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To Members of the Audit and
Governance Committee

23 September 2011

Our ref:

Your ref:

Dear Councillor

AUDIT AND GOVERNANCE COMMITTEE - THURSDAY 29 SEPTEMBER 2011

I attach the following reports which were not available when the main agenda was dispatched. Please bring these documents to the meeting.

Agenda No Item

5. **Statement of Accounts 2010/11 (Pages 1 - 116)**

6. **Audit Recommendations Tracker (Pages 117 - 128)**

Yours sincerely

Mathew Metcalfe,
Democratic Services Officer
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To: Audit & Governance Committee

Date: 29 September 2011

Report of: Head of Finance

Title of Report: Statement of Accounts 2010/11

Summary and Recommendations

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

Report Approved by:

Finance: Jackie Yates

Recommendation(s):

Audit & Governance Committee are recommended to:

a) approve the audited 2010/11 Statement of Accounts and authorise the Director of Finance and Efficiency and Chair of the Committee to sign the Statement of Accounts and

b) approve the Letter of Representation to enable the opinion to be issued.

1. On June 30th the draft 2010/11 financial statements were presented to this Committee and subsequently passed to the Audit Commission for audit.
2. The audit of the statements is now substantially complete. The auditor has, in line with the Code of Practice, issued a draft report on the outcome of the audit. This is the Annual Governance Report and appears elsewhere on the agenda of this meeting
3. The outcome of the report is that the auditor expects to issue an unqualified opinion on the financial statements and an unqualified opinion on our arrangements to secure Value for Money.
4. Attached at Appendix A is a revised set of accounts which incorporates the adjustments required as a consequence of the audit. The revised accounts

include only one change to the main statements, this is an adjustment for disposed assets for a value of £767,000 as detailed below. All other changes are to classifications or disclosure notes. These adjustments include:

- An adjustment for disposed assets (£767,000), two assets that were sold prior to the year end were not disposed of in the Asset Register;
 - Reclassification of an asset from Assets Held for Sale into Surplus Assets;
 - Changes to disclosure notes on Grant Income (note 33, page 65), and Operating Leases (note 36, page 70);
 - A Change to the Cash Flow Statement to include NNDR and Council Tax cash in transit;
 - Changes to Note 12, on page 44, in relation to re-classification of impairment losses and depreciation, originally showing in the line for provision of services and moved to the Revaluation Reserve;
 - Some minor presentational errors.
5. As part of the preparation of the Statements a review and discussion of how the Council has accounted for the deposits placed with Icelandic Banks has taken place. A recent LAAP Bulletin and International Accounting Standard 39 outlined the recommended accounting practice for such deposits, and recommended the reversal of any capitalisation already undertaken. Members will recall that the Council received a capitalisation direction from the Department for Communities and Local Government in 2008/9 and applied it.
- 5 Officers considered the following in determining the best estimate to use for the carrying value of these deposits:
- Accounting Standards - IAS39 and IAS37
 - The latest views from the Glitnir Winding Up Board
 - The issues of Uncertainty
 - Consideration of Risk and Mitigations available.

We concluded that the Council should continue with the level of impairment for all deposits held with Icelandic Banks and not reverse the capitalisation accounting entries. The reason being, that at the time of preparing the financial statements we believe that the risk around upholding the Council's preferential creditor status at appeal is so great that we should not adopt this position and potentially overstate the value of the Council's assets.

- 6 The Audit Commission have stated in their Annual Governance Report that they are comfortable that the explanation we provided supports the Council's best estimate of the liability and is in line with IAS 39.
- 7 The recommendations provided by the auditors include making further improvements to working papers, officers are already considering how best to action this recommendation including providing templates for all officers to complete for all reconciliations and working papers. Further improvements will also be made to the process for agreeing the ledger to the financial statements.
- 8 Also on the agenda is a draft Letter of Representation which this Committee is asked to approve. This is a letter from the Council's S151 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. The Audit Commission requires this letter before they issue their opinion.

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Background papers: None

Version number: 1

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STATEMENT OF ACCOUNTS 2010/11

**AUDIT & GOVERNANCE COMMITTEE
29 SEPTEMBER 2011**

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CONTENTS

	PAGES
INTRODUCTION	
STATEMENT OF RESPONSIBILITIES	3
SELECTION AND APPLICATION OF ACCOUNTING POLICIES	5
CORE FINANCIAL STATEMENTS:	
MOVEMENT IN RESERVES STATEMENT	11
COMPREHENSIVE INCOME & EXPENDITURE STATEMENT	12
BALANCE SHEET	13
CASH FLOW STATEMENT	14
NOTES TO THE CORE FINANCIAL STATEMENTS	15-81
SUPPLEMENTARY FINANCIAL STATEMENTS	
HOUSING REVENUE ACCOUNT AND NOTES	83-90
COLLECTION FUND AND NOTES	91-93
GLOSSARY OF TERMS AND ABBREVIATIONS	94-98
INDEPENDENT AUDITORS REPORT AND CERTIFICATES	100-103

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INTRODUCTION

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INTRODUCTION

Welcome to Oxford City Council's Statement of Accounts for the year ending 31st March 2011.

