,400)		(3,075)
Financing and Investment Income and Expenditure			(429)					(429)		(2,561)
Taxation and Non-Specific Grant Income			(29,368)					(29,368)		(28,618)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>(57,035)</b>					<b>(57,033)</b>		<b>(8,672)</b>
(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets			(11,178)					(11,178)		(22,114)
Actuarial (Gains)/Losses on Pension Assets and Liabilities			13,426					13,426		(11,383)
<b>Other Comprehensive Income and Expenditure</b>			<b>2,248</b>					<b>2,248</b>		<b>(33,497)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(54,787)</b>					<b>(54,785)</b>		<b>(42,169)</b>

## GROUP ACCOUNTS: BALANCE SHEET AS AT 31 MARCH 2014

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are Usable Reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves to deal with unforeseen events and any statutory limitations on their use (for example the Capital Receipts Reserve can only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; as well as reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Oxford City Council 2013/14 £000	Group 2013/14 £000	Accumulated Group Movement 2013/14 £000	Group 2012/13 £000	
Note					
Property, Plant & Equipment	2	632,022	634,007	1,985	583,262
Heritage assets		2,496	2,496	-	2,496
Investment Properties		101,359	101,359	-	92,744
Intangible Assets		1,107	1,107	-	827
Long Term Investments		2,894	2,894	-	32
Long Term Debtors		17,099	17,099	-	16,774
<b>Long Term Assets</b>		<b>756,977</b>	<b>758,962</b>	<b>1,985</b>	<b>696,135</b>
Short Term Investments		47,780	47,780	-	32,868
Assets Held for Sale		1,489	1,489	-	2,799
Inventories		775	775	-	774
Short Term Debtors	3	15,136	15,153	17	12,280
Cash and Cash Equivalents	4	10,171	10,355	184	9,409
<b>Current Assets</b>		<b>75,351</b>	<b>75,551</b>	<b>201</b>	<b>58,130</b>
Short Term Borrowing		(730)	(730)	-	(910)
Short Term Creditors	5	(21,189)	(23,383)	(2,194)	(15,793)
Provisions		-	-	-	-
<b>Current Liabilities</b>		<b>(21,919)</b>	<b>(24,113)</b>	<b>(2,194)</b>	<b>(16,703)</b>
Long Term Creditors		(70)	(70)	-	-
Provisions		(3,942)	(3,942)	-	(2,209)
Long Term Borrowing		(199,710)	(199,710)	-	(200,443)
Other Long Term Liabilities		(107,753)	(107,753)	-	(90,601)
Capital Grants Receipts in Advance		(4,696)	(4,696)	-	(4,881)
<b>Long Term Liabilities</b>		<b>(316,171)</b>	<b>(316,171)</b>	<b>-</b>	<b>(298,134)</b>
<b>Net Assets</b>		<b>494,238</b>	<b>494,230</b>	<b>(8)</b>	<b>439,428</b>
Usable Reserves	6	(68,476)	(68,468)	8	(50,577)
Unusable Reserves		(425,762)	(425,762)	-	(388,851)
<b>Total Reserves</b>		<b>(494,238)</b>	<b>(494,230)</b>	<b>8</b>	<b>(439,428)</b>

## GROUP ACCOUNTS: NOTES

### Basis of Accounting

Oxford City Council Statement of Accounts are prepared on an IFRS basis which include revaluation of assets when and where appropriate. The Group Accounts of Oxford City Council incorporate the financial statements of the Barton Oxford LLP. Oxford City Council are joint members of the LLP with Grosvenor Development Limited.

The Barton Oxford LLP financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law, accounting standards and the Limited Liability Partnerships Statement of Recommended Practice. The accounting policies have been applied consistently throughout the current and preceding year on a going concern basis.

Accounting Policies of Oxford City Council and the LLP have been considered to ensure the underlying accounting standards are compatible for the Group. In all respects the standards are compatible for 2013/14, cash and cash equivalents, debtors and creditors all provided on the same basis. The Development expenditure of the LLP is recorded at the lower of cost and net realisable value. Cost includes the cost of acquisition, professional fees and construction costs but excludes overheads. This is compatible with Oxford City accounting policies in that the assets are under construction and therefore recorded at cost under IFRS. Therefore in all material respects for 2013/14 the accounting policies are materially aligned.

### Method of Consolidation

The method of consolidation adopted in the financial statements is to provide separate core financial statements consolidated on a proportionate basis.

Oxford City Council has provided land with an initial transfer value of £850,000 to the LLP. Interest on the transfer value is payable at a fixed rate of 5% compounded monthly until repayment. The loan and interest is due to be repaid in January 2019, on completion of the development. The loan and interest amounted to £958,919 as at 31 March 2014 (£912,247 as at 31 March 2013) These sums are included in the Council's Balance Sheet as a debtor.

### The following notes are in respect of the Accumulated Group movement in 2013/14

#### 1. Turnover LLP

The principal activity of the Barton Oxford LLP during the year was property development with a view to sale on completion. However no sales have taken place up to the 31 March 2014. The LLP had no turnover during the current or preceding year. The operating loss is stated after charging the Auditors remuneration.

#### 2. Property, Plant and Equipment

Development property of £1.985 million is added to the Council's Property, Plant and Equipment. This represents development expenditure on project management, landscape architects, structural engineers, legal and other consultancy fees.

**GROUP ACCOUNTS: NOTES**

	2013/14 £000	2012/13 £000
Development Properties	1,985	1,313
<b>Total</b>	<b>1,985</b>	<b>1,313</b>

**3 - Debtors: amounts falling due within one year**

	2013/14 £000	2012/13 £000
Debtors	17	12
<b>Total</b>	<b>17</b>	<b>12</b>

**4 - Cash and Cash Equivalents**

	2013/14 £000	2012/13 £000
Cash and Cash Equivalents	184	66
<b>Total</b>	<b>184</b>	<b>66</b>

**5 - Creditors: amounts falling due within one year**

	2013/14 £000	2012/13 £000
Trade Creditors	12	2
Loans and Other Debts due to Members	2,050	1,300
Accruals and Deferred Income	132	95
<b>Total</b>	<b>2,194</b>	<b>1,397</b>

**6 - Members' Equity**

	2013/14 £	2012/13 £
1 April	2	2
<b>31 March</b>	<b>2</b>	<b>2</b>

**Accumulated  
Members' Losses  
£000**

1 April 2013	(6)
Loss for the Financial Year	(2)
<b>31 March 2014</b>	<b>(8)</b>



## GROUP ACCOUNTS: CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

The Cash Flow Statement shows the changes in the Cash and Cash Equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

	<b>Oxford City Council 2013/14 £000</b>	<b>Group 2013/14 £000</b>	<b>Group Movement 2013/14 £000</b>	<b>Group 2012/13 £000</b>
Net (Surplus)/Deficit on the Provision of Services	(57,035)	(57,033)	2	(8,672)
Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements	28,632	26,461	(2,171)	(15,645)
Adjustments for Items Included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities	-	-	-	-
<b>Net Cash Flows from Operating Activities</b>	<b>(28,404)</b>	<b>(30,573)</b>	<b>(2,169)</b>	<b>(24,316)</b>
Investing Activities	26,101	28,086	1,985	19,146
Financing Activities	1,472	1,472	-	660
<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>	<b>(831)</b>	<b>(1,015)</b>	<b>(184)</b>	<b>(4,511)</b>
Cash and Cash Equivalents at the Beginning of the Reporting	(9,342)	(9,342)	-	(4,898)
<b>Cash and Cash Equivalents at the End of the Reporting</b>	<b>(10,172)</b>	<b>(10,356)</b>	<b>(184)</b>	<b>(9,408)</b>

## GROUP ACCOUNTS: CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

### Note 24 - Cash Flow Statement Operating Activities (Interest)

	Oxford City Council 2013/14 £000	Group 2013/14 £000	Group Movement 2013/14 £000	Group 2012/13 £000
<b>Operating activities within the Cashflow Statement include the following cashflows relating to Interest</b>				
Cash Interest Received	438	438	-	532
Cash Interest Paid	(7,079)	(7,079)	-	(7,449)
<b>Total</b>	<b>(6,641)</b>	<b>(6,641)</b>	<b>-</b>	<b>(6,917)</b>

### Note 25 - Investing Activities

	Oxford City Council 2013/14 £000	Group 2013/14 £000	Group Movement 2013/14 £000	Group 2012/13 £000
<b>Investing Activities</b>				
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	22,003	23,988	1,985	17,673
Purchase of Short-Term and Long-Term Investments	17,774	17,774	-	9,223
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(10,688)	(10,688)	-	(5,716)
Other Capital Cash Receipts in Advance	(2,988)	(2,988)	-	(2,034)
<b>Total Cash Flows from Investing Activities</b>	<b>26,101</b>	<b>28,086</b>	<b>1,985</b>	<b>19,147</b>

### Note 27 - Financing Activities

	Oxford City Council 2013/14 £000	Group 2013/14 £000	Group Movement 2013/14 £000	Group 2012/13 £000
<b>Financing Activities</b>				
Repayment of Long Term Borrowing	1,628	1,628	-	643
Other receipts from Financing Activities	(248)	(248)	-	(112)
Payments for the reduction of a Finance Lease Liability	92	92	-	129
<b>Total Cash Flows from Financing Activities</b>	<b>1,472</b>	<b>1,472</b>	<b>-</b>	<b>660</b>

### Note E - Makeup of Cash and Cash Equivalents

	Oxford City Council 2013/14 £000	Group 2013/14 £000	Group Movement 2013/14 £000	Group 2012/13 £000
<b>Cash and Cash Equivalents</b>				
Cash Investments - regarded as Cash Equivalents	14,353	14,537	184	12,271
Bank Overdraft	(4,180)	(4,180)	-	(2,862)
<b>Total Cash and Cash Equivalents</b>	<b>10,173</b>	<b>10,357</b>	<b>184</b>	<b>9,409</b>

# **ACCOUNTING POLICIES**

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## ACCOUNTING POLICIES

### 1. Accounting Policies

#### 1.1 General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, and this requires the preparation to be in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Accounting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance, issued under Section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historic cost modified by the revaluation of certain categories of non-current assets and financial instruments.

#### 1.2 Accruals of Income and Expenditure

All transactions of the Council are accounted for in the year in which they take place, not simply when the cash payments are made or received:

- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received, rather than when payments are made.
- fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services
- supplies and services are recorded as expenditure when they are consumed; where there is a gap between the date supplies are received and their consumption they are carried as Stock on the Balance Sheet. 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 will be shown as a debtor or creditor balance respectively
- interest receivable on investments is accounted for respectively as income and expenditure 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 has 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
- income and expenditure are credited and debited to the relevant service revenue accounts, unless they properly represent capital receipts or capital expenditure.

Exceptions to this principle are:

(i) utility bills and similar instalment payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts

(ii) certain payments made on a claims basis which are regular in terms of incidence (such that the accounting period contains twelve full months) or for which the accrual would be immaterial

(iii) accruals of less than £500 are not adjusted for within the accounts due to the level of materiality of the transactions.

## ACCOUNTING POLICIES

### 1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and demand deposits with financial institutions repayable without penalty on notice of no more than 24 hours. Cash Equivalents are readily convertible to known amounts of cash with insignificant risk of change in value. Oxford City Council regards overnight funds to represent a Cash Equivalent. Cash also includes bank overdrafts that are repayable on demand and that are integral to an authority's cash management.

### 1.4 Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

### 1.5 Charges to Revenue and Non-Current Assets

Services, Support Services and Trading Accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of Intangible Fixed Assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from Revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Oxford has not made a contribution due to applying a prudent assessment.

Depreciation, revaluation and impairment losses and amortisations are replaced in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement.

### 1.6 Employee Benefits

#### Benefits Payable during Employment

Short-term employee benefits (those falling due within 12 months of the year end) such as wages, salaries, paid annual leave, sick leave, bonuses and non monetary benefits for current employees, are considered as an expense in the year in which the employee renders the service to the Authority.

An accrual is made against services in the surplus or deficit on the provision of service, (where considered material) for the cost of holiday entitlement and other forms of leave earned by employees but not taken before the year end and which may be carried forward into the next financial year based on following years salary. Accruals are not made for immaterial costs in respect of outstanding car mileage claims.

Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulated Compensation Absences Adjustment Account in the Movement of Reserves Statement.

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or

## ACCOUNTING POLICIES

group of officers or making an offer to encourage voluntary redundancy.

The statutory provision requires the General Fund to be charged with the amount agreed to be payable to the Pension Fund, not the amount calculated under IFRS. In the Movement of Reserves Statement, appropriations are made to and from an Employment Reserve; a balance of this account appears on the Balance Sheet. The Employment Reserve is matched by the accrual for termination.

### Post-employment Benefits

Employees of the Authority are members of the Local Government pension fund administered by the Oxfordshire County Council.

### The Local Government Pension Scheme

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

- the liabilities of the Oxfordshire County Council Pension Fund attributable to the Authority 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.
- the liabilities are discounted to their value at current prices, using a discount rate of 4.5%, based on the indicative rate of return on the iBoxx High Quality 15 Year corporate bond which is AA rated.
- the assets of Oxfordshire County Council Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - ◆ quoted securities – current bid price
  - ◆ unquoted securities – professional estimate
  - ◆ unitised securities – current bid price
  - ◆ property – margin above yield.

The change in the net pension's liability is analysed into seven components:

1. Current Service Cost – the increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
2. Past Service Cost – the increase or reduction in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years is debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
3. Net interest on the net defined benefit liability (asset) i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

4. The return on plan assets – excluding amounts included in net interest on the net defined benefit

## ACCOUNTING POLICIES

liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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 pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **1.7 Financial Instruments and Financial Assets**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effected rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

### **Financial Assets**

Financial assets can be classified into two types, however as Oxford has no Available For Sale Assets the policy is restricted to Loans and Receivables (assets that have fixed or determinable payments but are not quoted in an active market).

Loans and Receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the authority has made a number of loans at less than market rate (soft loans). These loans are immaterial and held as long term debtors in the balance sheet.



## ACCOUNTING POLICIES

Where assets are identified as impaired because of a 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 relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### 1.8 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify the way in which the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are to be consumed by the recipient, or the future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure

### 1.9 Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the Authority) with appropriate planning consent. This is a planning charge and the income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions, but a proportion will be used to fund infrastructure work of other Authorities (County Council, Health and Police Authorities) or community groups. These funds will not be recognised in the Comprehensive Income and Expenditure Statement, but will be recorded as Capital Grants Received In Advance. When the CIL is paid over to the third party for application it will be removed from Capital Grants received in advance.

## ACCOUNTING POLICIES

Some CIL is received without outstanding conditions for Oxford City Council; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure. CIL recognised in Comprehensive Income and Expenditure Statement will be earmarked where appropriate through the MIRS.

### 1.10 Housing Levy

The Council has adopted a policy of making a levy on each square foot of housing development. The levy is regarded as a capital receipt. The funds received will be recorded as income in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Account, but then transferred to usable capital receipts through the Movement In Reserves Statement (MIRS) to be retained to assist social housing development.

### 1.11 Heritage Assets

A tangible Heritage Asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. An intangible Heritage Asset is an intangible asset with cultural, environmental or historical significance. Examples of intangible Heritage Assets include records of significant historical events.

Property Heritage Assets that are operational are not separately identified, and are included in the appropriate Property Plant and Equipment, or Investment property category of the Council's Balance Sheet.

Property Heritage Assets that are not operational will be identified separately on the face of the Balance Sheet in the Category of Heritage Assets and will follow the accounting treatment appropriate to the asset.

#### Measurement Rules in relation to other Heritage assets

Oxford City Council Heritage Assets can be categorised as follows:

- The Great Mace and Plate Room Silver Plaques and Cutlery
- Furniture
- Civic Regalia and Chains of Office (including number Plate)
- Firearms
- Pictures and Drawings

These assets are deemed to have an indeterminate life and high residual values, and the Authority does not consider it necessary to provide for depreciation.

The assets movements are relatively static with very little acquisitions or disposals. However, acquisitions are initially recognised at cost. These assets are valued at market value in the Statement of Accounts. Valuations are undertaken every five years where a material change in value is anticipated. New acquisitions will only be recognised where the cost is greater than £5,000.

- Memorials gardens and City Walls

The Authority has identified War Memorials in St Giles, and Marston Road, which along with the ancient City walls (inside New College, and Hall Street) and the Rewley Abbey Wall meet the criteria of Heritage Assets. However, these assets lack any comparable market values and cost records do not exist. The cost of providing a Balance Sheet valuation on these assets would be disproportionate to any benefit to the user of

## ACCOUNTING POLICIES

the Authorities financial statements and therefore are excluded from the Balance Sheet.

- Heritage Non Operational Property

The Authority has identified the Plain Fountain which is a significant Asset in terms of its cultural and heritage presence. The Asset is included in the Balance Sheet at it Depreciated replacement Cost.

The value will be reviewed every five years to ensure any potential material changes can be reflected

The asset has an indeterminate life in excess of 80 years and therefore will not be depreciated.

- Oxford City First Registration number plate

The Council's Mayor's Car carries the first registration plate issued in Oxford, and the plate is valued at market value.

The value will be reviewed every five years to ensure any potential material changes can be reflected.

These assets are deemed to have an indeterminate life and high residual values, and the Authority does not consider it necessary to provide for depreciation.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment - see note 1.18. The Authority may occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with the statutory accounting requirements relating to capital expenditure and capital receipts where any receipt is greater than £10,000.

### 1.12 Intangible Assets

Expenditure on non monetary assets that do not have physical substance but are controlled by the Authority as a result of a past event (e.g. software licences and system development expenditure) are capitalised when it is expected that future benefits or service potential will flow from the intangible asset to the Authority, and are amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Internally Generated Assets are capitalised when it is demonstrable that the project is technically feasible and it is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase. (Research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is primarily intended to promote or advertise the Authorities goods or services. Website development for a business purpose would be capitalised.