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 detailing how those services were financed. In addition, it provides information, within the Balance Sheet on page 13 on the value of our assets (what we own), what we are 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.

Should you have any comments or wish to discuss this statement in further detail then please contact the Council's Head of Finance Nigel Kennedy on 01865 252708, or email nkennedy@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.

Jacqueline Yates
Director of Finance & Efficiency

Oxford City Council
Town Hall
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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 to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance & Efficiency.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets, and
- approve the Statement of Accounts.

The Director of Finance & Efficiency's Responsibilities

The Director of Finance & Efficiency 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 this Statement of Accounts, the Director of Finance & Efficiency has:

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

The Director of Finance & Efficiency has also:

- kept proper accounting records which were 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 9 to 91 presents a true and fair view of the financial position of Oxford City Council as at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

Signed

Jacqueline Yates
Director of Finance & Efficiency

Date

Signed

Beverly Hazell
Chair of Audit & Governance Committee

Date

SELECTION AND APPLICATION OF ACCOUNTING POLICIES

Adoption of International Financial Reporting Standards (IFRS)

The transition from Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS) has affected the Council's reported financial position, requiring the Council's position at 1st April 2009 and 2009/10 accounts to be restated. The following material differences are worthy of note.

1. Effect on the Balance Sheet as at 1 April 2009 due to the Move to IFRS

- **Leases**

Property assets were reassessed to consider the treatment of leases resulting in the following major adjustment to the Balance Sheet as at 1 April 2009:

- **Council as Lessee**

St Aldate's is an operational property which is leased by the Council. Under the IFRS rules (IAS19) it is required to be shown on the Balance Sheet of the Council, because it is judged to be, in substance, a Council asset. The Land and building value increased by £2.2 million for this asset and the liabilities increased by an equal sum, but will subsequently reduce as repayment takes place.

- **Council as Lessor**

In many cases Council owned property is leased out on long term leases, which under IFRS are considered to represent, in substance, a transfer of risks and rewards. Therefore the Council is required to remove them from tangible assets and state them in the Balance Sheet at the level of deferred income. As a result, the Investment Property assets of the Council reduced by £10.49 million, while debtors increased by £13.47 million.

The new debtor is also shown in the Balance Sheet as a Deferred Capital Receipt of £13.47 million, as the debtor is repaid this balance will be written down and removed. The income is being treated as a capital receipt, but then reversed out to enable the income to be recorded in the General Fund via the Movement in Reserves Statement (MIRS).

- **Reclassification of Investment Property**

Under IFRS5 property can only be considered to be Investment Property where the sole use of the asset is for capital appreciation or financial gain. Where any service provision takes place or where lettings are for some community purpose the property must be recorded as Property Plant and Equipment. This change resulted in £2.48 million of asset value being transferred from Investment Property to Property Plant and Equipment.

- **Classification of Assets held for Sale and Surplus Property**

IFRS requires property that is surplus to requirement and available for sale to be identified as either Assets Held For Sale (AHFS) or Surplus Assets (SA).

To fit the special requirement of AHFS, the asset must have been approved, and planned to be sold within 12 months, and be actively marketed, and there must be a high probability it will be sold. In the event that an asset has been identified for disposal or is surplus to requirements, but does not meet the AHFS requirement it must be regarded as a Surplus Asset.

SELECTION AND APPLICATION OF ACCOUNTING POLICIES

This change resulted in £3.46 million of Surplus Assets and £2.06 million of AHFS being identified.

During this process assets were re-valued and the overall revaluation resulting from implementing IFRS was £3.1 million.

- **Cash and Cash Equivalents**

Another significant change in the Statement occurred due to the classification of cash and overnight investments being brought together in the Balance Sheet and stated as a global figure known as Cash and Cash Equivalents.

- **Grants and Contributions**

Under IFRS it is not possible to defer grant income, and grant income must be assessed to consider whether it has been received in advance. A grant is regarded as being received in advance if a repayment condition exists.

This requirement resulted in the removal of grants from deferred liabilities, and creation of a Capital Grants in Advance account of £5.201 million, and a Grants Unapplied account of £0.334 million.

- **Accumulated Absences and Employment Reserve**

IFRS requires the recognition of any potential liability to pay staff for untaken leave and associated flex leave. The rule also requires costs associated with the termination of employee contracts before retirement age to be recognised immediately. These requirements resulted in the creation of a reserve amounting to £1.63 million.

Although these cost are recognised immediately the impact on the General Fund is mitigated to ensure the costs are met in accordance with proper local government accounting practice.