Intangible Assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. The depreciation of an Intangible

## ACCOUNTING POLICIES

Asset is amortised over the asset's useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an Intangible Asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on Intangible Assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of General Fund Balance in the Movement of Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **1.13 Interest in Companies and Other Entities**

The Authority has material interest in the Barton Oxford LLP. The Council has a 50% interest in the Company and shares profit and losses, and is therefore required to prepare group accounts. The method adopted in the financial statements is to provide separate Core Financial statements consolidated on a proportionate basis.

### **1.14 Inventories and Long Term Contracts**

Inventories are 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 Code, but the effect is not material to the Council's accounts.

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.

### **1.15 Investment Property**

Investment Properties are those that are used solely to earn rentals and/or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods, or is held for sale.

Investment Properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Investment Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and Losses on Revaluation are posted to the Financing and Investment line in the Comprehensive Income and Expenditure Statement. Gains and Losses on Disposal are posted to the other operating expenditure in the Comprehensive Income & Expenditure Account.

Rentals received in relation to Investment Property are credited to the Financing and Investment line in the Comprehensive Income and Expenditure Statement, and result in a gain for the General Fund Balance.

Revaluation and Disposal Gains and Losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve (for any sale cash received, where greater than £10,000).

### **1.16 Leases**

Leases are classified as Finance Leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other

## ACCOUNTING POLICIES

leases are classified as Operating Leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### a) The Authority as Lessee

#### Finance Leases

Property, Plant and Equipment held under Finance Leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under Finance Leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### Operating Leases

Rentals paid under Operating Leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### b) The Authority as Lessor

#### Finance Leases

Where the Authority grants a Finance Lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also 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), matched by a lease (long-term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:

## ACCOUNTING POLICIES

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a Capital Receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the rentals are received, the repayment element is used to write down the long term debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. 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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### Operating Leases

Where the Authority grants an Operating Lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### 1.17 Overheads and Support Services

The cost of Overheads and Support Services are charged to those that benefit from the supply of services based on use and in accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) Service Reporting Accounting Code of Practice 2013/14 (SeRCOP).

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 multifunctional, 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 categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### 1.18 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### Recognition

Expenditure on the acquisition, creation and replacement of components is capitalised on an accruals basis.

## ACCOUNTING POLICIES

The cost of components replaced are added to the asset carrying value, and an assessment of the carrying value of the component replaced is made, and then derecognised.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase are deemed to be at fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of Existing Use Value for Social Housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its Existing Use Value (EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum they are revalued every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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.

## ACCOUNTING POLICIES

### Impairment

Assets are assessed at each year-end to determine whether there is any indication that they may be impaired. Where indications exist and differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, and where material, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer\*
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life, as advised by a suitably qualified officer.
- infrastructure – straight-line.

Where an asset comprises major components whose costs are significant in relation to the total cost of the asset, the components are depreciated separately.

\* Council Dwellings depreciation is applied in accordance with the self financing transitional rules which allow the Housing Revenue Account movement in reserves to be adjusted to ensure depreciation impact is equal to the major repairs allowance.

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.

### Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less sales costs. Where there is a subsequent decrease in the net fair value, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.



## ACCOUNTING POLICIES

If assets no longer meet the criteria to be classified as Assets Held for Sale they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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 accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The Revaluation Reserve on Assets Held for Sale (AHFS) is frozen in the previous asset category as the identification of an AHFS removes the capital accounting requirement. It is only when the asset disposal takes place that the revaluation reserve is moved to the Capital Adjustment Account.

### Disposals

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to Housing Revenue Account (HRA) asset disposals (75% for Right to Buy (RTB), 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. In the case of pooling of HRA land and other asset receipts the Council can apply the sums to capital regeneration, and social housing investment. Furthermore, the Council entered into an agreement in 2012/13 with the Secretary of State in which capital receipts in relation to RTB disposals over and above the number specified for the year in Communities and Local Governments (CLG) self-financing valuation for Oxford City Council will not be subject to pooling, as long as the Authority re-cycles the non-pooled receipts into new affordable housing within 3 years.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. 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 General Fund Balance in the Movement in Reserves Statement.

### 1.19 Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by the transfer of economic benefit, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or payment of compensation.

The Council maintains a Provision for the funding of the self-financed element of insurance claims. This Provision is funded through contributions from the relevant Service Revenue Accounts.

Provisions for bad or doubtful debts are separately disclosed against debtors on the Balance Sheet and are not included in the Provisions figure. Known uncollectible debts have been written off.

## ACCOUNTING POLICIES

Provisions are charged to the appropriate Revenue Account and when payments for expenditure are incurred to which the Provision relates they are charged direct to the Provision. Provisions are reviewed at each Balance Sheet date and if no longer required are reversed. In addition, Provisions for bad debts have been made within the accounts for expected losses of income in respect of sums due but not received from debtors.

### **Contingent Liabilities**

Contingent Liabilities are not recognised as liabilities in the Balance Sheet; however, all contingent liabilities are disclosed if there is a possibility of an outflow of economic benefit.

A Contingent Liability arises where an event has taken place that gives the Authority a possible obligation and whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent Liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

### **Contingent Assets**

A Contingent Asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent Assets are not recognised in the Balance Sheet but disclosed in a Note to the Accounts where it is probable that there will be an inflow of economic benefit or service potential.

## **1.20 Reserves**

### **Useable Reserves**

A reserve is money that we have set aside to cover expenditure that we will incur in a future period, and this can be created from excess income over expenditure resulting in a balance on the General Fund or Housing Revenue Account. Reserves are created by appropriating amounts from the General Fund or Housing Revenue Account Balance through the Movement in Reserves Statement, and are held voluntarily to meet future activity costs. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate Service Revenue Account in that year to count against the Net cost of Services in the Income and Expenditure Account. The Reserve is then appropriated back to the General Fund balance so that there is no net charge against Council Tax for the expenditure.

Useable reserves can also be created from a capital source such as capital grants. These can also be earmarked or held in a general unapplied reserve, but capital reserves can only be used for expenditure of a capital nature or in special cases where statute provides an exception.

The Major Repairs Reserve is required by statutory provision in relation to the Housing Revenue Account (HRA).

The Council also has other specific Earmarked Reserves set out in more detail in the Notes to the Core Statements. These are set aside for purposes falling outside the definition of provisions. They are earmarked specifically to meet future requirements of revenue or capital expenditure.

### **Unusable Reserves**

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits. They do not represent usable resources for the Council.

## ACCOUNTING POLICIES

The main unusable reserve is the Capital Adjustment Account which represents the balance of the surpluses or deficits arising from the periodic revaluations of fixed assets and the amounts set aside from revenue or capital receipts to finance expenditure on fixed assets and certain other capital financing transactions. Other unusable reserves include the Revaluation Reserve which contains valuation gains recognised since 1 April 2007 and the Pension Reserve which reflects the Council's liability to the pension fund.

### **1.21 Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax. An example of such expenditure would include Disabled Facilities Grants.

### **1.22 VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

### **1.23 Carbon Reduction Commitment Allowances**

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide purchased as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and apportioned to the services on the basis of energy consumption.

### **1.24 Fair Value Measurement**

These statements of account for 2013/14 do not include the measurement and the disclosure requirements of IFRS 13 Fair Value Measurement because the adoption is deferred until 2014/15.

### **1.25 Principal and Agent Accounting Policy**

In the majority of transactions the Council undertakes it is acting entirely on its own behalf and completely owns any risks and rewards of the transaction. This is known as the Council acting as a Principal.

However there are some situations whereby the Council is acting as an Agent, where the Council is acting as an intermediary for all or part of a transaction or service. The two main instances where this occurs are in relation to Council Tax and Business Rates whereby the Council is collecting Council Tax and Business Rates income on behalf of itself and preceptors (Oxford County Council, and other preceptors and the Department for Communities and Local Government (DCLG), and Oxford County Council in relation to Business Rates).

The implications for this is that any balance sheet transactions at the year end, in relation to these Agent relationships, are split between the principal parties and, therefore, the balances contained on the Balance Sheet for a particular debt are the Council's own proportion of the debt and associated balances. The proportion of transactions that relate to the other parties to the relationship are shown as debtors or creditors due from/to these parties.

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# **GLOSSARY OF TERMS AND ABBREVIATIONS**

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## GLOSSARY OF TERMS AND ABBREVIATIONS

### **Accounting Period**

The period of time covered by the accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **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.

### **Amortisation**

The term used to refer to the charging of the value of a transaction or asset (usually related to intangible fixed assets) to the Income and Expenditure Account over a period of time, reflecting the value to the authority; similar to the depreciation charge for tangible fixed assets.

### **Asset Held for Sale**

Assets are classified as held for sale if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use. This excludes from consideration any assets that are going to be abandoned or scrapped at the end of their useful lives.

### **Beacon Dwelling**

A generic property type representative of other assets held in the Council dwelling portfolio.

### **Billing Authority**

A local authority responsible for collecting Council Tax and National Non-Domestic Rates.

### **Capital Expenditure**

Spending which produces or enhances an asset, like land, buildings, roads, vehicles, plant and machinery, and intangible assets such as computer software. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure which does not fall within the definition must be charged to a revenue account.

### **Capital Adjustment Account**

A reserve that reflects financing of capital from revenue and capital receipts together with the adjustment of the minimum revenue provision.

### **Capital Receipts**

The proceeds from the sale of fixed assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on fixed assets or to finance new capital expenditure, within rules set down by government. Capital receipts cannot, however, be used to finance revenue expenditure.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

The professional accountancy body concerned with local authorities and the public sector.

### **Collection Fund**

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

## GLOSSARY OF TERMS AND ABBREVIATIONS

### **Collection Fund Adjustment Account**

A reserve account that reconciles differences between statutory requirements as a Billing Authority and proper accounting practice.

### **Contingent Assets/Liabilities**

Potential gains and losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a debtor or provision in the accounts.

### **Contingent Rent**

A contingent rent is the difference between the inception rent and the current rent, and can relate to both rental income and rental expenditure on leased properties. A contingent rent on a leased property is the increases in the amount to be paid for the property arising from rent reviews during the contract, and these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. A contingent rent on leased out property is where the contingent rental increases due to rent reviews are recognised in income as they are received as an addition to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Deferred Credits**

This is the term applied to deferred capital receipts. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years, e.g. mortgages. The balance is reduced by the amount repayable in any financial year.

### **Deferred Grants**

Amounts received or receivable which have been used to finance capital expenditure within the year. Under the capital accounting arrangements these amounts will be written off over the same period as the assets to which they relate.

### **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful life of a fixed asset.

### **Earmarked Reserves**

These are funds set aside for a specific purpose, or a particular service, or type of expenditure.

### **Finance Lease**

Arrangement whereby the lessee is treated as the owner of the leased asset, and is required to include such assets within fixed assets on the balance sheet.

### **Fixed Assets - Tangible**

Tangible assets (i.e. land and buildings) that yield benefits to the Council and the services it provides for a period of more than one year.

### **Fixed Assets – Intangible**

Assets which are of benefit to the organisation but have no physical presence such as software licences.

### **GAAP**

Generally Accepted Accounting Practice



## GLOSSARY OF TERMS AND ABBREVIATIONS

### **General Fund Balance**

Balance at Year End not earmarked for any specific purpose.

### **Group Accounts**

Are the collective financial statements of a group, plus the investments in associates and interests in joint ventures, presented as a single economic entity.

### **Heritage Assets**

Are assets with historic, cultural, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

### **Housing Subsidy**

A Government grant payable towards the cost of providing Local Authority housing and the management and maintenance of that housing.

### **International Financial Reporting Standard (IFRS)**

A statement of accounting practice issued by the Accounting Standards Board.

### **Impairment**

An accounting adjustment made to the value of the asset when it's carrying amount (the amount at which an asset is recognised in the Balance Sheet after deducting accumulated depreciation and impairment losses) exceeds its recoverable amount (the higher of assets fair value less cost of sale and its value in use).

### **Investments**

Deposits for less than one year with approved institutions

### **Infrastructure Assets**

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.

### **Investment Property**

Investment property is (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of operations.

### **Joint Venture**

Contractual or binding agreement whereby two or more parties are committed to undertake an activity that is subject to joint control.

### **Long Term Debtors**

Amounts due to the Council more than one year after the Balance Sheet date.

## GLOSSARY OF TERMS AND ABBREVIATIONS

### **National Non-Domestic Rates (NNDR)**

Under the arrangements for uniform business rates, which came into effect on 1 April 1990, the Council collects Non-Domestic Rates for its area based on local rateable values, multiplied by nationally set rates. The total amount, less certain relief and deductions, is paid to a central pool managed by the Government, which in turn, pays back to Authorities their share of the pool based on a standard amount per head of the local adult population

### **Non operational Assets**

Fixed assets held by an organisation but not directly occupied, used or consumed in the delivery of services. An example of a non operational asset is an investment property or an asset being held pending its sale.

### **Operational Asset**

Fixed assets held by the Council and used or consumed in the delivery of its services.

### **Operating Lease**

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

### **Pension Fund**

An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

### **Pooling of Housing Capital Receipts**

Pooling is the term given to the requirement to pay to the Government a proportion of certain types of capital receipt. From 1 April 2004 Right To Buy receipts are subject to a payment into a government pool at the rate of 75% for RTB's and 50% for land and other assets, net of statutory deductions and allowances. The Council may apply the sums to capital regeneration and Social Housing investment.

### **Precept**

The amount by which a Precepting Authority (e.g. a County Council) requires from a Billing Authority (e.g. District Councils) to meet its expenditure requirements.

### **Profit on the sale of Fixed Assets**

This is a recent accounting requirement for Local Government, and requires the book value of the asset sold to be compared to the net proceeds to calculate the profit or loss on the transaction

### **Provisions**

Sums set aside to meet future expenditure where a specific liability is known to exist but cannot be measured accurately.

### **PWLB**

Public Works Load Board - part of Central Government from which we can obtain borrowing.

### **Revenue**

Cost and income relating to the day-to-day running of services e.g. salaries and wages, supplies and services, transport and service relating income.

## GLOSSARY OF TERMS AND ABBREVIATIONS

### **Revenue Expenditure Funded from Capital under Statute (Refcus)**

Capital expenditure which is allowable by statute to be funded from capital resources but which does not fall within the Code's definition of fixed assets. Examples include grants and similar advances made to other parties to finance capital investment.

### **Revenue Support Grant**

This funding is the Government Grant provided by the Department for Communities and Local Government (CLG), which is based on the Government's assessment as to what should be spent on local services. The amount provided by the CLG is fixed at the beginning of each financial year.

### **Statement of Recommended Practice (Code)**

The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice.

The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of a local authority. It prescribes the accounting treatments and disclosures for all normal transactions of an authority and involves interpretations of accounting standards issued by the Accounting Standards Board.

### **Statement of Standard Accounting Practice (SSAP)**

A statement of accounting practice issued by the Accounting Standards Board.

### **Surplus Asset**

Where assets are not in use but do not meet the criteria of Assets Held for Sale they will be considered surplus and will be accommodated in the class of Property, Plant and Equipment.

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# **INDEX OF NOTES TO THE ACCOUNTS**

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## INDEX OF NOTES TO THE ACCOUNTS

<b>Note:</b>	<b>Page:</b>
Accounting Policies	103 - 118
Assets Held For Sale	54
Balance Sheet	27
Capital Commitments	48 & 90
Capital Expenditure	68
Capital Receipts	57 & 68
Cash and Cash Equivalents	53
Cash Flow	28
Collection Fund	91 - 92
Council Tax	45 & 91 - 92
Creditors	54
Debtors	53
Earmarked Reserves	43
Exit Payments	71 - 72
Finance Leases	68 & 71
Financial Instruments	52 & 75 - 79
Fixed Assets - Investment Properties	50 - 51
Fixed Assets - Heritage Assets	49 - 50 & 80 - 81
Fixed Assets - Property, Plant & Equipment	46 - 49
Grants	64 - 66
Group Account - Balance Sheet	96
Group Account - Cash Flow	99 - 100
Group Account - Comprehensive Income & Expenditure	95
Group Account - Movement in Reserves Statement	94
Heritage Assets	49 - 50 & 80 - 81
Housing Revenue Account	85 - 90

## INDEX OF NOTES TO THE ACCOUNTS

Impairments	46 - 47 & 71
Intangible Assets	51
Inventories	52
Investment Properties	50 - 51
Leases	68 - 71
Members Allowances	62 - 63
National Non Domestic Rates	45 & 91 - 92
Operating Leases	69 & 71
Pensions	72 - 74
Provisions	54 - 55
Revenue Expenditure Funded from Capital under Statue (Refcus)	68
Revaluation	48 - 50
Segment Report	60
Stock	52
Termination Costs	71
Trading	62



# **INDEPENDENT AUDITORS REPORT AND CERTIFICATE**

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**INDEPENDENT AUDITORS REPORT AND CERTIFICATE**

**INDEPENDENT AUDITORS REPORT AND CERTIFICATE**

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# **Statement of Accounts 2013/14**

# *Oxford City Council*

## Internal Audit Progress Monitoring Report

September 2014

161  
September 2014

**pwc**

Agenda Item 5

# Table of Contents

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<i>Plan outturn</i>	2
<i>2014/15 Audit Plan</i>	2
<hr/>	
Activity and Progress	3
<i>Audit Scoping, fieldwork and draft reports</i>	3
<i>Other internal audit activity</i>	3
<hr/>	
Appendix 1 - Internal audit detailed progress tracker	4
Appendix 2 –Thought leadership publications	8

162

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**Distribution list:** Audit and Governance Committee, Executive Team

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**Background and scope:** The purpose of this report is to provide a progress update on the agreed 2014/15 plan.

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# *Plan outturn*

## ***2014/15 Audit Plan***

We have undertaken work in accordance with the 2014/15 Internal Audit Plan that was approved by the Audit and Governance Committee at its meeting in June 2014.