- **Conclusion: Effect on the Balance Sheet as at 1 April 2009 due to the Move to IFRS**

The sum total of all the IFRS changes resulted in a net increase in reported wealth of £6.578 million increasing the Balance Sheet from £666.81 million to £673.388 million.

2. Effect on the Balance Sheet as at 31 March 2010 due to the Move to IFRS

- **Classification of Assets held for Sale and Surplus Property**

During 2009-10 assets were identified for sale and some were found to be surplus. In addition, assets previously in these categories were sold. As a result there was a reduction in the balance held for AHFS of £0.643 million. Investment properties were reduced by a net £0.586 million and Surplus Assets increased by £1.137 million.

The effect on the revaluation reserve was an increase of £1.074 million.

There was also reclassification of assets from 'Other Land and Buildings' to 'Council Dwellings'.

SELECTION AND APPLICATION OF ACCOUNTING POLICIES

- **Cash and Cash Equivalents**

At the 31 March 2010 £15 million of overnight investments were classified as Cash and Cash Equivalents. This sum was transferred from 'Investment in Current Assets' to the 'Cash and Cash Equivalents'.

- **Accumulated Absences and Employment Reserve**

Additional accruals were recognised as at 31 March 2010 for termination payments and the adjustments for accumulated absences. The extra long term liability amounted to £0.422 million while the employment reserve increased by £0.514 million.

- **Grants and Contributions**

Government grants and contributions received during 2009-10 and entered into the deferred account of £1.001 million were removed in accordance with IFRS rules and placed into the Capital Adjustment Account.

Other grants received of £4.2 million were identified of which £3.9 million were recorded as Capital Grants in Advance.

- **Conclusion: Effect on the Balance Sheet as at 31 March 2010 due to the Move to IFRS**

The sum total of all these IFRS requirements resulted in a net decrease in reported wealth of £0.434 million.

3. Comprehensive Income and Expenditure Statement for 2009-10

IFRS requires major adjustments to the treatment of grants and contributions, employee benefits, investment property income and valuation, leases, and assets held for sale.

The change in accounting treatment and presentation results in restatement of the Income and Expenditure account, and incorporation of the Statement of Total Gains and Losses within the Comprehensive Income and Expenditure Statement. However, the overall effect on the General Fund balance in 2009-10 is £nil. This is because all the changes are allowed to be mitigated through the Movement in Reserves Statement.

The following table sets out in general terms the comparison between the old and new accounting requirements:

Table Comparing the Outcome of IFRS with UK GAAP for Operational Income and Expenditure	UK	
	GAAP 2009-10 £000	IFRS 2009-10 £000
Deficit for 2009-10	17,567	15,612
Other Comprehensive Income and Expenditure		32,753
Adjustment to Proper Practice as per SMGFB/MIRS (Increase)/Decrease in General Fund Balance	(16,365)	(47,163)
Fund Balance b/fwd	(4,342)	(4,342)
General Fund Balance c/fwd	(3,140)	(3,140)

4. Major Changes in the Detail of the Accounting under IFRS 2009-10

- **Investment Property Income**

IFRS requires Investment Property Income to be recorded after the Cost of Services, and this resulted in £5.95 million of income being removed from services and recorded in the general heading of Financing and Investment Income and Expenditure.

- **Investment Property Revaluation**

Revaluation of Investment Property under IFRS is required to be recorded in the Comprehensive Income & Expenditure Statement (CI&ES) under the heading of Financing and Investment Income and Expenditure. The total increase in value for 2009-10 was £6.76 million which has been added to the CI&ES, however, under GAAP £5.55 million was recorded in the Cost of Services and has been removed. The difference had been recorded in the Revaluation Reserve under GAAP.

- **Leases**

Under IFRS Finance Lease income received by the Council as lessor is required to be recorded under the general heading of Financing and Investment Income and Expenditure, rather than in the Cost of Service. This is because the income is regarded as finance income rather than rent. The adjustment was £0.692 million.

- **Grants and Contributions**

IFRS requires all capital grants where no condition exists to be passed through the CI&ES while Grants and Contributions with conditions are not recognised in the CI&ES until the condition has been met. The adjustment to the Cost of Services of removing grants amounted to a net sum of £2.96 million, while Grants and Contributions to be recognised in the heading of Financing and Investment Income and Expenditure amounted to £4.25 million.

- **Assets Held for Sale**

The identification of Assets Held for Sale resulted in changes to the valuation of assets and the calculation of gains and losses on disposal. The revaluation reduced the value by £1.18 million.

- **Conclusion: Comprehensive Income and Expenditure Statement for 2009-10**

The above sets out the major adjustments which have been required to move to IFRS compliant accounts.

Many of the IFRS adjustments are removed through the Movement in Reserves Statement and therefore have no overall effect on Council Tax.