A statement tracking assignments undertaken and planned activity is shown in Appendix One. At the time of writing this report we have completed 22 days (10%) of the planned audit days. As fieldwork is undertaken over the coming months, we anticipate a further 140 days will be completed prior to the December meeting.

# Activity and Progress

## *Audit Scoping, fieldwork and draft reports*

As at the date of the September Audit and Governance Committee, meetings have been held for the following reviews to agree the scope of work and Terms of Reference are in the process of being finalised and issued. Director sign-off will be obtained for all Terms of Reference before any work commences.

- Finance Systems – Fixed Assets, General Ledger and Payroll
- Collection Fund (Council Tax and NNDR)
- Housing Benefits
- Housing Rents
- Planning Applications
- Contract Management with IT Suppliers and Smarter Procedures
- Streamlining Year End Close Down Processes
- Environmental Development – Carbon Management
- Corporate Property – Health and Safety

Audit fieldwork has been completed for Housing Benefits. Finalisation of the report has been delayed over the summer holiday period. The Committee will be advised of the outcome of the review at its next meeting.

## *Other internal audit activity*

We have attended the Corporate Management Team Meeting, Customer Services Leadership Meeting and Finance Team Meeting to introduce the new internal audit team and provide an overview of the internal audit plan.

We facilitated a training session on Audit Committee Effectiveness for new and existing members of the Audit and Governance Committee and supporting officers in June 2014.

# Appendix 1 - Internal audit detailed progress tracker

<i>Ref</i>	<i>Auditable unit</i>	<i>Indicative number of days*</i>	<i>Actual audit days to date</i>	<i>Scoping meeting date</i>	<i>Proposed fieldwork dates</i>	<i>Proposed clearance meeting dates</i>	<i>Proposed draft report date</i>	<i>Proposed management response date</i>	<i>Proposed final report date</i>	<i>Audit Committee reporting date</i>
A1	Finance Systems – Fixed Assets, General Ledger and Payroll	16	1	Held	November 2014					
A2	Debtors and Creditors	16		TBC – meeting requested	December 2014					
A3	Collection Fund (Council Tax and NNDR)	12	1	Held	October 2014					December 2014
A4	Housing Benefits	10	8	Held	Completed	w/c 8 <sup>th</sup> September	w/c 15 <sup>th</sup> September	w/c 22 <sup>nd</sup> September	w/c 29 <sup>th</sup> September	December 2014
A5	Housing Rents	10	1	Held	I.T. CAATs work in September 2014 and follow up fieldwork October 2014					December 2014

<b>Ref</b>	<b>Auditable unit</b>	<b>Indicative number of days*</b>	<b>Actual audit days to date</b>	<b>Scoping meeting date</b>	<b>Proposed fieldwork dates</b>	<b>Proposed clearance meeting dates</b>	<b>Proposed draft report date</b>	<b>Proposed management response date</b>	<b>Proposed final report date</b>	<b>Audit Committee reporting date</b>
A6	Budgetary Control, Risk Management and Performance	13		TBC						
A6	VAT and Treasury Management	10		TBC						
B1	Finance – Year End Report	5		TBC						
166	B2 Car Parking	7		TBC – meeting requested	October 2014					
	B3 Managing Capital Projects	10		18 /09/2014	TBC					
	B4 Sports Pitch and Facility Booking	8	1.5	10/09/2014	<i>Review to be combined with cash collection days in A2. Focus on cash collection processes in depots with additional focus on OSP governance</i> October 2014					
VE1	Planning Applications	10	0.5	Held	<i>Original scope included in audit plan no longer applicable. Further consideration required whether days can be reallocated.</i>					
VE 2	Void Properties (Council Housing)	10		TBC – meeting requested	December 2014					
VE 3	Discretionary Housing Payments and Social Funds	10		TBC – meeting requested	December 2014					

<i>Ref</i>	<i>Auditable unit</i>	<i>Indicative number of days*</i>	<i>Actual audit days to date</i>	<i>Scoping meeting date</i>	<i>Proposed fieldwork dates</i>	<i>Proposed clearance meeting dates</i>	<i>Proposed draft report date</i>	<i>Proposed management response date</i>	<i>Proposed final report date</i>	<i>Audit Committee reporting date</i>
VE 4	Post Implementation Review Business Rates and Council Tax Collection	10		10/09/2014						
VE5	Contract Management with IT Suppliers and Smarter Procedures	12	0.5	Held	Initial meeting held. Further scoping discussion required.					
VE 6	Streamlining Year End Close Down Processes	16	1	Multiple meetings held in July and August 2014. Further meeting 10/09/2014						
<b><i>Deferred from 2013/14</i></b>										
C1	Environmental Development – Carbon Management	10	2	Number of meetings held to agree scope. Terms of Reference issued.		October 2014				

167

<i>Ref</i>	<i>Auditable unit</i>	<i>Indicative number of days*</i>	<i>Actual audit days to date</i>	<i>Scoping meeting date</i>	<i>Proposed fieldwork dates</i>	<i>Proposed clearance meeting dates</i>	<i>Proposed draft report date</i>	<i>Proposed management response date</i>	<i>Proposed final report date</i>	<i>Audit Committee reporting date</i>
C2	Corporate Property – Health and Safety	5	0.5	Initial meeting held in July, further meeting 23/09/2014	TBC					
	Follow up & audit management	30	5							
	<b>Total days (excl contingency)</b>	<b>230</b>	<b>22</b>							

168

\* Consistent with the delivery of previous plans, where appropriate and in agreement with client management, we are able to flex our audit service to include more senior or specialist staff to respond to the risks generated by audit reviews. Where we do this we effectively agree a fixed fee for the audit work which is derived from the combined fees of the planned audit days allocated to this audit review during the annual planning process.

# Appendix 2 – Thought leadership publications

As part of our regular reporting to you we plan to keep you up to date with the emerging thought leadership we publish. The PwC Public Sector Research Centre (PSRC) produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

## **Productivity in the Public Sector**

This new Talking Points publication from PwC and Demos explores what can be done to lift productivity and how the public sector can play its part.

The UK as a whole has a productivity problem. Its workers produce less per hour than their counterparts in France, Germany and the US, with the gap widening since the onset of the financial crisis. The question of how to improve productivity is where debates on growth, living standards and deficit reduction come together. And the public sector has a key role to play in finding the answer.

By creating the right environment for business through their policies, government at all levels can help places build on their strengths and attract the talent and investment that companies need to succeed. And the public sector - as a huge employer - has the potential to make a unique impact to this issue.

In this Talking Points publication from PwC and Demos, we examine the issue of low productivity and the challenges ahead for the public sector, consider the role of the workforce as a partner in solving these dilemmas and draw together discussions over a series of three roundtables on 'good jobs', to present some potential responses including:

- Job design for high productivity working
- Learning and development for an adaptable public sector workforce
- Pay and rewards and their links to productivity



[http://www.pwc.com/en\\_GX/gx/psrc/united-kingdom/assets/pwc-productivity-in-the-public-sector.pdf](http://www.pwc.com/en_GX/gx/psrc/united-kingdom/assets/pwc-productivity-in-the-public-sector.pdf)

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**To: Audit & Governance Committee**

**Date: 22 September 2014**

**Report of: Head of Finance**

**Title of Report: Progress on Implementation of Audit Recommendations**

## **Summary and Recommendations**

**Purpose of report:** To report progress on the implementation of internal and external audit recommendations.

**Policy Framework:** Budget

**Report Approved by:**

**Finance:** Nigel Kennedy

**Legal:** Jeremy Thomas

**Recommendation:** That the Committee note the progress with the recommendations listed in Appendix A.

## **Appendix 1 – Internal and External Audit Recommendation Tracker**

### **Background**

1. The outcomes of all internal and external audit reports are reported to this Committee. Each report includes recommendations or agreed actions, a summary of those recommendations which remain outstanding together with updated management responses is provided in Appendix A.
2. Each recommendation is marked with a % complete which correlates to a red/amber/green rating depending on the percentage of completeness. Up to 25% complete is marked red, between 25% and 75% complete is amber and over 75% complete is green. However, any recommendations that are less than 50% complete but have not yet exceeded their expected completion date are also marked red, if they are within one month of their completion date they are marked amber.
3. Any recommendations that were noted as 100% complete at the last meeting have been removed from the tracker.

### **External Audit Recommendations**

4. There are no External Audit recommendations included on the current tracker.

### **Internal Audit recommendations**

5. There has been one new Internal Audit report finalised since the last meeting:
  - a. **Risk Management and Budgetary Control – Low risk rating**  
– Four low risk recommendations were raised during the audit, two relating to the operating effectiveness of Risk Management and two relating to the operating effectiveness of Budgetary control. All of these recommendations have now been implemented and are noted on the tracker.
6. There are 15 recommendations on the Internal Audit tracker that are not 100% complete as follows. Ten of the recommendations will be fully implemented once the Councils Asset Management Plan has been presented to City Executive Board in October. The status of the remaining 5 is as follows :
  - a. **Cash and Card Payments** – Cash is no longer in use at St Aldates Chambers. Those services still taking cash are seeing reduced volumes and use of card payments is being promoted and encouraged by staff;
  - b. **Community Centres and Associations** –
    - i. 17 of the 19 Community centres have either a license or a lease. The remaining 2 centres are directly managed. Longer term discussions are on-going
    - ii. The review of the process for repairs and maintenance is in progress but not yet finalised;
  - c. **Fraud Risk Assessment** –
    - i. The implementation of a new case management system is currently being planned. This will have the facility to record all fraud cases
    - ii. Further publicity of houses taken back into stock will arise following the closure of the Housing Amnesty which closes at the end of October
7. The recommendation relating to Housing Benefit quality checks, IA 532 is a recurring recommendation. At least 10% of work processed is now being checked daily. The target is now consistently being met and is expected to continue in this way. These quality checks allow us to make any necessary amendments on a timely basis to ensure Benefits are assessed accurately.
8. There are eight Internal Audit recommendations that are being reported as 100% complete and will be removed from the next report.
9. As previously reported there has been an overall improvement in the outcome of our internal audit reviews over the last two years, with the number of low risk audits increasing significantly, this is an encouraging

direction of travel. The table below details the percentage of reports and their risk ratings.

Risk Rating	13/14		12/13		11/12		10/11	
	No of reports	% of reports	No of reports	% of reports	No of reports	% of reports	No of reports	% of reports
High	1	7%	1	10%	1	7%	2	15%
Medium	0	0%	3	30%	9	60%	8	62%
Low	13	93%	6	60%	5	33%	3	23%
	<b>14</b>		<b>10</b>		<b>15</b>		<b>13</b>	

10. Alongside the reduction in risk rating the number of recommendations has also reduced and any recommendations made are now being dealt with in a much timelier manner. The use of the audit tracker and reporting to the Audit & Governance Committee has increased the focus placed on recommendations and ensured they are dealt with more swiftly.

### Financial Implications

11. Whilst this report is primarily for noting there is the potential that financial implications could arise for the Council if recommendations are not implemented and the internal audit of processed and procedures highlight areas of risk.

### Legal Implications

12. There are no legal implications arising from the recommendations in this report.

### Equalities Impact

13. There are no Equalities implications arising from the recommendations in this report.

### Climate change/environmental impact

14. There are no Climate Change implications arising from the recommendations in this report.

### Name and contact details of author:

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**Background papers:** None

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Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Updater	Owner	Due Date	Forecast Completion Date	% Complete	Comments
IA547	Community Dev, Centres & Associations Audit	1-Mar-2014	Some of the community centres contact the repairs and maintenance team directly and have jobs raised on the Uniform system.	Low	Work in which the Council is not responsible is performed. Repairs and maintenance may not be monitored.	Mark Spriggs	Mark Spriggs	1-May-2014		50	A division of responsibility between the Council and Community Associations has been established and also attached to the proposed lease. Monthly meetings between CAN and Property have been organised to help monitor projects, performance and outcomes. Dialogue about the transfer of budget to CAN to increase monitoring and control is on-going
IA605	Fraud Risk Assessment	1-Jun-2014	Internal fraud cases are not currently recorded on a system unless they relate to housing benefits or council tax. The investigations team are deemed to have sufficient knowledge to perform risk assessments to enable cases to be prioritised. The detail of the cases is maintained locally by the team.	Low	Internal reported cases will be documented on a centralised system. The existing Northgate system has the functionality to perform this. Timeline for delivery will be agreed with the Head of ICT and prioritised within the Council's corporate ICT work plan.	Scott Wwarner	Scott Warner	31-Dec-2014		60	A new corporate case management system is being considered (as part of the agreed corporate bid to purchase a data warehouse system). This will enable recording and monitoring of all corporate investigations, giving a clear audit trail and detailed reports, highlighting the areas of risk, targeting known areas of risk of financial loss through fraud. We do have the ability with the Northgate system in current use for recording Welfare Benefit and Housing Fraud Investigations to develop for ourselves an Internal Investigation Module. The specs for the system are complete. Awaiting agreement of team resources post SFIS before the contract is put out for tender. The proposed new system is incorporated in the Council's ICT work plan
IA606	Fraud Risk Assessment	1-Jun-2014	The investigations team do not report the success they are having in repossessing houses as part of the housing tenancy fraud work through all publication methods.	Low	The Council should increase publication of successful repossession of houses. For example putting posters onto reclaimed properties. This will provide positive publicity for the Council, whilst also acting as a deterrent.	Scott Wwarner	Scott Warner	1-Aug-2014	31-10-2014	75	All opportunities are taken to publicise successful outcomes. Successes are publicised in the publication Tenants in Touch. It is recognised that more publicity is needed to the wider public. Publicity and poster campaign will support the planned 2 month Housing Amnesty for subletting starting on 01/09/2014. Press releases will be forwarded to the Council's Media Team for all successful criminal cases of subletting. OCC intranet and web page is to be updated quarterly; reporting properties returned, as a result of civil and criminal proceedings and also properties returned as a result of intervention by the Housing Investigation Team.
IA523	Cash and Card Receipts Review	7-Feb-2014	Whilst the Council are moving towards becoming cash free there is no regular monitoring of the cash payments which are being received.	Low	The increase in cash intake during the year to date is not in line with the Council's objective of reducing cash payments; failure to monitor and identify the reasons for increases could result in the Council not being able to put in place appropriate actions to reduce cash payments.	Pete Johnson	Pete Johnson	31-Dec-2014		80	A report will be taken to OI&CS Board outlining and identifying the areas of cash intake with a view to decide on action to reduce. Direct Debits are being promoted in respect of Sundry Debtors
IA542	Town Hall Income	1-Mar-2014	There are no procedure notes in place for cash payments.	Low	Procedure notes will be written for cash payments.	Pete Johnson	Richard Clements	31-Dec-2013		100	Procedure notes have been written
IA627	Risk Management & Budgetary Control	28-Aug-2014	The most recent versions of Risk Management Strategy and Operating Framework (version 0.3) have not been reviewed and approved by the Audit and Governance Committee (A&GC) and the City Executive Board (CEB). The A&GC and CEB have not reviewed the Strategy or Operating Framework at all in 2013/14.	Low	Strategy and Operating Framework are not updated to reflect changing legislation; government initiatives; best practice and experience gained. Procedure notes become inconsistent with risk management process.	Anna Winship	Anna Winship	1-Nov-2014		100	revised Risk Strategy and Operating Framework are on the agenda for this meeting for review prior to being approved at CEB. Ilearn training is also being developed to ensure all staff are trained in this area
IA628	Risk Management & Budgetary Control	28-Aug-2014	2/11 risks from the Corporate Risk Register were not included in the Q2 Integrated report presented to the City Executive Board, and 1/11 Corporate Risk Register risks were not included in the Q3 report.	Low	City Executive Board are unaware of all corporate risks facing the Council.	Anna Winship	Anna Winship	1-Nov-2014		100	The report at this meeting also addresses this issue and states that the integrated report for Q2 will ensure that all Corporate Risks are identified appropriately