Technically, there would have been a General Fund impact resulting from the change in accounting for Employment Benefits, but this was also allowed to be mitigated. It amounted to £0.514 million in total of which £0.428 million was in the General Fund, and £0.086 million on the Housing Revenue Account.

CORE FINANCIAL STATEMENTS



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MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

This statement shows the movement in the 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 'other 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.

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2009	4,342	5,652	2,917	3,515	-	4,867	334	21,628	651,760	673,388
Movement in Reserves during 2009/10										
Surplus/(Deficit) on the Provision of Services	(4,760)	-	(10,852)	-	-	-	-	(15,612)	-	(15,612)
Other Comprehensive Income and Expenditure						(60)		(60)	(32,692)	(32,752)
Total Comprehensive Income and Expenditure	(4,760)	-	(10,852)	-	-	(60)	-	(15,672)	(32,692)	(48,364)
Adjustments between Accounting Basis & Funding Basis under Regulations	2,901	256	9,924	-	-	3,258	35	16,374	(16,381)	(7)
Net Increase/(Decrease) Before Transfers to Earmarked Reserves	(1,859)	256	(928)	-	-	3,198	35	702	(49,073)	(48,371)
Transfers to/from Earmarked Reserves	657	(542)	11	(125)	-	-	-	1	-	1
Increase/(Decrease) in 2009/10	(1,202)	(286)	(917)	(125)	-	3,198	35	702	(49,073)	(48,371)
Balance as at 31 March 2010 carried forward	3,140	5,366	2,000	3,390	-	8,065	369	22,330	602,687	625,017
Movement in Reserves during 2010/11										
Surplus/(Deficit) on the Provision of Services	32,718	-	(81,228)	-	-	-	-	(48,510)	-	(48,510)
Other Comprehensive Income and Expenditure								-	54,577	54,577
Total Comprehensive Income and Expenditure	32,718	-	(81,228)	-	-	-	-	(48,510)	54,577	6,067
Adjustments between Accounting Basis & Funding Basis under Regulations	(29,947)	-	80,465	-	0	1,587	-	52,106	(52,167)	(61)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	2,771	-	(764)	-	0	1,587	-	3,595	2,411	6,006
Transfers to/from Earmarked Reserves	(1,484)	1,484	764	(764)	0	-	-	-	-	-
Increase/(Decrease) in 2010/11	1,287	1,484	0	(764)	0	1,587	-	3,595	2,411	6,006
Balance at 31st March 2011 carried forward	4,427	6,850	2,000	2,627	0	9,652	369	25,925	605,098	631,023

**COMPREHENSIVE INCOME & EXPENDITURE STATEMENT FOR THE YEAR ENDED
31 MARCH 2011**

This statement shows the accounting cost in the 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.

	Notes	2010/11			2009/10		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Central Services to the Public		3,772	(1,101)	2,671	3,151	(1,101)	2,050
Cultural, Environmental, Regulatory and Planning Services		24,905	(13,438)	11,467	44,751	(16,075)	28,676
Highways and Transport Services		8,588	(10,097)	(1,509)	9,039	(8,408)	631
Local Authority Housing (HRA)		115,138	(34,850)	80,288	50,627	(39,496)	11,131
Other Housing Services		84,385	(77,728)	6,657	80,167	(73,521)	6,646
Corporate and Democratic Core		4,266	(162)	4,104	4,427	(138)	4,289
Non Distributed Costs		(183)	(24,061)	(24,244)	4,378	(447)	3,931
Cost of Services				79,434			57,354
Other Operating Expenditure	9			(690)			(2,000)
Financing and Investment Income and Expenditure	10			(760)			(6,314)
(Surplus)/Deficit on Discontinued Operations				-			-
Taxation and Non-Specific Grant Income	11			(29,474)			(33,428)
(Surplus)/Deficit on Provision of Services				48,510			15,612
Adjusted Revaluation Reserve				-			1,205
(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets				18,385			(5,987)
(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets				-			-
Other (old balance on Collection Fund, Prior Period Adjustments -PPA)				-			113
Actuarial (Gains)/Losses on Pension Assets and Liabilities				(72,962)			37,422
Other Comprehensive Income and Expenditure				(54,577)			32,753
Total Comprehensive Income and Expenditure				(6,067)			48,365

Exceptional items

Pension Payments to be based on CPI

During 2010/11 the government announced in the budget that pensions would be increased by the CPI rather than the RPI and this resulted in a past service credit of £22,248,000 which has been included in the CI&E in the Non Distributable costs line, under income.

Revaluation of Council Dwellings

Council Dwellings are valued in accordance with the DCLG Guidance for Stock valuation for resource accounting. The valuation advice reduced the value of stock by £140m due to the EUV-SH factor being reduced from 45% to 32%.

BALANCE SHEET AS AT 31 MARCH 2011

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 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). 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 are 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'.