IA629	Risk Management & Budgetary Control	28-Aug-2014	4/26 budget variances tested discussion of variations or adjustments could not be confirmed	Low	Variances are not tracked or approved	Nigel Kennedy	Nigel Kennedy	1-Sep-2014		100	Standard templates are now to be used for all monitoring meetings, to set the agenda and minute any actions, including tracking variances, and discussions on efficiency savings
IA630	Risk Management & Budgetary Control	28-Aug-2014	To assess whether action plans are in place to address adverse efficiency saving performance, PwC reviewed management meetings and in 4 of 8 cases it was shown that no evidence of efficiency saving discussions took place.	Low	Efficiency savings targets are not met. Insufficient action taken to address savings targets.	Nigel Kennedy	Nigel Kennedy	1-Sep-2014		100	Standard templates are now to be used for all monitoring meetings, to set the agenda and minute any actions, including tracking variances, and discussions on efficiency savings
IA607	Fraud Risk Assessment	1-Jun-2014	The Council has to resource its corporate fraud requirements in the National Single Fraud Investigation Service (SFIS). Part of this has considered the introduction of the Oxfordshire Fraud Hub. This proposal has been formally created and introduced to the Audit and Governance Committee. However, there is no formal action plan that details delivery or timescales.	Low	A formal action plan is introduced to detail how the new structure is to be approached. Formal deadlines for completing activities will be set to enable progress to be monitored.	Scott Wwarner	Scott Warner	1-Aug-2014		100	Proposed County wide Investigation Service Hub, incorporating the County Council and the 5 District Council (and partner District Councils) post SFIS. Stage dates released to County wide Treasurers Group, regular monthly meetings on going, proposed structure prepared for discussion, data collated from all districts on resource, income and expenditure and key areas of potential risk of loss through fraud.
IA532	Housing Benefits	10-Feb-2014	During the 2012/13 review we found issues with performing quality checks on a consistent basis, we found: ? Quality checks in 2012/13 only started in mid-October following a restructure during which time checks were suspended. ? Our review showed that the target for quality checking was not met during the two months which we tested (November and December). The following was agreed: Checks will be carried out consistently on a monthly basis throughout the remainder of the year and the new target will be achieved on a monthly basis.	Low	We found that the 10% quality checking target was not met in 1 of the 5 months tested.	Sharon Warner	Sharon Warner			100	The target of 10% is continuing to be met on a consistent basis
IA545	Community Dev, Centres & Associations Audit	1-Mar-2014	1 of 19 community centres currently has a signed lease agreement. The remaining centres have less formal agreements in place.	Medium	Legally the Council are not covered from liabilities. Lack of clarity over responsibilities.	Angela Cristofoli	Angela Cristofoli	29-Apr-2014		95	16/17 Community Centres have either a licence to use or a lease. 2 are directly managed. The longer-term discussions regarding renegotiating the leases is still ongoing with Council and Federation of community associations.
IA510	Asset Management	1-Dec-2013	Some areas were unclear with regard to the linkage between actions and objectives and to the Corporate Plan.	Medium	Future iterations should ensure that objectives are linked to those in the Corporate Plan, and that objectives, actions, targets and measures are linked together. With an executive summary included for the key messages and conclusions.	Lorraine Newman-Robson	Mike Scott	31-Oct-2014		95	A refresh of the Asset Management Plan has now been undertaken taking into consideration all of the internal audit recommendation, and will be presented to CEB for approval in Oct
IA511	Asset Management	1-Dec-2013	The strategy includes a risk register, however this should include the the key risks to the individual objectives, and include details of the actions and assurance sources to address the risks.	Medium	Risk register to include the the key risks to the individual objectives, and include details of the actions and assurance sources to address the risks.	Lorraine Newman-Robson	Mike Scott	31-Mar-2014	October 2014	95	A refresh of the Asset Management Plan has now been undertaken taking into consideration all of the internal audit recommendation, and will be presented to CEB for approval in Oct
IA512	Asset Management	1-Dec-2013	The plan whilst strategic and policy driven in some instances is not specific. The general approach to management is included but this does not include an asset by asset breakdown or details of the future holding strategy. Reference should be included to how the Council manages assets on a day to day basis.	Medium	Plan to include reference to how the Council manages assets on a day to day basis.	Lorraine Newman-Robson	Mike Scott	31-Mar-2014	October 2014	95	A refresh of the Asset Management Plan has now been undertaken taking into consideration all of the internal audit recommendation, and will be presented to CEB for approval in Oct
IA513	Asset Management	1-Dec-2013	A section should be included on the review proces which is undertaken on completion of key projects and the capital programmes.	Medium	A section should be included on the review proces which is undertaken on completion of key projects and the capital programmes.	Lorraine Newman-Robson	Mike Scott	31-Mar-2014	October 2014	95	A refresh of the Asset Management Plan has now been undertaken taking into consideration all of the internal audit recommendation, and will be presented to CEB for approval in Oct

IA514	Asset Management	1-Dec-2013	The document is vague on the portfolio strategy, this should be expanded beyond the overview and objectives to be more specific and structured with consideration given to: How the objectives will be met rather than targets being given What the current and future business needs are and how well the existing estate is accommodation the requirements More detailed asset class strategies included with actions to how these will be achieved and performance measured A fit for purpose assessment of the main elements of the estate and The portfolio overview including more geographical references	Medium	Expand portfolio strategy beyond the overview and objectives to be more specific and structured with consideration given to: How the objectives will be met rather than targets being given What the current and future business needs are and how well the existing estate is accommodation the requirements More detailed asset class strategies included with actions to how these will be achieved and performance measured A fit for purpose assessment of the main elements of the estate and The portfolio overview including more geographical references	Lorraine Newman-Robson	Mike Scott	31-Mar-2014	October 2014	95	A refresh of the Asset Management Plan has now been undertaken taking into consideration all of the internal audit recommendation, and will be presented to CEB for approval in Oct
IA515	Asset Management	1-Dec-2013	Within the General Fund Assets, an investment fund strategy should be included which details objectives, commentary on the portfolio and any assets which are identified as problems/low return.	Medium	Within the General Fund Assets, an investment fund strategy should be included which details objectives, commentary on the portfolio and any assets which are identified as problems/low return.	Lorraine Newman-Robson	Mike Scott	31-Mar-2014	October 2014	95	A refresh of the Asset Management Plan has now been undertaken taking into consideration all of the internal audit recommendation, and will be presented to CEB for approval in Oct
IA516	Asset Management	1-Dec-2013	There needs to be a definition included of the levels of the strategy, sub-geographics and assets, with details of how these are layered and refreshed in the Housing Revenue Account assets list.	Medium	There needs to be a definition included of the levels of the strategy, sub-geographics and assets, with details of how these are layered and refreshed in the Housing Revenue Account assets list.	Lorraine Newman-Robson	Mike Scott	31-Mar-2014	October 2014	95	A refresh of the Asset Management Plan has now been undertaken taking into consideration all of the internal audit recommendation, and will be presented to CEB for approval in Oct
IA517	Asset Management	1-Dec-2013	There needs to be challenge on the current use of assets and an assessment included of the benefit and suitability within the Housing Revenue Account Asset list.	Medium	There needs to be challenge on the current use of assets and an assessment included of the benefit and suitability within the Housing Revenue Account Asset list.	Lorraine Newman-Robson	Mike Scott	31-Mar-2014	October 2014	95	A refresh of the Asset Management Plan has now been undertaken taking into consideration all of the internal audit recommendation, and will be presented to CEB for approval in Oct
IA518	Asset Management	1-Dec-2013	Details are required over the source of finance and/or consideration to other models of financing within the Housing Revenue Account Asset list.	Medium	Details are required over the source of finance and/or consideration to other models of financing within the Housing Revenue Account Asset list.	Lorraine Newman-Robson	Mike Scott	31-Mar-2014	October 2014	95	A refresh of the Asset Management Plan has now been undertaken taking into consideration all of the internal audit recommendation, and will be presented to CEB for approval in Oct
IA519	Asset Management	1-Dec-2013	A summary should be included of tenant satisfaction within the Housing Revenue Account Asset list.	Medium	A summary should be included of tenant satisfaction within the Housing Revenue Account Asset list.	Lorraine Newman-Robson	Mike Scott	31-Mar-2014	October 2014	95	A refresh of the Asset Management Plan has now been undertaken taking into consideration all of the internal audit recommendation, and will be presented to CEB for approval in Oct
IA563	ITGCs Audit	1-Mar-2014	162 accounts on Agresso have never logged into the Agresso system which suggests they do not need access to the system. There are also 112 accounts which are locked.	Medium	Unauthorised access to the system. Users have access when not needed.	Anna Winship	Anna Winship	1-Jun-2014		100	a review of all users has been undertaken, and 'old' users now being removed

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**To:** Audit & Governance Committee  
**Date:** 22 September 2014  
**Report of:** Head of Finance  
**Title of Report:** Annual Review of Risk Management Strategy

## Summary and Recommendations

**Purpose of report:** To present a review of the Council's Risk Management Strategy for comment prior to its consideration by the City Executive Board.

**Key decision:** No

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** Corporate Plan - Efficient, Effective Council

**Recommendation:**

Consider the revised Risk Management Strategy and Operating Framework attached at Appendices 1 and 2 and, if the Committee wishes, convey recommendations to the City Executive Board.

**Appendix A** Risk Management Strategy  
**Appendix B** Risk Management Operating Framework

## **Risk Management Strategy**

1. A copy of the updated Risk Management Strategy is attached at Appendix A. The previous Strategy was approved by the Audit and Governance Committee and City Executive Board in February 2012. The headline changes to the Strategy include:
  - Inclusion of the role of Head of Business Improvement and Technology to cover Public Service Network (PSN) requirements. It is a requirement that the Risk Management Strategy is aligned with the Council's ICT security and governance standards to enable it to successfully achieve the annual PSN accreditation from the Cabinet Office, and the inclusion of this information provides this alignment;
  - Revised probability and impact measure definitions to clarify the scoring process. These are set out in detail at paragraph 10 below and in the Risk Management Operating Framework attached at Appendix B.

2. The Strategy retains the core the aims of:
  - fully embedding risk management into the culture, processes and procedures of the Council, so that threats and opportunities are proactively managed, thereby strengthening the Council's ability to deliver its objectives and strategic priorities.
  - providing a clear and consistent approach to the management of risk throughout the Council.
  
3. A copy of the Risk Management Operating Framework is attached at Appendix 2. The purpose of the Framework is to outline how the Council will deliver the Risk Management Strategy and no substantive changes are proposed.
  
4. External reviews of the Council's Risk Management Strategy have recently been carried out by Zurich Municipal, the Council's insurer's and the Council's internal auditors Price Waterhouse Coopers (PWC).
  
5. Broadly speaking the Zurich report concluded that the Council had an effectively managed risk management strategy and process in place, but made a number of advisory comments, e.g. consistency of approach was not uniform across all services, and engagement could be improved. These have been taken into account as part of the Strategy refresh.
  
6. The Council's Internal Auditors PWC review of the risk management function reported that performance in this area had improved since the last review. However, the report raised two issues,
  - The Risk Management Strategy and Operating Framework have not been recently reviewed by Audit and Governance Committee  
**Officer Response** The updated version of the Strategy is attached for comment and approval.
  - Not all Corporate risks were being reported to CEB.  
**Officer Response** The reporting system restricts the reporting of the Council's highest 6-8 risks on the quarterly integrated report, however this may not always show all corporate risks. The narration that accompanies the report includes details of all red Corporate Risks. All members have access to CorVu and can view the corporate risks at any time. However, amendments are being made to the CorVu reports to ensure all the risks are shown on the CEB report from Q2.
  
7. To assist in embedding the Strategy across the Council an online training tool is being developed on i-Learn. This will provide a consistent message across all service areas and aid engagement in Risk Management within the Council. This facility allows the owner of the program to track and see

who has used the training tool and to target specific staff for training. It is intended to be rolled out to key risk owners by December 2014, and then to the wider audience throughout 2015.

8. Once approved the updated Strategy and Operating Framework will be shared with all staff and placed onto the intranet.
9. At the last officer Risk Management Group meeting it was agreed the members of the Group would each become “risk owners” and would report back with updates and case studies on their respective risks throughout the year. The risk owner in this context is the person who is responsible for a specific corporate risk, usually attached to their service area, on the risk register. Learning points and good practice would then be disseminated back through the Council.
10. The Strategy and Operating Framework retains the five by five scoring matrix or ‘heat map’. However, some changes have been made to the definitions of ‘probability’ and ‘impact’ to make it clearer as to what score should be given to the risk being considered.

### **Risk Probability Measurement Criteria**

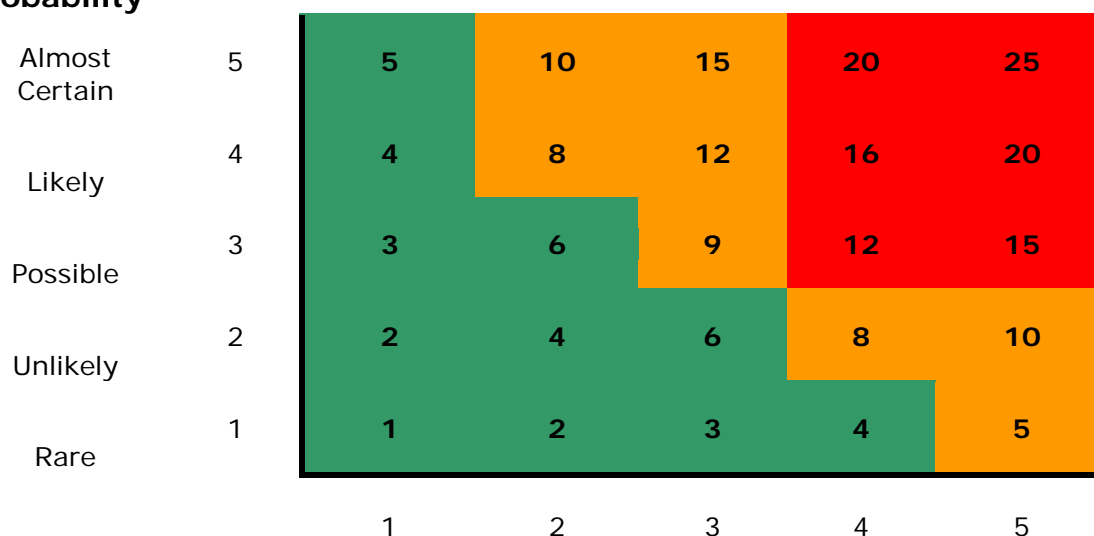
<b>Scale</b>	<b>Description</b>	<b>Likelihood of Occurrence</b>	<b>Probability of Occurrence</b>
<b>1</b>	Rare	1 in 10 years	The event may occur in certain circumstances
<b>2</b>	Unlikely	1 in 3 years	The event could occur
<b>3</b>	Possible	1 in 2 years	The event should occur
<b>4</b>	Likely	Annually	The event will probably occur
<b>5</b>	Almost certain	Monthly	The event is expected to occur or occurs regularly

## Risk Impact Measurement Criteria

Scale	Description	Financial	Reputation	Service / Operations
1	Negligible	<£50k per annum	Public concern restricted to local complaints, which do not attract local media attention.	No impact to service quality, limited disruption to operations
2	Low	£50k - £250k per annum	Minor adverse local / public / media attention and complaints	Minor impact to service quality, minor service standards are not met, short term disruption to operations, minor impact on a partnerships
3	Medium	£250k - £500k per annum	Adverse national media public attention	Significant fall in service quality, major partnership relationships strained, serious disruption in service standards
4	High	£500k - £750k per annum	Serious negative national or regional criticism	Major impact to service quality, multiple service standards are not met, long term disruption to operations, multiple partnerships affected
5	Very High	>£750K per annum	Prolonged, regional & national condemnation	Catastrophic fall in service quality and key service standards are not met, long term catastrophic interruption to operations, several major partnerships are affected

## Risk Matrix – Heat Map

### Probability



### Impact

Negligible      Low      Medium      High      Very High

## **Financial Implications**

11. The Robust management of risk should assist in mitigating the financial impact to the Council should an event occur.

## **Legal Implications**

12. There are no legal implications directly relevant to this report but having proper arrangements to manage risk throughout the organisation is an important component of corporate governance.

<b>Name and contact details of author:-</b>
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Name: Shaun Vinnicombe
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Job title: Risk and Insurance Officer
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Service Area / Department: Finance
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Tel: 01865 252048 e-mail: <a href="mailto:svinnicombe@oxford.gov.uk">svinnicombe@oxford.gov.uk</a>
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**List of background papers:** None

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# Risk Management Strategy

June 2014

Version 4.0



# Risk Management Strategy

## Contents Page

1	Aim
2	Purpose of the Strategy
3	Strategy Review & Approval
4	Definition of Risk
5	Definition of Risk Management
6	The regulatory requirements for risk management
7	The benefits of risk management
8	Risk Management objectives
9	Risk Management Approach
	9.1 Risk Management Cycle
	9.2 Risk Identification
	9.3 Evaluation & Prioritisation
	9.4 Risk Appetite
	9.5 Management of the Risk – Mitigating Action Plans
	9.6 Monitoring
	9.7 Risk Reporting
10	Escalation and flow of Risks
11	Consistency & Challenge
12	Benchmarking of Risk Practices
13	City Executive Board Reports
14	Training
15	Roles & Responsibilities
16	Definitions



# Risk Management Strategy

This strategy defines the approach that Oxford City Council (OCC) takes towards the management of risk throughout the Council.

## 1. Aim

The aim of the risk management policy and strategy is to embed risk management into the culture, ethos, policies and practices of the Council.

## 2. Purpose of the Strategy

The strategy aims to provide a clear and consistent approach to the management of risk across the organisation, between services and between corporate and service levels.

## 3 Strategy Review & Approval

The Risk Management Strategy will be reviewed periodically to take account of changing legislation, government initiatives, best practice and experience gained within the Council in adopting the Strategy. Any amendments will be recommended to the **Audit and Governance Committee (A&GC)** to take forward for approval by the **City Executive Board (CEB)**.

## 4. Definition of Risk

A risk is the chance that something will happen (positive or negative) which will impact on the organisations objectives.

## 5. Definition of Risk Management

Risk management can be defined as '*coordinated activities to direct and control an organisation with regard to risk*'\* (*Risk Management: Principles and Guidelines BS 31000:2209 (BSI)*).

Risk management is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. This is achieved through transferring risks, controlling risks and living with risks. Risk management is not just about insurance, – not least because over 80% of risks faced by organisations are not insurable. Certainly risk transfer is a part of risk management, but so is retention and control.

*Source: Solace/Zurich Municipal*

## **6. The regulatory requirements for risk management**

A risk management strategy is considered as an essential part of good governance within any organisation and therefore should be an integral part of its processes and plan.

The current Accounts and Audit Regulations (England) establish requirements related to systems of internal control, and the review and reporting of those systems.

In 2012 CIPFA in conjunction with the Society of Local Authority Chief Executives (SOLACE) published an updated version of the 2007 publication of Delivering Good Governance in Local Government: Framework. This framework introduced the concept of an integrated Annual Governance Statement covering all significant corporate systems, processes and controls.

The AGS describes the systems and processes that make up the governance framework and how effective these are together with any areas of improvement. The statement draws on opinions and conclusions including internal audit, performance, management, risk management, external auditors and the Councils monitoring officer. Production of the AGS is a statutory requirement and must be approved by the Leader of the Council and the Chief Executive.

## **7. The benefits of risk management**

Highlighted are those benefits of particular importance and focus for the Council.

- More satisfied citizens
- Increased focus on what needs to be done (and not done) to meet objectives
- Supports innovation
- Fewer complaints
- Controlled insurance costs
- Competitive advantage
- Better quality service
- Enhanced ability to justify actions taken
- Delivering best value
- Protection of reputation
- Better management of change programmes
- Getting things right first time

Good risk management can therefore lead to:

### **Better operational performance**

- increased number of targets achieved
- stronger internal controls
- improved service delivery
- increased positive feedback from stakeholders
- fewer complaints received
- improved planning through anticipation of risks

### **Improved financial performance**

- increased percentage of objectives achieved
- reduced level of fraud
- improved income generation
- better budget management

### **Improved human resources management**

- reduced staff turnover
- reduced days lost to sickness

### **Improved corporate governance and compliance systems**

- reduction in legal challenges

### **Improved insurance management**

- reduced cost of insurance premiums
- lower frequency and severity of claims
- reduced uninsured losses

## **8. Risk Management objectives**

Oxford City Council's objectives are to:

- Further embed effective risk management across the Council making it part of all decision making processes
- Continue to actively assess and manage risks and circumstances that could hamper the delivery of services, including early warning mechanisms
- Provide a framework and support so that risks do not become an inhibiting factor in decision making
- Continue to build the confidence to innovate through the use of good risk management practices
- Manage corporate and service area risk in accordance with best practice, as part of good corporate governance
- Create effective processes that will allow the Council to make risk management assurance statements annually.

To achieve these objectives, we will continue to develop risk management processes and procedures by:

- Reviewing the Risk Management Strategy and Operating Framework on a periodic basis
- Establishing clear accountabilities, roles and reporting lines across all directorates
- Train staff across the Council providing them with the necessary awareness, skills and expertise
- Providing for risk assessment in all decision making processes of the Council
- Developing arrangements for the integrated reporting of risk
- Developing a control framework which provides assurance that risks identified are being managed
- Ensuring appropriate consideration of risk within the strategic planning process
- Ensuring that partners, providers and delivery agents are aware of the Council's expectations on risk management

## 9. Risk Management Approach

### 9.1 Risk Management Cycle



### 9.2 Risk Identification

#### Corporate Risks

The Corporate Risk Register (CRR) is reviewed by the Corporate Management Team (CMT) on a quarterly basis any new risks are incorporated into a revised version of the CRR. Risk owners for Corporate Risks are generally held at Director level.

#### Service Risks

Service Area risks are reviewed periodically by Heads of Service and Service Managers. High (red) risks should be raised on a quarterly basis and reviewed by Corporate Management Team for potential inclusion in the Councils Corporate Risk Register.

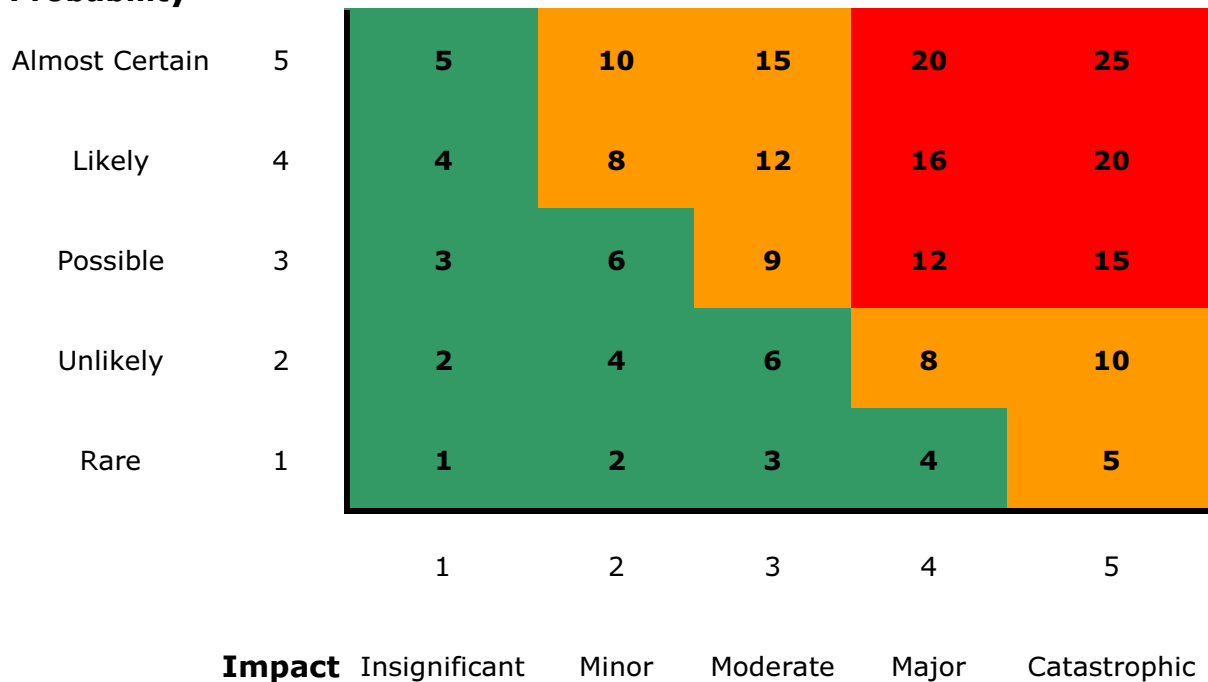
### 9.3 Evaluation & Prioritisation

Risks are evaluated to consider the **probability** of the risk transpiring and the **impact** if the risk were to transpire.

Impact – What will happen if the risk occurs?

Probability – How likely is it that this risk will occur

#### Probability



Where the risk is prioritised on the matrix gives it a risk rating and this risk rating creates a priority for that risk. The rating is the Red, Amber, Green (RAG) status given in the risk matrix.

For each risk area a score will be calculated for the gross, current and residual risk in accordance with the following

- **Gross risk** – the risk without any controls in place
- **Current risk** – the risk with existing controls in place
- **Residual Risks** – the risk with existing controls and mitigating actions in place

## **9.4 Risk Appetite**

Oxford City Council has focused on the Red, Amber, Green status of risks in determining the risk appetite of the organisation.

Red risks are considered unacceptable and every effort must be made to reduce the risk to the organisation.

In order to ensure that there is a consistent application of risk scores, the Risk Group, Director 1:1 meetings and Directorate Meetings challenge service area's risk registers. This ensures that the risk appetite agreed at a corporate level is reflected in the analysis of risks at the service area level.

The risk appetite is reviewed periodically or when there are significant changes to the organisation. Changes to the risk appetite level would require a change to strategy and would therefore require approval of the City Executive Board

## **9.5 Management of the Risk – Mitigating Action Plans**

Risks can be managed in several ways. These can be grouped into the following categories:

- Accept
- Transfer
- Reduce
- Avoid
- Contingency

However, risks are generally managed by reducing the impact and/or probability. In developing a plan for managing the risk, consideration should be given to the benefit of the strategy adopted for managing the risks against the cost of managing the risk.

## **9.6 Monitoring**

The Council makes use of CorVu, its performance management system to record information on all risks including the scoring and progress on mitigating actions against key milestones to be undertaken by clear risk owners.

The monitoring process tracks the progress of the action plans.

Risk management is not a one off exercise. Risks change over time. Monitoring is to consider if there is anything that has happened which alters or changes the risks, causes, risk scores or actions identified. It also ensures that action plans remain relevant, up-to-date and effective.

## 9.7 Risk Reporting

Risk reports are prepared on a quarterly basis to City Executive Board, Audit and Governance Committee and Corporate Management Team in accordance with the following:

	<b>Board/Committee</b>	<b>Frequency</b>
<b>Corporate Risk Register (CRR) Report</b>	Corporate Management Team, and City Exec Board	Quarterly
<b>Service Risk Register (SRR) Report</b>	Corporate Management Team,	Quarterly
<b>Confirmation of completed reporting and summary risk profile</b>	Audit & Governance Committee	Quarterly

## 10. Escalation and flow of Risks

In line with the risk appetite all red risks are seen as unacceptable and must be reduced. Any red risk must be referred to the Risk Officer. In the cases of projects (including procurement projects) the Programme Manager must be made aware of all red risks.

Risks can flow between risk registers for instance a Corporate Risk may be transferred to a Service Risk once the risk can be managed by one area. The Risk Operating Framework sets out how risks flow between registers.

## 11. Consistency & Challenge

Corporate Management Team will focus their attention on corporate risks on a quarterly basis although this review will also incorporate service risks especially 'red' service risks which will be highlighted for potential inclusion in the Corporate Risk Register. CMT will challenge the scoring of the risks in terms of probability of occurrence and impact and ensure that there is consistency of approach and to risk appetite across the organisation.

Additionally each Directorate will consider the risks across the directorate as part of the Directorate meetings. Red risks will be reviewed and there will be challenge of the scoring and action plans.

Director's 1:1 meetings with service heads will review and challenge the Service Risk Register.



The Risk Management Group will provide advice on risk management and periodically sample check service risk registers to ensure the degree of embeddedness within the service.

## **12 Benchmarking of Risk Practices**

The risk practices of the Council are benchmarked against industry practice (established by considering other local authorities, industry reviews and guidance against the organisational context of the Council).

Recommendations are incorporated into the periodic review of the Strategy.

## **13. City Executive Board Reports**

City Executive Board (CEB) Reports where appropriate, must contain a Risk Register in the prescribed format. The Risk Officer will periodically review papers being submitted to ensure consistency of approach and provide further guidance where required. The risk register must contain risks related to the decision(s) the Board are being asked to make (as opposed to the wider matter, such as project risks, procurement risks and so on).

After CEB risks from the CEB report must either be closed or transferred on to another risk register (project, contract, SRR or CRR) in line with the Operating Framework for escalation and flow of risks and/or closure of risks.

## **14. Training**

Oxford City Council regards a tiered approach to training as being critical to the success of its risk management strategy. This approach means that appropriate staff and members are identified for training and that those individuals receive training that is appropriate to the type of responsibilities that they hold.

The extent of the training provided is reported to the Audit & Governance Committee periodically.

## 15. Roles & Responsibilities

<b>ROLE</b>	<b>RESPONSIBILITIES</b>
<b>The City Executive Board</b>	<ul style="list-style-type: none"> <li>• Accountable for the adoption of the Council’s Risk Management Strategy</li> <li>• Responsible for understanding the risk profile of Oxford City Council</li> <li>• Accountable for ensuring that a corporate risk register is established, including details of the actions taken to mitigate against the risks identified, and that this is regularly monitored</li> <li>• Oversee effective risk management across the Council and receive quarterly reports in relation to Corporate Risks</li> </ul>
<b>Audit and Governance Committee</b>	<ul style="list-style-type: none"> <li>• Consulted on the periodic review of the Risk Management Strategy</li> <li>• Accountable for ensuring that risk management and risk management training is delivered on behalf of the City Executive Board by the Chief Executive and Executive Directors</li> <li>• Receive quarterly reports in relation to Corporate Risks and make appropriate recommendations to City Executive Board</li> </ul>
<b>CMT</b>	<ul style="list-style-type: none"> <li>• Accountable for the review and adoption of the Risk Management Operating Framework</li> <li>• Ensure that emerging internal and external risks are raised and discussed</li> <li>• Review of the quarterly risk reports prior to their submission to Audit and Governance and City Executive Board</li> </ul>
<b>Head of Finance</b>	<ul style="list-style-type: none"> <li>• Support all staff including the Directors Group in delivering risk management activity</li> <li>• Accountable for timely reporting to CEB and CMT</li> <li>• Chairs Risk Group</li> <li>• Responsible for delivery of training</li> <li>• Nominated Section 151 Officer</li> </ul>

ROLE	RESPONSIBILITIES
<b>Head of Business Improvement and Technology</b>	<ul style="list-style-type: none"> <li>• Delivery of information management and data security related policies, processes and training</li> <li>• Ensure that the Council meets requirements which are imposed on it by the Cabinet Office in order to achieve Public Services Network (PSN) accreditation</li> <li>• Ensure that the Organisation’s approach to information risk is effective in terms of resource and commitment</li> <li>• Ensure that the Corporate risk group is adequately briefed on information risk issues</li> <li>• Nominated Senior Information Risk Owner (SIRO)</li> </ul>
<b>Risk Group</b>	<ul style="list-style-type: none"> <li>• Provides guidance and supports the organisation in ensuring risk management is embedded in the organisation</li> <li>• Promotes good risk management practices within the organisation</li> <li>• Supports reviews of service and corporate risk registers</li> </ul>

## 16. Definitions

**CRR** – Corporate Risk Register

**SRR** – Service Risk Register

**CEB** – City Executive Board Reports/Registers

**Benchmarking** – Each year the Councils Risk Management Strategy is benchmarked against over 40 other local authorities via the Alarm/CIPFA Risk Management benchmarking club

**Risk group** – Responsible for supporting risk management practice in the Council

**Corporate Management Team (CMT)** – Directors & Service Heads meeting

**Finance Department**

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# Risk Management Operating Framework

June 2014

Version 4.0



# Risk Management Operating Framework

## Contents Page

- 1 Operating Framework Statement
- 2 Delivery of the Risk Management Objectives
- 3 Review & Approval
- 4 Risk Management Approach
  - 4.1 Risk Management Cycle
  - 4.2 Risk Identification
  - 4.3 Risk Analysis
  - 4.4 Risk Prioritisation
    - 4.4.1 Risk Scoring
    - 4.4.2 Risk Appetite
  - 4.5 Risk Escalation
  - 4.6 Risk Matrix
  - 4.7 Risk Registers
    - 4.7.1 Unique Referencing
  - 4.8 Action Plans
  - 4.9 Closing of Risks
  - 4.10 Risk Data and CorVu
5. Reporting & Review
  - 5.1 Risk Register Reporting Flow
  - 5.2 Challenge and Consistency Risk Management Discussion & Challenge Pyramid
  - 5.3 Service Area Self Assessment
  - 5.4 Benchmarking
6. Training
7. Roles and Responsibilities

## **Risk Operating Framework**

### **1. Operating Framework Statement**

The purpose of this Operating Framework is to outline how Oxford City Council (OCC) will deliver the Risk Management Strategy.

### **2. Delivery of the Risk Management Objectives**

#### **Objectives**

- Develop risk management and raise its profile across the Council
- Integrate risk management into the culture of the Council and make it part of all decision making processes
- Actively assess and manage risks and circumstances that could hamper the delivery of services, including early warning mechanisms
- Provide a framework and support so that risks do not become an inhibiting factor in decision making
- Build the confidence to innovate through the use of good risk management practices
- Manage corporate and service area risk in accordance with best practice, as part of good corporate governance
- Create effective processes that will allow the Council to make risk management assurance statements annually.

To achieve these objectives, we will continue to develop risk management processes and procedures by:

- Reviewing the Risk Management Strategy and Operating Framework on a periodic basis
- Establishing clear accountabilities, roles and reporting lines across all service areas.
- Providing staff across the Council with the necessary awareness, skills and expertise which in turn are reported to the Audit and Governance Committee.
- Providing for risk assessment in all decision making processes of the Council.
- Developing arrangements for the reporting and recording of risks.

- Developing a control framework which provides assurance that risks identified are being managed.
- Ensuring appropriate consideration of risk within the strategic planning process.
- Ensuring that partners, providers and significant delivery agents are aware of the Council's expectations on risk.

### **3 Review & Approval**

The Risk Management Strategy must be reviewed periodically to take account of changing legislation, government initiatives, best practice and experience gained within the Council in adopting the Strategy. The Audit and Governance Committee (A&GC) will be consulted and asked to comment on any amendments before approval by the City Executive Board (CEB).

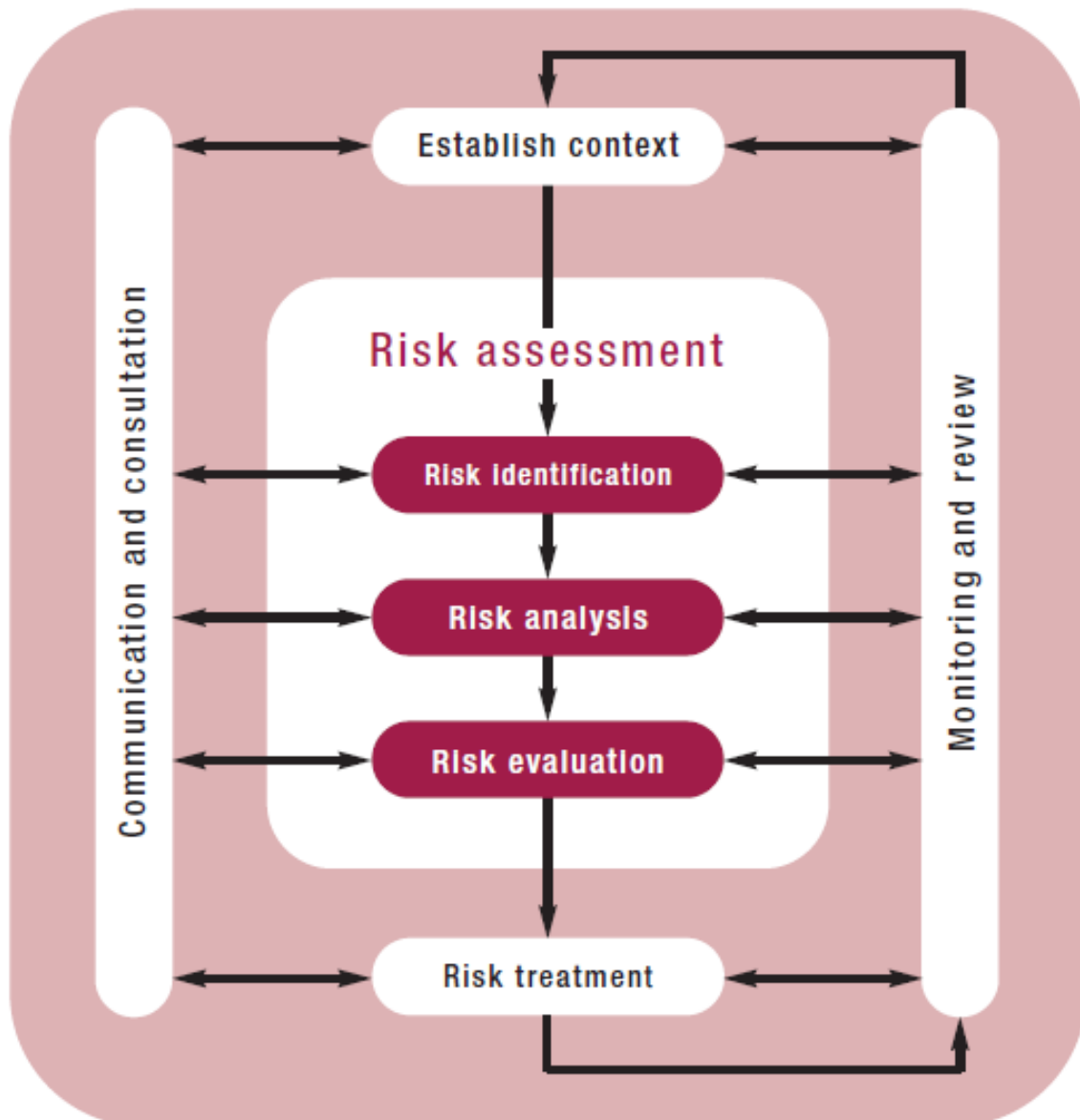
The Risk Management Operating Framework must be reviewed annually to take account of changing legislation, Government initiatives, best practice and experience gained within the Council in adopting the Strategy.