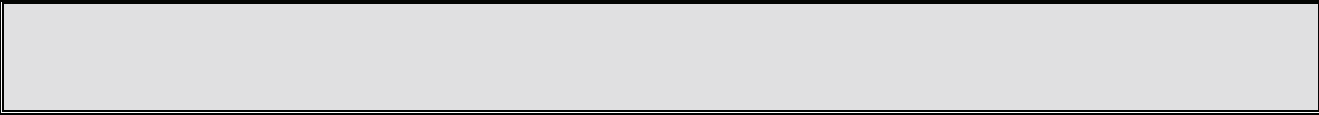
	Note	2010/11 £000	2009/10 £000	2008/09 £000
Property, Plant & Equipment	12	579,402	668,094	677,101
Investment Properties	13	82,432	78,669	72,493
Intangible Assets	14	462	543	-
Long Term Investments	15	32	32	32
Long Term Debtors	15	21,704	19,137	18,205
Long Term Assets		684,032	766,475	767,831
Short Term Investments	15	11,794	14,335	25,349
Assets Held for Sale	19	3,862	1,419	2,062
Inventories	16	785	676	677
Short Term Debtors	17	16,247	17,396	15,076
Cash and Cash Equivalents	18	12,261	16,092	2,906
Current Assets		44,949	49,918	46,070
Short Term Borrowing	15	(995)	(923)	(2,124)
Short Term Creditors	20	(22,246)	(23,990)	(18,964)
Provisions	21	-	(9)	(123)
Current Liabilities		(23,241)	(24,922)	(21,211)
Long Term Creditors	15	-	-	-
Provisions	21	(6,038)	(2,936)	(1,310)
Long Term Borrowing	15	(3,641)	(5,128)	(5,476)
Other Long Term Liabilities	15	(57,198)	(149,279)	(107,289)
Capital Grants Receipts in Advance	33	(7,840)	(9,112)	(5,227)
Long Term Liabilities		(74,717)	(166,455)	(119,302)
Net Assets		631,023	625,016	673,388
Usable Reserves	MIRS	(25,925)	(22,339)	(21,681)
Unusable Reserves	23	(605,098)	(602,677)	(651,707)
Total Reserves		(631,023)	(625,016)	(673,388)

Statement of Accounts 2010/11

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

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	2010/11 £000	2009/10 £000
Net (Surplus)/Deficit on the Provision of Services		48,510	15,612
Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements		(65,322)	(24,395)
Adjustments for Items Included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities		-	1,001
Net Cash Flows from Operating Activities		(16,812)	(7,781)
Investing Activities	25	19,651	(7,529)
Financing Activities	26	993	2,124
Net (Increase)/Decrease in Cash and Cash Equivalents		3,832	(13,186)
Cash and Cash Equivalents at the Beginning of the Reporting Period		(16,092)	(2,906)
Cash and Cash Equivalents at the End of the Reporting Period	18	(12,261)	(16,092)



NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. 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 practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

The Code of Practice requires that departures from recommended accounting policies are fully disclosed, and the reasons for them explained, in local authority accounts.

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:

- 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 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and 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. In the Cash Flow Statement Cash and Cash Equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the 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 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.6 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.

1.7 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits (those falling due within 12 months of the year end) such as wages, salaries and paid annual leave and 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 City Council to terminate an officer's employment before the normal retirement date. These costs are required to be recognised immediately in the provision of service under the International Financial Reporting Standards (IFRS), accruing for the costs if necessary.

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.

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 5.5%, based on the indicative rate of return on the iBoxx High Quality 15 Year corporate bond which is AA rated.
- the assets of Oxford 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 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. Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
4. Expected Return on Assets – the annual investment return on the Fund assets attributable to the Authority, based on an average of the expected long-term return is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
5. Gains or Losses on Settlements and Curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - 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
6. Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions are debited to the Pensions Reserve
7. Contributions paid to the Oxfordshire County Council Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities is not accounted for as an expense.

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.

1.8 Events after the Balance Sheet Date

Events after the balance sheet date are those happenings, favourable or unfavourable, that have occurred between the Balance Sheet Date and the date when the Statement of Accounts is authorised for issue. FRS21 sets out the recognition and measurement requirements for two types of events after the Balance Sheet Date:

- *adjusting events* – those that provide additional evidence of conditions that existed at the Balance Sheet date and materially affect the amounts included
- *non-adjusting events* – those that are of sufficient materiality that their disclosure is required, in the notes to the Core Financial Statements, for the fair presentation of the financial statements.

1.9 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 effective 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

1.10 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.

Area based Grant

Oxford City Council record Area Based Grant (ABG) from the Government in relation to Climate change as a general revenue grant within the Comprehensive Income and Expenditure Statement under the heading Taxation and Non Specific Grant Income. ABG is a non-ringfenced grant.