Any changes will be recommended to the Corporate Management Team (CMT). The A&GC and CEB will then be asked to note the adoption of the Strategy and Operating Framework.



## 4. Risk Management Approach

### 4.1 Risk Management Cycle



### 4.2 Risk Identification

Identification of new Corporate Risks takes place annually with CMT, the Executive Directors and the Chief Executive. This session involves reviewing the open risks from the previous year and considers new internal and external risks, opportunities as well as threats, to the organisation's ability to achieve its corporate objectives. The Corporate Risk Register (CRR) is reviewed on a quarterly basis and any new risks are incorporated into a revised version of the CRR.

Throughout the year Service Areas identify new risks and close off any risks that are no longer relevant to the Council. In addition as part of the Service Planning

Process new risks are then reviewed against existing Service Risk Register (SRR) and the register is then updated accordingly. In every case opportunities should be considered as well as threats.

It is the responsibility of the Project Manager to identify and ensure mitigation of risks relating to their project. These are reported via highlight reports for each project to the Programme Manager and on to the relevant service are to which the project relates.

### **4.3 Risk Analysis**

Once the risk has been identified it must be analysed to understand what creates this vulnerability for the Council. In doing this consideration is given to the causes or triggers, that is what event or series of events must occur for the risk to transpire. Risk analysis considers events both internally and externally to the organisation.

### **4.4 Risk Prioritisation**

#### **4.4.1 Risk Scoring**

Risks are scored in a five by five matrix, meaning that there are a possible 25 risk categories. These are grouped in to green, amber and red risks – the risk rating. The risk rating is derived from the Red, Amber, Green (RAG) status as depicted on the matrix. The risk scoring matrix follows in section 4.6.

#### **4.4.2 Risk Appetite**

Red risks are considered unacceptable to the organisation and every effort must be made to reduce the risk scoring to a more acceptable level. The risk appetite of the organisation is reviewed annually. Changes must have the approval of the Senior Management Team and must be reported to the CEB and A&GC.

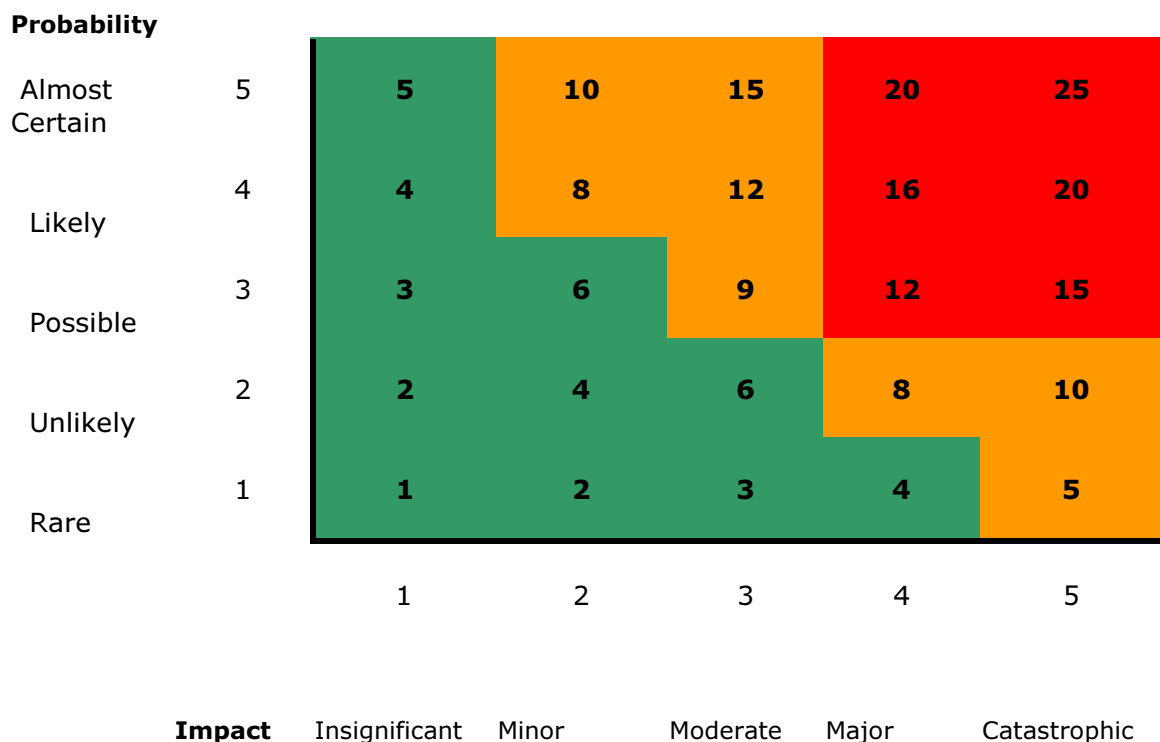
### **4.5 Risk Escalation**

Red risks must be reported to the Risk Manager in every instance. Red project risks (including procurement projects) must also be reported to the Programme Manager.

## 4.6 Risk Matrix

The Council operates five by five scoring matrix. The methodology for scoring risks can be found below along with a copy of the scoring matrix or 'heat map'.

You will note it is possible to get the same score but end up with a different result in the heat map. For example if the probability of an event is high but the impact is low it is likely to have a lower score on the heat map. However the higher the potential impact score the more likely the event will be classed a red risk on the heat map.



### Risk Probability Measurement Criteria

Scale	Description	Likelihood of Occurrence	Probability of Occurrence
1	Rare	1 in 10 years	The event may occur in certain circumstances
2	Unlikely	1 in 3 years	The event could occur
3	Possible	1 in 2 years	The event should occur
4	Likely	Annually	The event will probably occur
5	Almost certain	Monthly	The event is expected to occur or occurs regularly

## Risk Impact Measurement Criteria

Scale	Description	Financial	Reputation	Service / Operations
1	Negligible	<£50k per annum	Public concern restricted to local complaints which do not attract local media attention.	No impact to service quality, limited disruption to operations
2	Low	£50k - £250k per annum	Minor adverse local / public / media attention and complaints	Minor impact to service quality, minor service standards are not met, short term disruption to operations, minor impact on a partnerships
3	Medium	£250k - £500k per annum	Adverse national media public attention	Significant fall in service quality, major partnership relationships strained, serious disruption in service standards
4	High	£750k - £500k per annum	Serious negative national or regional criticism	Major impact to service quality, multiple service standards are not met, long term disruption to operations, multiple partnerships affected
5	Very High	>£750K per annum	Prolonged, regional & national condemnation	Catastrophic fall in service quality and key service standards are not met, long term catastrophic interruption to operations, several major partnerships are affected

### 4.7 Risk Registers

All risks are captured within the Risk Register templates stored on the CorVu system.

The format of risk registers used across the organisation is as follows:

<b>Risk</b>	Ref	
	Category	
	Risk description	
	Opportunity/Threat	
	Cause	
	Consequence	
	Risk Owner	
	Date raised	
<b>Gross</b>	Impact	
	Probability	
<b>Current</b>	Impact	
	Probability	
<b>Residual</b>	Impact	
	Probability	
<b>Controls</b>	Control description	
	Due date	
	Owner	

### 4.7.1 Unique Referencing:

Unique referencing is created by use of a Category, a number and a service area code. Once allocated a unique reference code will remain with that risk until it is closed (with the exception of planning risks), it may however, change which register it appears on. So for instance a risk which appears originally on a CRR may later be transferred to a SRR once the CRR has been approved.

#### Categories:

**CRR** - Corporate Risk Register

**SRR** - Service Risk Register

**CEB** - CEB reports

#### Service Area Codes:

<b>BIT</b>	Business Improvement and Technology	<b>HC</b>	Housing & Property
<b>CD</b>	City Development	<b>PE</b>	Human Resources & Facilities
<b>CS</b>	Customer Services	<b>LG</b>	Law & Governance
<b>DS</b>	Direct Services	<b>LP</b>	Leisure Parks & Communities
<b>ED</b>	Environmental Development	<b>PCC</b>	Policy Culture & Communications
<b>FI</b>	Finance	<b>CA</b>	Regeneration & Major Projects

Corvu allocates the unique reference numbers for SRR and Corporate risks.

## 4.8 Action Plans

Risks can be managed or treated in several ways. These can be grouped into the following categories:

### **Accept**

A decision is made to accept and retain. This may be an option chosen where the management is too expensive compared to the threat of the risk transpiring

### **Transfer**

Where responsibility for management is passed to another party. This may be to an outsource provider, via insurance or through contract.

### **Reduce**

This is the most commonly used methodology. Here proactive steps are taken to manage and reduce the probability and the impact of the risk.

### **Avoid**

Where the organisation or service area changes its direction (say via change of objectives, strategy, supplier change for instance) in order to avoid the risk.

## Contingency

Where plans are developed in order to manage the consequences of the risk transpiring. Developing contingencies will reduce the impact.

A balance must be achieved between risk and reward and so consideration needs to be given to what if anything needs to be done to manage the risk. A risk can usually be managed through reducing the impact and/or probability. In developing a plan for managing the risk consideration should be given to the benefit of the strategy adopted for managing the risks against the cost of managing the risk.

Plans are then put in place to manage the risk with key milestones identified and clear owners – ensuring that they are '**SMART**' – Specific, measurable, achievable, realistic, time bound.

### 4.9 Closing of Risks

Risks may be closed by the Risk Owner when 100% of actions have been completed and/or the target risk score has been achieved. This must be reported in CorVu as part of the quarterly updated cycle. Closed red risks must be reported to the risk manager by the Service Head with supporting evidence.

### 4.10 Risk Data & CorVu

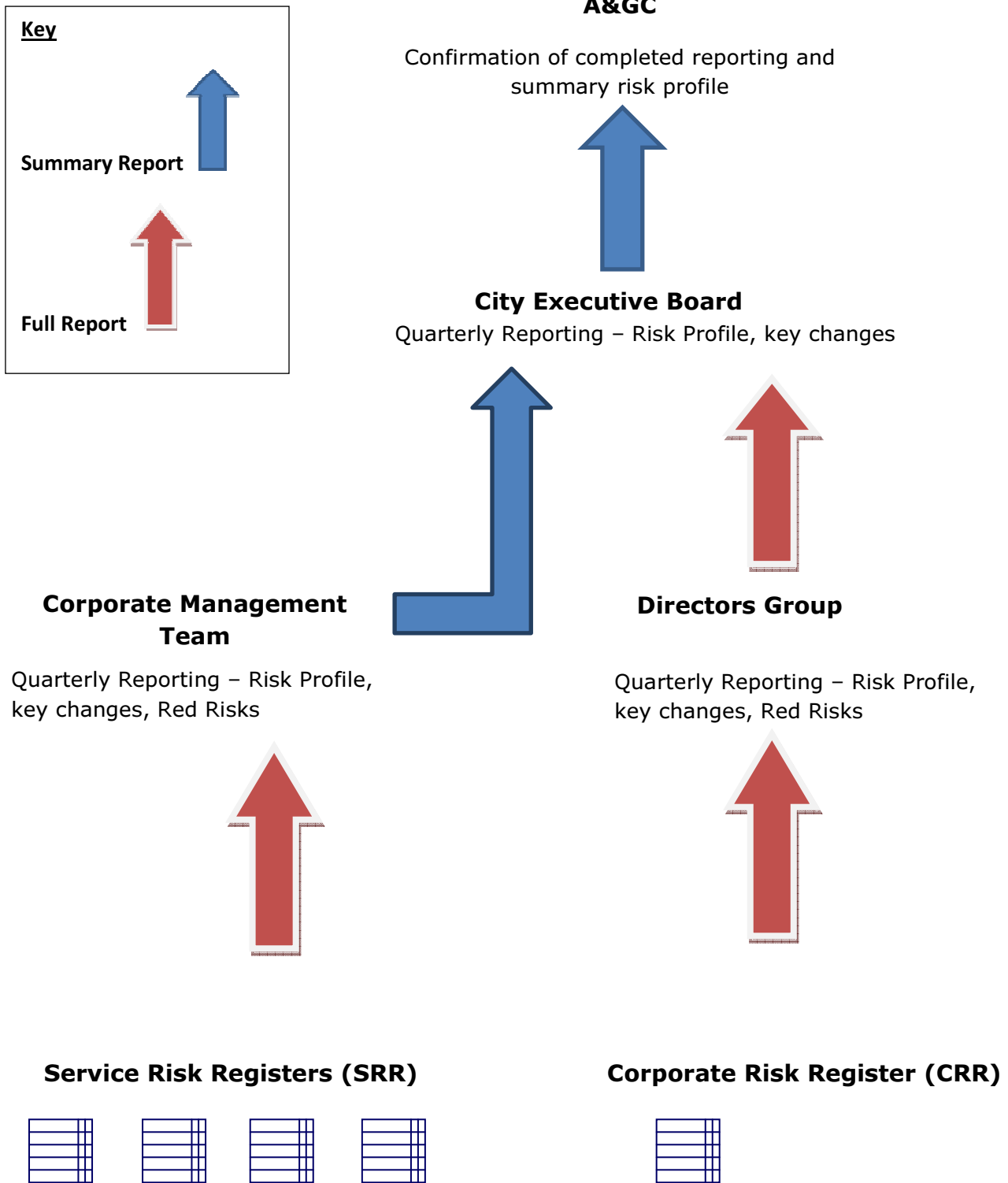
CorVu is the Council's reporting tool. It contains the Risk Register and Action plan templates. The system prompts users to provide updates on a monthly basis. The system, risk registers and action plans are accessible with a login. All registers are held in CorVu.

## 5. Reporting & Review

	<b>Board / Meeting</b>	<b>Frequency</b>
<b>CRR Review</b>	CMT CEB A&GC (summary/confirmation)	Quarterly
<b>New CRR identification and review</b>	CMT	Quarterly
<b>SRR Review</b>	Corporate Management Team (CMT) Directors Group (summary) A&GC (summary/confirmation)	Quarterly

<b>New SRR identification</b>	Service Heads	Annually
<b>CEB Risk Registers</b>	Reported to CEB, approval from Risk Manager	Periodically
<b>Risk Management Strategy</b>	A&GC (review) CEB (approval)	Annually
<b>Risk Management Operating Framework</b>	CMT (review) Directors Group (approval)	Annually
<b>Service Area Self-Assessment</b>	Risk Group	Annually
<b>Benchmarking</b>	CMT Risk Group	Annually (plus regular updates on progress to Risk Group)
<b>Risk Management Dashboard</b>	Corporate Management Team Meeting	Quarterly
<b>Report on training</b>	A&GC	Annually
<b>Risk Appetite Review</b>	Directors Group approval and reported to A&GC	Annually

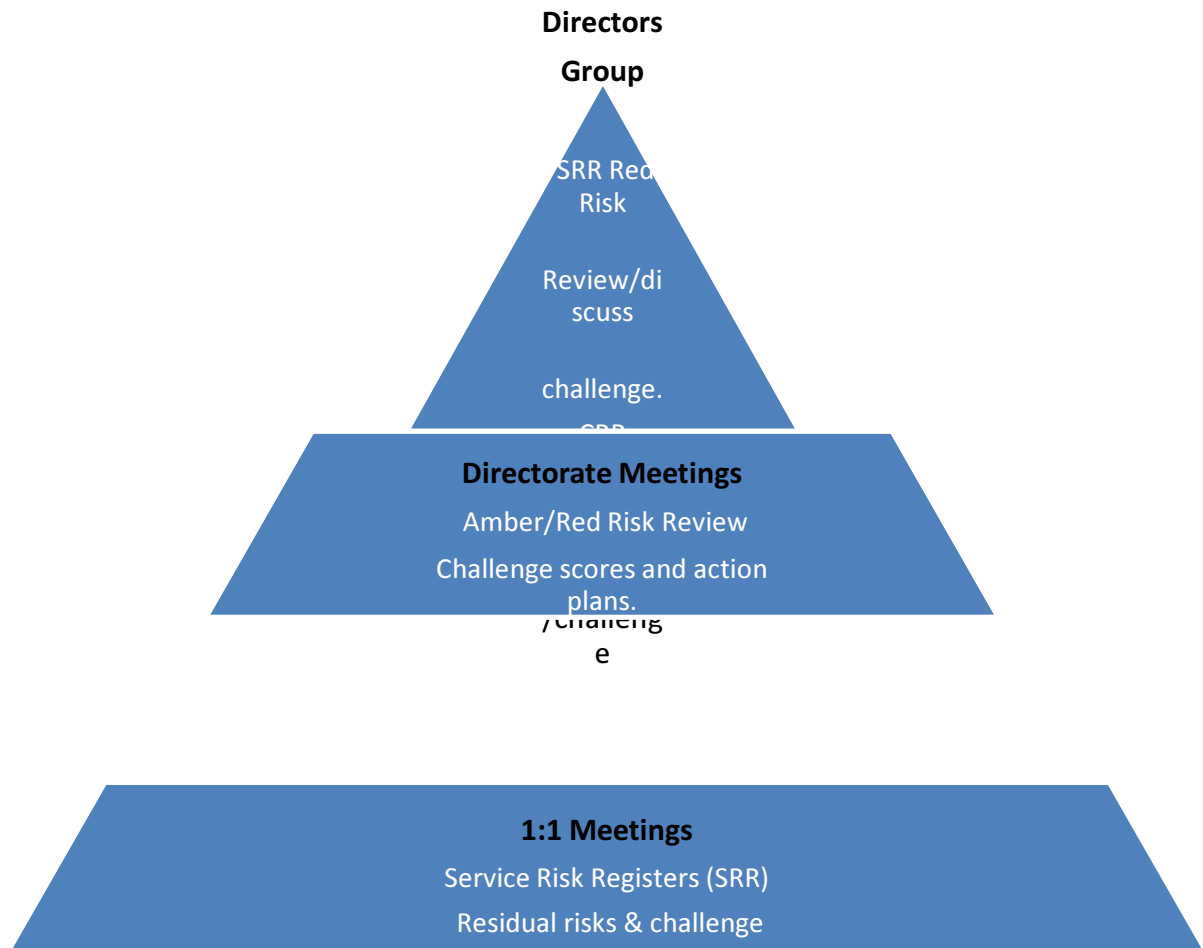
## 5.1 Risk Register Reporting Flow





## 5.2 Challenge and Consistency

Risk Management Discussion & Challenge pyramid



## 5.3 Service Area Self Assessment

A Service Area self-assessment is carried out bi-annually. This assessment looks at the following 5 categories:

- Corporate Focus (SMT commitment & in corporate processes)
- Decision making (risk management supports decision making)
- Embedded in Service Area
- Risk Management Strategy and Operating Framework (clear, understood & applied)
- Training (self & team)

The aim of this self-assessment is to monitor and track progress and developments of risk management within service areas. The output informs the strategy and Operating Framework approaches adopted.