NOTES TO THE CORE FINANCIAL STATEMENTS

1.11 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) is 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 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 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.

1.12 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.

1.13 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. The same treatment is applied to gains and losses on disposal.

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).

1.14 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 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).

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

- 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

1.15 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) Best Value Accounting Code of Practice 2010-11 (BVACOP).

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a 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 BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.16 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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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 basis:

- 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.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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 disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government.

The balance of receipts is required to be credited to the 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.

1.17 Private Finance Initiative (PFI) and Similar Contracts

The Council did not operate any PFI contracts during 2010/11.

1.18 Provisions, Contingent Liabilities and Contingent Assets

Contingent Assets

Contingent Assets are not recognised as assets unless an inflow of economic benefit is probable.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Contingent Liabilities

Contingent Liabilities are not recognised as liabilities; 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.

1.19 Reserves

The Council sets aside specific amounts as Reserves for future policy purposes or to cover contingencies. These are separate from Provisions. Reserves are created by appropriating amounts in the Statement of Movements on the General Fund Balances. 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.

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.

Capital Reserves are not available for revenue purposes and some can only be used for specific statutory purposes. The Capital Adjustment Account 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. The Revaluation Reserve contains valuation gains recognised since 1 April 2007.

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 items of revenue or capital expenditure.

1.20 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

1.21 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.

1.22 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.

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.

2. Accounting Standards Issued, Not Adopted

The 2010/11 Accounting Code of Practice does not require Local Authorities to comply with Financial Reporting Standard 30, Accounting for Heritage Assets, other than to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not adopted.

Heritage Assets have been recorded in the Balance Sheet as at 31 March 2011 under a number of asset categories including the Community Assets and Property, Plant and Equipment headings.

Heritage Assets include historic buildings, archaeological sites, military and scientific equipment of historic importance, civic regalia, and museum and gallery collections of works of art.

At present the Council has £3.394 million of Heritage Assets held at cost in the category of Community Assets.

The Council also has property which is of historic importance, but is not necessarily held purely for its contribution to knowledge and culture. The Council will assess the property assets as at 1 April 2011 and determine how best to reflect Heritage Assets in the financial statements for 2011-12, at which time a new Accounting Policy will be established and Heritage Assets will be identified as a new class of asset.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, 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:

- The Authority had £4.5 million invested with two of the failed Icelandic banks, of which £3 million was deposited with Heritable Bank and £1.5 million with Glitnir Bank. These investments, together with accrued interest, are overdue repayment. To-date, 56.33% of our original Heritable Bank investments have been repaid. This includes 6.25% paid post Balance Sheet date in April 2011. Current guidance indicates that the repayment of the Heritable deposits will continue with an eventual total repayment of approx 85% of the original deposits by the end of 2012. The Authority has not received any repayment of the deposit with Glitnir Bank. The matter is currently being processed through the Icelandic courts.

This issue is being dealt with nationally by the Local Government Association, who consider that prospects for recovery are good. The Authority impaired these deposits in 2009/10 and has used a capitalisation direction to spread the costs in accordance with accounting practice. A prudent approach has been adopted in 2010/11 as a consequence of:

- a) the preferential creditor status being challenged
 - b) the advice of the Council's Treasury Management advisors, Sector.
- Consequently, the Council has not followed the accounting treatment recommended by LAAP Bulletin 82 Update 4 released by CIPFA in May 2011.

A prudent approach dictates that no revaluation of the financial instrument will take place until a final settlement has been determined and received. This will preserve the benefit of a £1.944 million capitalisation directive to the Authority, until a final settlement is agreed and paid.

- The introduction of Componentisation in accordance with International Financial Reporting Standards requires material elements of assets where economic life is materially different to be identified and depreciated separately. The Council's housing stock has been divided into many components, and then those Components grouped into three bands representing:
 - band 1 - structure: 60 years
 - band 2 - kitchens, bathrooms, etc: 30 years
 - band 3 - heating boilers etc: 15 years.

This has significantly affected the level of depreciation increasing the charge for 2010-11 by £0.925 million. Capital spending on assets is added to fixed asset representing components replaced and the old component de-recognised.

General Fund assets have been selected for componentisation only where the asset is significant (in excess of £1 million) and the adjustment in depreciation is expected to result in an increase greater than £10,000. Any asset meeting these criteria will then be componentised prospectively as the asset is programmed for valuation. Capital spending on componentised assets is added to fixed assets representing components replaced and the old component de-recognised.

NOTES TO THE CORE FINANCIAL STATEMENTS

The General Fund componentisation has resulted in an increase in depreciation of £0.4 million.

4. 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.

The items in the Authority's Balance Sheet at 31 March 2011 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 introduced a new programme of capital improvement work of £7 million spread over four years, which will be able to sustain assumptions made regarding the useful lives assigned to assets.	If however, the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that if the annual depreciation charge for asset were to increase by 1% the extra charge would amount to £126,000.
Provisions	The Council has not made a provision for the settlement of claims for back pay arising from the Equal Pay initiative, because only one claims has been received by the Council. The case was resolved and compensation paid. There are no other cases imminent or pending. It is of course difficult to assess any provision on such evidence.	Any cases identified would require provision. Based on the evidence there would be no requirement to make a provision
Provisions	The Council has made a provision for the settlement of rent dispute on Southfield Park. A legal case is taking place. It is of course difficult to assess any provision in such circumstances.	If the current provision were found to be inaccurate by 10% the extra cost or reduced burden would be £134,000.
Provisions	The Council operates a rent deposit scheme which provides the deposit necessary for a eligible resident to occupy private rented accommodation. The deposit is repayable. The certainty of repayment is very difficult to estimate. The Council has made a 86% provision in the sum of £3.31 million.	If the current provision were found to be inaccurate an extra 1% provision would result in the extra cost of £38,000.

NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions Liability	<p>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.</p>	<p>The effects on the net pensions liability of changes in individual assumptions cannot be measured accurately. The assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pensions liability had decreased by £92 million. £73 million was related to actuarial gain and £37 million was due to changes in assumptions.</p>
Arrears	<p>At 31 March 2011, the Council had a balance of sundry debtors of £20.227 million. A review of significant balances suggested that an impairment of doubtful debts of £3.9 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>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.</p>

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

General Fund		Collection Fund	
Sundry Debtors		Council Tax & NNDR	
Age of Debt	Provision	Year Debt Raised	Provision
<1 Year	60%	2010/11	0.25%
<2 Years	60%	2009/10	25%
<3 Years	80%	2008/09	50%
<4 Years	100%	2007/08	75%
<5 Years	100%	2006/07	80%
<6 Years	100%	2002/03-2005/06	92%
>6 Years+	100%	2001/02	94%
		2000/01	96%
		1999/00	97%
		prior to 1999	100%

Glitnir and Heritable Banks	<p>The priority status of the Council's investments with Icelandic banks is being contested in Icelandic courts. Currently the investments have been deemed to have priority status, but this is subject to further appeal. A prudent approach has been adopted to retain the protection of a capitalisation directive granted and applied in 2009/10.</p>	<p>If the appeal against priority status is unsuccessful then it is likely that the capitalised loss of approximately £1.9m would be reversed.</p>
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5. Material Items of Income and Expenditure

Past Service Gain

The Government has announced that it plans to increase future pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This has been accounted for by the Council's Actuarial advisors as a past service gain, and amounts to an exceptional entry of £22.248 million in the Comprehensive Income and Expenditure Statement (CI&E): It is subsequently adjusted (in accordance with proper practice) via the Movement in Reserve Statement to ensure it has no General Fund Balance implications in accordance with proper practice.

Actuarial Gain

The Pension Fund Actuary has reported an actuarial gain for 2010/11 of £72.962 million. This is reported as a gain on the CI&E, and subsequently adjusted (in accordance with proper practice) via the Movement in Reserve Statement to ensure it has no General Fund Balance implications.

Devaluation

The activity to revalue and impair assets is recorded in services where appropriate. The items that could not be recorded in services result in a net devaluation of £18.385 million.

6. Events After the Balance Sheet Date

The Statement of Accounts will be authorised for issue by the Director of Finance & Efficiency on 20 September 2011. 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 2011, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

- on 1 April 2011 Icelandic Courts found in favour of reinstating priority creditor status to local authority depositors with Glitnir Bank. However, this is subject to a further appeal in the Icelandic Courts later in 2011.

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations

2009/10	Usable Reserves					
	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
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of Non-Current Assets	583	11,818	-	7,940	-	(20,341)
Revaluation losses on Property Plant and Equipment	-	-	-	-	-	-
Movements in the Market Value of Investment Properties	-	-	-	-	-	-
Amortisation of Intangible Assets	-	-	-	-	-	-
Capital Grants and Contributions applied	(3,346)	-	-	-	-	3,346
Movement in the Donated Assets Account	-	-	-	-	-	-
Revenue Expenditure funded from Capital under Statute	5,138	64	-	-	-	(5,202)
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,532)	(1,283)	-	-	-	2,815
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of Capital Investment	(232)	-	-	-	-	232
Capital expenditure charged against the General Fund and HRA balances	(1,766)	-	-	-	-	1,766

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations – cont.

2009/10	Usable Reserves					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	
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(291)	-	-	-	35	256
Application of grants to capital financing transferred to the Capital Adjustment Account	(1,001)	-	-	-	-	1,001
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	5,860	-	-	(5,860)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(1,948)	-	-	1,948
Contribution from the Capital Receipts Reserve towards administrative costs of Non-Current Asset disposals	-	-	(12)	-	-	12
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	642	-	(642)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	(2,600)	-	2,600
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(5,340)	-	5,340

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations – cont.