#### **5.4 Benchmarking**

The risk practices of the Council are benchmarked against industry practice (established by considering other local authorities, industry reviews and guidance against the organisational context of the Council).

Recommendations are incorporated into the periodic review of the Strategy.

### **6. Training**

**Risk Group** – Super user training provided to all new members. In depth training workshops to be held as required.

**Members** – All new members to receive induction programme including risk management section. Members to carry out e-learning at least annually or when there are significant Risk Management Strategy changes.

**Heads of Service** – All new Heads of Service to receive induction programme training including risk management section. Heads of service to carry out e-learning at least annually or when there are significant Risk Management Strategy changes. Face:face training is provided where there are significant changes to Operating Framework/strategy.

**Corporate Management Team (CMT)**– All new CMT members to receive induction programme training including risk management section. CMT to receive annual face:face training programme.

## 7. Roles & Responsibilities

<b>ROLE</b>	<b>RESPONSIBILITIES</b>
<b>The City Executive Board</b>	<ul style="list-style-type: none"> <li>• Accountable for the approval of the Oxford City Council's Risk Management Strategy on an annual basis</li> <li>• Responsible for noting the adoption of the Risk Management Operating Framework by the CMT.</li> <li>• Responsible for understanding the risk profile of Oxford City Council.</li> <li>• Accountable for ensuring that a corporate risk register is established, including details of the actions taken to mitigate against the risks identified, and that this is regularly monitored</li> <li>• Oversee effective risk management across the Council</li> </ul>
<b>Audit and Governance Committee</b>	<ul style="list-style-type: none"> <li>• Consulted on the annual review of the Risk Management Strategy</li> <li>• Responsible for noting the adoption of the Risk Management Operating Framework by the Directors Group..</li> <li>• Accountable for ensuring that risk management and risk management training is delivered on behalf of the City Executive Board by the Chief Executive and Executive Directors</li> </ul>
<b>Members</b>	<ul style="list-style-type: none"> <li>• Scrutinise the Executive's decisions to ensure that they meet the requirements of effective risk management</li> <li>• Understand the corporate risks that the Council faces</li> <li>• Facilitate a risk management culture across the Council</li> <li>• Take decisions that have regard to risk management implications and the corporate risks which the council faces</li> </ul>
<b>Directorate Meetings</b>	<ul style="list-style-type: none"> <li>• Accountable for the review of Service Risk Registers across the directorate at amber and red status.</li> <li>• Review service risks, challenge scores and action plans</li> </ul>

<b>ROLE</b>	<b>RESPONSIBILITIES</b>
<b>Directors Group – Chief Executive and Executive Directors</b>	<ul style="list-style-type: none"> <li>• Commitment to a top down(not just bottom up) approach towards risk management</li> <li>• Active involvement in the identification and assessment of risk on an on-going basis</li> <li>• Own and review the CRR as per agreed timetable</li> <li>• Support embedding of risk management throughout the organisation – in planning, policy and decision making, performance management, project management, contract management and partnership management</li> <li>• Accountable for ensuring that there is a corporate focus on risk management</li> <li>• Accountable for ensuring the risk registers link with strategic objectives</li> <li>• Support the encouragement of member engagement</li> <li>• Accountable for approval of the Councils risk strategy and operating framework including risk appetite</li> <li>• To be aware, have understanding and have full confidence in the risk management processes throughout the organisation</li> <li>• Lead risk management across the Council</li> <li>• Be responsible for ensuring that the Council fully complies with all Corporate Governance requirements, including the Annual Statement of Internal Governance</li> <li>• Accountable for the approval of the Risk Management Operating Framework</li> <li>• Consulted on the Risk Management Strategy</li> <li>• Ensure that emerging internal and external risks are raised and discussed</li> <li>• Accountable for having an oversight of the red corporate and service area risks</li> </ul>
<b>Executive Directors</b>	<ul style="list-style-type: none"> <li>• Ensure that risk management, within their Directorate, is implemented in line with the Council’s Risk Management Strategy</li> <li>• Identify and manage risks within their Directorate and ensure that mitigating actions are regularly reported</li> </ul>

<b>ROLE</b>	<b>RESPONSIBILITIES</b>
<b>Head of Finance</b>	<ul style="list-style-type: none"> <li>• Support all staff including the Directors Group in delivering risk management activity</li> <li>• Accountable for the timely quarterly reporting of risk registers to the appropriate board, including preparation of Corporate reports on risk management</li> <li>• Responsible for ensuring that the appropriate staff and members are informed of changes in strategy and operating framework</li> <li>• Responsible for the provision of Risk Management Training</li> <li>• Supports the Directors Group in ensuring that risk management strategy and operating framework is adopted in the work of all Boards, groups and projects as well as in the management of partnerships and contracts</li> <li>• Accountable for the annual review of the Risk Management Strategy and Operating Framework</li> <li>• Accountable for approving CEB risk registers prior to submission to the CEB.</li> <li>• Accountable for the management of the Corporate Risk Register</li> <li>• Support the development of links between service registers, partnership risk logs, project and programme registers and corporate risk register</li> <li>• Chair of the Risk Group</li> <li>• Appointed Section 151 Officer.</li> </ul>
<b>Heads of Service</b>	<ul style="list-style-type: none"> <li>• Accountable for ensuring that risk management within their area of responsibility, including across organisational boundaries, is implemented in line with the Council's Risk Management Strategy and Operating Framework.</li> <li>• Accountable for identifying, analysing, evaluating and profiling risks arising from their areas of responsibility, manage those risks and ensure that they are monitored</li> </ul>

<b>ROLE</b>	<b>RESPONSIBILITIES</b>
	<ul style="list-style-type: none"> <li>• Accountable for incorporating risk management processes into service planning processes</li> <li>• Accountable for systematically and promptly reporting, to the Risk Manager, any perceived new risk or failures to existing control measures</li> <li>• Accountable for ensuring that the requirements of the risk management operating framework and strategy forms part of new projects, partnership and contract management.</li> <li>• Own and manage the Service Risk Registers and the risks and action plans laid out in them for their area.</li> <li>• Accountable for maintaining unique referencing for SRR and CEB reports</li> <li>• Accountable for reporting of new red risks and closed red risks (and provision of supporting evidence) to the risk manager.</li> <li>• Accountable for ensuring that where risks cross departmental boundaries that the appropriate Service Head is informed.</li> </ul>
<b>Head of Law &amp; Governance</b>	<ul style="list-style-type: none"> <li>• Accountable for the annual production of the SIC – Statement of Internal Control as part of the Statement of Accounts.</li> </ul>
<b>Head of Business Improvement and Technology</b>	<ul style="list-style-type: none"> <li>• Delivery of information management and data security related policies, processes and training</li> <li>• Ensure that the Council meets requirements which are imposed on it by the Cabinet Office in order to achieve Public Services Network (PSN) accreditation</li> <li>• Ensure that the Organisation’s approach to information risk is effective in terms of resource and commitment</li> <li>• Ensure that the Corporate risk group is adequately briefed on information risk issues</li> <li>• Nominated Senior Information Risk Owner (SIRO)</li> </ul>
<b>Contract Managers/CEB Authors/Project &amp; Programme</b>	<ul style="list-style-type: none"> <li>• Accountable for ensuring that risk registers are documented and reported in accordance with the requirements of the Risk Strategy and Operating Framework</li> </ul>

<b>ROLE</b>	<b>RESPONSIBILITIES</b>
<b>Managers</b>	<ul style="list-style-type: none"> <li>• Accountable for ensuring that unique reference numbers are obtained from Service Heads/Project/Programme Managers/Procurement Team.</li> <li>• CEB report authors are accountable for ensuring that CEB risk registers are reviewed by the Risk Manager before submission of the papers.</li> </ul>
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>• Audit the key elements of the Council's Risk management process</li> <li>• Use the results of the Council's risk management process to focus and inform the overall internal audit plan</li> <li>•</li> <li>• Assist the Council by offering risk management support and advice</li> </ul>
<b>Risk Group</b>	<p>This group meets at least bi-annually or more frequently as needed. It is chaired by the Head of Finance. The group:</p> <ul style="list-style-type: none"> <li>• Supports the Directors in ensuring that the Risk Management Strategy and Operating Framework approach is adopted in the work of all Boards, groups and projects as well as in the management of partnerships and contracts;</li> <li>• Is consulted for the review and qualification of benchmarking results before submission to the Wider Leadership Team;</li> <li>• Supports the further embedding of risk management across the organisation and beyond organisational boundaries including partnerships and contractual relationships;</li> <li>• Support the organisation in creating awareness, improved understanding, creating stronger organisational approach to risk identification and management. Developing the Risk Management Culture;</li> <li>• Seeks opportunity for shared learning with other organizations;</li> <li>• Members act as champions for risk management and motivating employees to manage risk effectively;</li> <li>• Support the quarterly review of service risk registers by challenging the risks and the action plans.</li> </ul>

<b>ROLE</b>	<b>RESPONSIBILITIES</b>
	<p>Support Service Heads in ensuring that risks are identified, analysed, evaluated and prioritised and that appropriate plans are in place;</p> <ul style="list-style-type: none"> <li>• Is accountable for consistency of risk management approach and use of risk scoring across the organisation;</li> <li>• Support the Service Heads in ensuring that the service area's risks are regularly reviewed, for instance through monthly team meetings and directorate meetings, and that risks and action plans are regularly monitored and reviewed for effectiveness and progression;</li> <li>• Support the Directors in ensuring that the Corporate Risk Register is regularly monitored, reviewed and progressed.</li> <li>• Accountable for the review of Service Area Self-Assessments</li> </ul>
<b>Programme Boards</b>	<ul style="list-style-type: none"> <li>• Accountable for ensuring projects are appropriately risk assessed in line with the Risk Strategy and Operating Framework</li> <li>• Accountable for ensuring that risks are reviewed throughout the project lifecycle</li> </ul>
<b>Staff</b>	<ul style="list-style-type: none"> <li>• Understand their accountability for individual risks</li> <li>• Understand how they can enable continuous improvement of risk management and risk awareness.</li> <li>• Report systematically and promptly to their manager any perceived new risks or failures of existing control measures</li> <li>• Ensure that internal controls are robust and operating correctly</li> </ul>



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**To:** Audit & Governance Committee  
**Date:** 22 September 2014  
**Report of:** Head of Finance  
**Title of Report:** Risk Management Quarterly reporting: Quarter 1, 2014/15

## **Summary and Recommendations**

**Purpose of report:** To update the Committee on both corporate and service risks as at the end of Quarter 1, 30<sup>th</sup> June 2014.

**Key decision:** No

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** Corporate Plan - Efficient, Effective Council

**Report Approved by:**

**Finance:** Nigel Kennedy

**Legal:** Jeremy Thomas

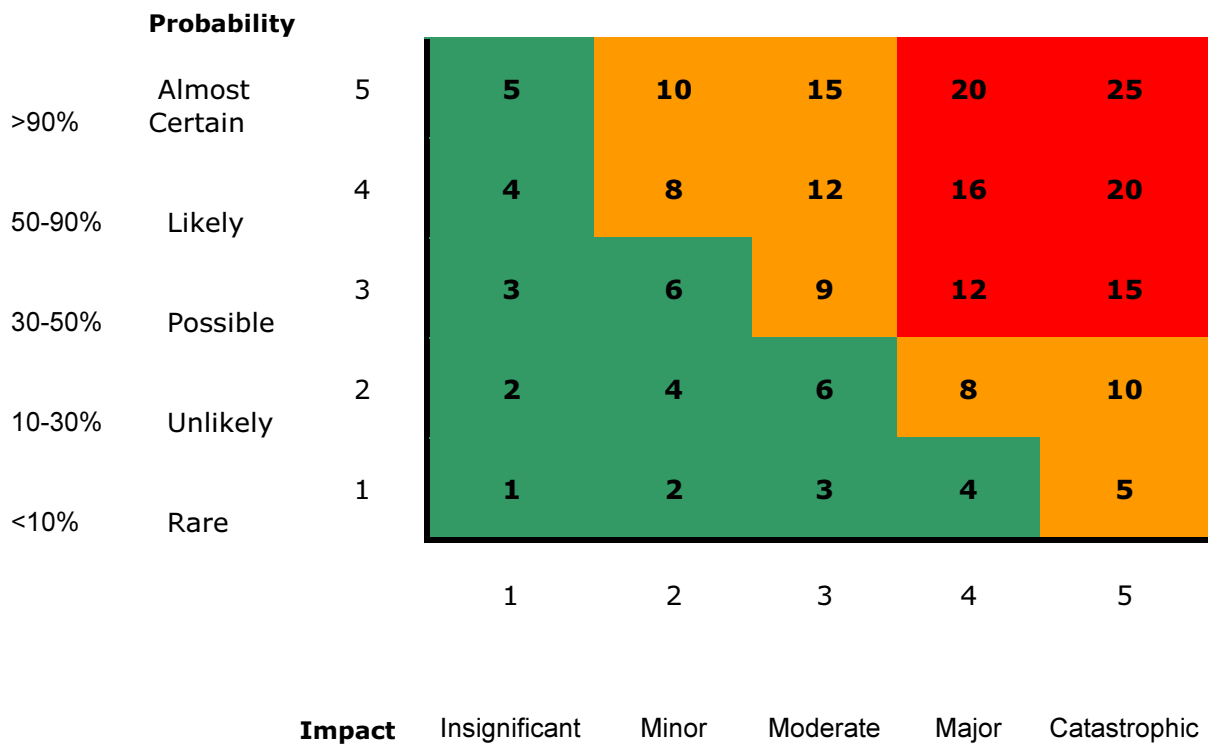
**Recommendation:**

The Committee are asked to note the contents of this report.

**Appendix 1:** Corporate Risk Register

### **Risk Scoring Matrix**

1. The Council operates a 'five by five' scoring matrix. The methodology for scoring risks can be found below along with a copy of the scoring matrix or 'heat map'.
2. You will note it is possible to get the same score but end up in a different position on the heat map. For example if the probability of an event is high but the impact is low it is likely to have a lower score on the heat map. However the higher the potential impact score the more likely the event will be classed as a red risk on the heat map.



### Risk Identification

3. **Corporate Risks** – The Corporate Risk Register (CRR) is reviewed by the Corporate Management Team (CMT) on a quarterly basis, any new risks are incorporated into a revised version of the CRR. Risk owners for corporate risks are generally Directors.
4. **Service Risks** – Service area risks are reviewed periodically by Heads of Service and Service Managers. The Financial Accounting Manager has oversight of all risks and on a quarterly basis will review service risks to determine the need for inclusion in the Corporate Risk Register.
5. **Project and Programme Risk** – The Council adopts the principles of Prince2 methodology for managing projects. Incorporated within this methodology is a robust process for the management of risk within a project environment. Each project is managed by a Project Manager who controls and co-ordinates all aspects of the project through to conclusion.

## Corporate Risk Register

6. The table below tracks the level of corporate risks in the authority for the last 15 months. There are no red risks for Quarter 1 of 2014/15.

<b>Current Risk</b>	<b>Q1 2013/14</b>	<b>Q2 2013/14</b>	<b>Q3 2013/14</b>	<b>Q4 2013/14</b>	<b>Q1 2014/15</b>
Red	4	3	0	0	0
Amber	7	8	9	5	5
Green	0	0	2	6	6
<b>Total risks</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>

7. The current Corporate Risk Register is shown in Appendix A.

## Quarter 1 Service Risk Register

8. Each year as part of the service planning process, all current service risks are reviewed, those no longer relevant are deleted, and any new ones are added. These refreshed service risk registers are then loaded into CorVu for monitoring purposes during the year.
9. This exercise has been completed for 2014/15. The table below shows the number of current risks for Q1 2014/15 compared with 2013/14.

<b>Current Risk</b>	<b>Q1 2013/14</b>	<b>Q2 2013/14</b>	<b>Q3 2013/14</b>	<b>Q4 2013/14</b>	<b>Q1 2014/15</b>
Red	9	0	2	0	3
Amber	54	56	48	38	28
Green	30	31	36	46	29
<b>Total risks</b>	<b>93</b>	<b>87</b>	<b>86</b>	<b>84</b>	<b>60</b>
New risks in quarter	19	0	0	0	0
Closed	0	6	3	2	24

10. There are currently three red risks that originate from the Regeneration and Major projects team. The first risk relates to potential delays to the Westgate re-development project in relation to highways maintenance issues and also and also delays in the signing of an indemnity clause with the developer. Since the writing of this report this risk has now been mitigated.

11. The other two red risks relate to staff and recruiting issues within the Regeneration and Major Projects Team. One relates to staff recruitment and the ability to fill existing vacancies and the other relates to current staff workloads. To mitigate this risk the Team are backfilling with temporary staff and contractors where necessary. In addition a restructuring of the team should assist in the filling of vacancies and it is likely that both these risks will be downgraded during the next quarter.

### **Financial Implications**

12. The robust management of risk should assist in mitigating any financial impact to the Council should the event occur

### **Legal Implications**

13. There are no legal implications directly relevant to this report

<b>Name and contact details of author:-</b>
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Name: Shaun Vinnicombe
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Job title: Risk and Insurance Officer
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Service Area / Department: Finance
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**List of background papers: None**

# Formal Risk Summary

(Oxford)

As at: Jun-2014

Ref	Title	Risk description	Risk			Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
			Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
CRR-019	ICT Resilience	Resilience of ICT function - managing projects and improvements alongside business as usual	T	Numerous projects running concurrently across the Council all needing ICT support; limited resources and vacant posts within ICT	Inability to provide good quality and consistent service	1-Apr-2013	Jacqui Yates	4	4	3	3	3	2		Cross skilling of staff in ICT and BIT	30-Sep-2014	In Progress	60%	Jane Lubbock
															Ensure key posts are filled in ICT	30-Sep-2014	In Progress	90%	Jane Lubbock
															Projects are prioritised within available resources, and an ongoing project work plan is in place, as approved by CMT.	30-Sep-2014	Ongoing	100%	Jane Lubbock
															Rationalise number of applications requiring support	30-Mar-2015	In Progress	10%	Jane Lubbock
															Regular reporting on progress of key projects to Organisational Development Board, by way of highlight reports	30-Sep-2014	Ongoing	100%	Jane Lubbock
															Transfer helpdesk to County to increase capacity	30-Sep-2013	Completed	100%	Jane Lubbock
CRR-020	Robustness of Medium Term Financial Plan	Medium Term Financial Plan savings not delivered and pressures not accurately recorded	T	Ongoing Central Government cuts and current savings not being met	Inability to produce a balanced budget, or further saving needing to be made in the future	1-Apr-2013	Jacqui Yates	4	3	3	3	3	2		Annual review of the Medium Term Financial plan to confirm savings are deliverable and pressures recorded	30-Oct-2014	In Progress	95%	Nigel Kennedy
															Ensure action plans in place for delivery of savings	30-Dec-2014	Ongoing	90%	Nigel Kennedy
															Ensure key stakeholders are kept upto date on progress of plan and monitoring	31-Dec-2013	Completed	100%	Nigel Kennedy
															Produce accurate, timely monitoring reports	31-Dec-2013	Completed	100%	Nigel Kennedy
CRR-023	Managing Capital Projects and Contract Management	The need to ensure efficient management of capital projects and contracts	T	Poor Governance on major projects	Cost overruns; non delivery of projects; slippage of projects, cost to the authority	1-Apr-2013	David Edwards	4	4	3	3	3	3		Ensure staff undertaking projects are appropriately trained	30-Oct-2014	In Progress	50%	Jane Lubbock
															Establish robust methodology for project management using PRINCE 2 principles through Capital Asset Management Group	30-Oct-2014	In Progress	50%	Jane Lubbock
															Review procedures for approving and monitoring projects	30-Oct-2014	In Progress	80%	Nigel Kennedy
CRR-027	Fraud	Risk of fraud against the council	T	Internal fraud by staff, cyber attacks on Councils ICT systems, fraudulent claims for council tax and housing benefits and council tax discounts, fraudulent claims for payment	Reputation; Cost	1-Apr-2013	Jacqui Yates	4	3	3	3	3	2		Annual review of procedures for combating fraud by internal audit	31-Mar-2014	Completed	100%	Nigel Kennedy
															Ensure internal policies around preventing bribery fraud and corruption, whistle blowing and money laundering are annually reviewed and communicated to staff	30-Sep-2014	In Progress	80%	Nigel Kennedy
															Raise awareness with staff of fraud issues	30-Sep-2014	In Progress	75%	Nigel Kennedy
															Regular reporting to Audit and Governance Committee	1-May-2014	Ongoing	100%	Nigel Kennedy

### Current Risk Score

This is the risk score at the time that the risk is reviewed. When the risk is first identified it will be the same as the gross risk score. The current risk score is tracked to ensure that progress is being made to manage the risk and reduce the Council's exposure.

### Residual Risk Score

This is the risk score after mitigating actions have taken place. The residual risk score shows how effective your action plans are at managing the risk.

# Formal Risk Summary

(Oxford)

As at: Jun-2014

Ref	Title	Risk description	Risk			Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
			Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
														Training of staff to be carried out using ilearn and other forms such as MPG session	30-Sep-2014	In Progress	90%	Nigel Kennedy	
CRR-028	Data Protection	Risk of breaching the Data Protection Act	T	Staff not being aware of the policy; being careless with data	Reputation; financial penalties	1-Apr-2013	Jacqui Yates	4	3	3	3	3	2		Obtain and retain Public Service Network compliance	30-Oct-2013	Completed	100%	Jane Lubbock
															Raise awareness and training of staff by the use of ilearn.	30-Sep-2014	In Progress	70%	Jane Lubbock
															Raise awareness and training of staff, carrying out a session at MPG	30-Jun-2013	Completed	100%	Jane Lubbock
															Review data protection policy	30-Jun-2013	Completed	100%	Jane Lubbock
CRR-021	Adverse Weather	The impact of adverse weather on service delivery and adverse financial impact on Council	T	Increase risk of flooding and other adverse weather conditions	Affecting service delivery, increased cost, resource shortfall	1-Apr-2013	Tim Sadler	4	3	2	3	2	3		Emergency Planning Team set up	1-May-2013	Completed	100%	Jeremy Thomas
															Ensure early warning processes are in place to advise of early warning systems	30-Sep-2013	Completed	100%	John Copley
															Set aside budget	1-May-2013	Completed	100%	Nigel Kennedy
CRR-022	Welfare Reform	Changes to legislation regarding Welfare Reform will impact financially, directly and indirectly on the Council	T	Changes in Legislation	Increased homelessness; increased costs; increased arrears; increased DHP payments	1-Apr-2013	Jacqui Yates	4	4	2	3	3	2		Commission review of welfare reforms on Oxford residents	1-Aug-2014	In Progress	90%	Helen Bishop
															Engagement with third sector and other partners to ensure coordinated approach to service delivery	1-Aug-2014	In Progress	85%	Helen Bishop
															Ensure learning from pilots is communicated and acted upon across the organisation	1-May-2014	Completed	100%	Helen Bishop
															Monthly reporting of rent arrears, DHP allocations	1-May-2014	Ongoing	100%	Helen Bishop
															Monthly review of impact on stakeholders, council tenants and council tax payers	31-Jul-2013	Completed	100%	Helen Bishop
															Review DHP policy	1-May-2013	Completed	100%	Helen Bishop
															Update financial impact on council in MTFS	31-Dec-2013	Completed	100%	Helen Bishop
CRR-024	Business Continuity	Failure to ensure Emergency Planning and Business Continuity procedures are in place, tested and robust	T	Inadequate plans, not tested, not kept up to date. System failures, failure of partners to deliver services	Civil unrest; impact on service delivery	1-Apr-2013	Jacqui Yates	4	3	3	2	3	2		Business Continuity Plans are up to date and reviewed for consistency/compatibility	30-Jun-2014	Completed	100%	Jeremy Thomas
															Ensure Emergency Planning procedures and Business Continuity plans are tested annually	16-Jul-2014	In Progress	25%	Jeremy Thomas
															Regularly review Emergency plan contacts list to ensure up to date	31-Dec-2014	Closed	100%	Jeremy Thomas
CRR-025	Health & Safety of People	Health & Safety of People	T	Not maintaining a robust Health & Safety policy, and ensuring it is implemented across all service areas.	Increase cost; potential financial penalties; potential insurance claims	1-Apr-2013	Jacqui Yates	4	3	2	2	2	2		Ensure bi-annual workplace assessments are up to date	31-Mar-2015	In Progress	50%	Simon Howick
															Ensure H&S training undertaken by new staff and regular refreshers delivered either on line or toolbox talks eg fire/first aid arrangements	30-Sep-2014	In Progress	50%	Simon Howick

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### Residual Risk Score

This is the risk score after mitigating actions have taken place. The residual risk score shows how effective your action plans are at managing the risk.



## Formal Risk Summary

(Oxford)

As at: Jun-2014

Ref	Title	Risk description	Risk			Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
			Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
														Ensure Health and Safety Policy is reviewed and kept up to date	1-Apr-2015	In Progress	50%	Simon Howick	
CRR-026	Health & Safety of Property	Health & Safety of Property	T	Not maintaina a robust Health & Safety policy, and ensuring it is carried out in all service areas.	Increase cost; potential financial penalties; public safety in public buildings; potential insurance claims	1-Apr-2013	David Edwards	4	3	2	2	2	2		Ensure H&S policy is reviewed and kept upto date relating to staff and building	31-Mar-2014	Completed	100%	Simon Howick
															Ensure statutory H&S risk areas around fire risk assessment, asbestos, water are regularly reviewed and reported to CAMG	31-Mar-2014	Completed	100%	Stephen Clarke
															Training of staff to be carried out using ilearn and other forms such as MPG session	31-Mar-2014	Closed	0%	Simon Howick
CRR-029	Managerial Capacity	Managers become overstretched lose sight and focus on service delivery and performance suffers	T	Too many competing priorities, lack of capacity to deliver	Services are not delivered or not deliverd effectively. Additional costs are incurred by the council. Customers unrest with service delivery, higher complaints	1-Apr-2013	Peter Sloman	4	3	2	2	2	2		Ensure appropriate arrangements in place for prioritising work and allocating appropriate resources, and deprioritising other work	31-Mar-2014	Completed	100%	Simon Howick
															Ensure managers are adequately trained for the tasks in hand	31-Mar-2014	Completed	100%	Simon Howick
															Ensure sufficient financial and staffing resources for the tasks being undertaken	31-Mar-2014	Completed	100%	Simon Howick

### Current Risk Score

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### Residual Risk Score

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## AUDIT AND GOVERNANCE COMMITTEE

**Thursday 26 June 2014**

**COUNCILLORS PRESENT:** Councillors Fry (Chair), Fooks (Vice-Chair), Darke, Rowley, Seamons, Thomas and Lygo.

**OFFICERS PRESENT:** Nigel Kennedy (Finance), Anna Winship (Finance), Carol Quanton (Finance), Jeremy Thomas (Law and Governance), Mathew Metcalfe (Democratic and Electoral Services), Jane Winfield (Regeneration and Major Projects), Alan Witty (Ernst and Young), Mike West (Ernst and Young), Christopher Dickens (Pricewaterhousecoopers)

### **1. ELECTION OF CHAIR FOR THE COUNCIL YEAR 2014/15**

The Committee agreed to elect Councillor James Fry as Chair for the Council Year 2014/15.

### **2. ELECTION OF VICE-CHAIR FOR THE COUNCIL YEAR 2014/15**

The Committee agreed to elect Councillor Jean Fooks as Vice-chair for the Council Year 2014/15.

### **3. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Van Coulter (Councillor Mark Lygo attended as a substitute).

### **4. DECLARATION OF INTERESTS**

No declarations of interests were declared.

### **5. STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2014**

The Head of Finance submitted a report (previously circulated, now appended) which presented the Council's Statement of accounts for the year ending 31<sup>st</sup> March 2014.

Nigel Kennedy, Head of Finance introduced the report and thanked Officers for their work in producing the Statement of Accounts. He informed the Committee that the Council was in a strong position and hoped for another year of unqualified accounts by the External Auditors.

The Committee agreed to note the contents of the Statement of Accounts certified by the Head of Finance (Section 151 Officer) prior to their submission to the Council's external auditors, Ernst and Young.

## **6. ANNUAL GOVERNANCE STATEMENT**

The Head of Law and Governance submitted a report (previously circulated, now appended). The Council is required by the Accounts and Audit Regulations 2011 to annually review its internal controls environment and produce an Annual Governance Statement which also forms part of the Council's Statement of Accounts.

Jeremy Thomas, Head of Law and Governance introduced the report.

The Committee agreed to approve the 2013/14 Annual Governance Statement.

## **7. EXTERNAL AUDIT PROGRESS REPORT 2014/15 - ERNST AND YOUNG**

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's External Auditors, Ernst and Young, which detailed the progress made in delivering the work set out in the 2014/15 audit plan.

Alan Witty from Ernst and Young introduced the report.

The Committee agreed to note the report.

## **8. EXTERNAL AUDIT - LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING - ERNST AND YOUNG**

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's External Auditors, Ernst and Young which provided a briefing on issues which might have an impact on the City Council.

Alan Witty from Ernst and Young introduced the report.

The Committee agreed to note the report.

## **9. INTERNAL AUDIT - ANNUAL REPORT 2013/14 - PRICEWATERHOUSECOOPERS (PWC)**

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which outlined the work undertaken during the 2013.14 year.

Christopher Dickens from Pricewaterhousecoopers introduced the report and highlighted the positive work being undertaken by the Council.

In response to question concerning community centre leases, Jane Winfield, Regeneration and Major Projects Service Manager attended the meeting and informed the Committee that work had progressed in drafting a standard lease for Community Associations and this was moving forward.

The Committee agreed:

- (a) To note the report;
- (b) To request the Head of Finance and the Regeneration and Major Projects Service Manager submit a report to a future meeting of the Audit and Governance Committee, further updating the Committee on the progress of leases for community centres and Community Associations.

## **10. INVESTIGATION TEAM FINANCE, PERFORMANCE 2013/14**

The Head of Finance submitted a report (previously circulated, now appended) which:

- (a) Reported the Investigations Team's performance for 2013/14, and;
- (b) Reported on the risk of potential loss through fraud, the Audit Commissions Fraud Survey 2013/14 and the Protecting the Public Purse checklist.

Carol Quinton, Investigation Manager attended the meeting and introduced the report. In response to questions she said that more alleged fraud cases were now being sent to the Department of Work and Pensions (DWP) Fraud Investigation Service and this has affected the figures for the team along with staffing issues. The DWP had also suspended HBMS matches due to a technical issue which had also affected the number of cases that had been completed.

The Committee agreed to note the report.

## **11. PROTECTING THE PUBLIC PURSE - THE FUTURE OF THE INVESTIGATION SERVICE**

The Head of Finance submitted a report (previously circulated, now appended) which updated Members on the transfer of Housing Benefit fraud investigation work and Officers to the Department for Work and Pensions (DWP) Single Fraud Investigation Service (SFIS) and the retention of investigative resources.

Carol Quinton, Investigation Manager, attended the meeting and introduced the report.

In response to questions concerning resources, Carol Quinton said that losing, the equivalent of 2.9 FTE's could affect the ability of the team to move into other areas of preventing corporate fraud. Nigel Kennedy added that the issue of resources was being reviewed.

The Committee agreed:

- (a) To note the report;
- (b) To request the Head of Finance to submit a further report to a future meeting of the Audit and Governance Committee, updating the Committee on the impact of the changes on the Council.

## **12. TENANCY FRAUD AMNESTY**

The Head of Finance submitted a report (previously circulated, now appended) which updated the Committee on the proposed implementation of a tenancy fraud amnesty campaign which was subject to approval by the City Executive Board.

Carol Quinton, Investigation Manager attended the meeting and introduced the report.

In response to questions, Carol Quinton informed the Committee that she had approached other social housing providers in the City to see if they wished to join this initiative.

The Committee agreed:

- (a) To note the report;
- (b) To support the tenancy fraud amnesty initiative and to recommend the City Executive Board accordingly.

## **13. RISK MANAGEMENT QUARTERLY REPORTING: QUARTER 4, 2013/14**

The Head of Finance submitted a report (previously circulated, now appended) which updated the Committee both on corporate and service risks as at the end of quarter 4, 31<sup>st</sup> March 2014.

Anna Winship, Finance, attended the meeting and introduced the report.

The Committee agreed to note the report.

## **14. PROGRESS ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS**

The Head of Finance submitted a report (previously circulated, now appended) which updated the Committee on the progress made on the implementation of internal and external audit recommendations.

Anna Winship, Finance, attended the meeting and introduced the report.

In response to questions, Anna Winship said that there were no new external audit recommendations to be added. There was one new internal risk recommendation and 15 recommendations that had not been completed and had their review dates reviewed.

Jane Winfield, Regeneration and Major Projects Service Manager, with regard to internal audit risk recommendations on the Asset Plan, said that all of these would be treated as items for consideration as part of the Asset Plan review.

The Committee agreed to note the report.

## **15. MINUTES**

The Committee agreed to approve the minutes of the meeting held on 24<sup>th</sup> April 2014.

## **16. DATES OF MEETINGS**

The Committee agreed to note that it would meeting at 6.00pm at the Town Hall on the following dates:

Monday 22<sup>nd</sup> September 2014

Thursday 18<sup>th</sup> December 2014

Thursday 26<sup>th</sup> February 2015

Thursday 23<sup>rd</sup> April 2015

**The meeting started at 6.05 pm and ended at 7.40 pm**

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