2009/10	Usable Reserves					
	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
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year	(852)	-	-	-	-	852
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 39)	12,652	(761)	-	-	-	(11,891)
Employer's pensions contributions and direct payments to pensioners payable in the year	(6,221)	-	-	-	-	6,221
Adjustments primarily involving the Collection Fund Adjustment Account:						
Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year	(125)	-	-	-	-	125
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:						
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	-	-	-	-	-	-
Adjustment primarily involving the Accumulated Absences Account:						
Officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year	428	86	-	-	-	(514)
Other transfer adjustments	(1,176)					1,176
Total Adjustments	2,901	9,924	3,258	-	35	(16,118)

Statement of Accounts 2010/11

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations – cont.

2010/11	Usable Reserves					
	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
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of Non-Current Assets	(4,939)	85,059	-	5,423	-	(85,543)
Revaluation losses on Property Plant and Equipment	-	-	-	-	-	-
Movements in the market value of Investment Properties	-	-	-	-	-	-
Amortisation of Intangible Assets	-	-	-	-	-	-
Capital grants and contributions applied	-	-	-	-	-	-
Movement in the Donated Assets Account	-	-	-	-	-	-
Revenue expenditure funded from Capital under Statute	1,144	191	-	-	-	(1,335)
Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,222)	-	-	-	-	1,222
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(293)	-	-	-	-	293
Capital expenditure charged against the General Fund and HRA balances	(2,867)	(1,397)	-	-	-	4,264
Adjustments primarily involving the Capital Grants Unapplied Account:						
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	(1,963)	(3,566)	-	-	-	5,530

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations – cont

2010/11	Usable Reserves					
	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
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	3,372	-	-	(3,372)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(1,497)	-	-	1,497
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	303	-	(303)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and wales):						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7	-	15	-	-	(21)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	(5,367)	-	5,367
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	-
Adjustments primarily involving the Financial Instruments Adjustment Account:						
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

7. Adjustments between Accounting Basis and Funding Basis under Regulations – cont

2010/11	Usable Reserves					
	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
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 39)	(15,113)	124	-	-	-	14,989
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,470)	-	-	-	-	4,470
Adjustments primarily involving the Collection Fund Adjustment Account:						
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	-	-	-	-	-	(96)
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:						
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	-	-	-	-	-	-
Adjustment primarily involving the Accumulated Absences Account:						
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	(569)	-	-	-	-	569
Other transfer adjustments	35	55	-	(56)	-	-
Total Adjustments	(29,947)	80,466	1,587	-	-	(52,166)

NOTES TO THE CORE FINANCIAL STATEMENTS

8. 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 2010/11.

	Balance 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
General Fund:							
Icelandic Banking	(350)	92	-	(258)	-	-	(258)
Recession Led Pressures	(300)	-	-	(300)	300	-	-
Cemetery Maintenance	(19)	-	-	(19)	14	-	(5)
Taxi Licencing Reserve	(119)	-	(55)	(174)	-	(22)	(196)
Town Hall Equipment Reserve	(41)	-	(6)	(46)	16	-	(30)
Work Of Art Reserve	(5)	-	-	(5)	-	-	(5)
Shopmobility Reserve	(22)	-	(20)	(41)	-	(8)	(49)
Employee Cost Reserve	(834)	93	-	(741)	821	(792)	(712)
Customer Services Server Replacement	(72)	-	-	(72)	72	(40)	(40)
S&R Oxford Business Contributions	(32)	-	(3)	(35)	-	-	(35)
Performance Reward Grant	(0)	-	-	(0)	-	-	(0)
SALIX Energy Projects Reserve	(100)	105	(275)	(269)	90	(41)	(220)
Non SALIX Energy Projects Reserve	(12)	12	-	(0)	-	-	(0)
IT Infrastructure Reserve	(100)	-	-	(100)	-	-	(100)
Repairs & Maintenance Reserve	(675)	475	(84)	(284)	105	-	(179)
Reserve for Land Charges	(7)	-	(12)	(19)	3	-	(16)
Leisure Repairs & Maintenance	(218)	517	(580)	(280)	-	-	(280)
Business Transformation Projects	(1,465)	1,209	(305)	(562)	561	(1,196)	(1,197)
Invest to Save Projects	(106)	219	(113)	-	-	-	-
City Council Elections Reserve	-	-	(21)	(21)	-	-	(21)
Chief Executive's Award Fund	-	-	(3)	(3)	-	(2)	(5)
Committed Projects Reserve	-	-	(75)	(75)	75	(219)	(219)
CRM Rollout Reserve	-	-	(484)	(484)	184	-	(300)
Grants Reserve	-	-	(256)	(256)	-	(373)	(629)
Direct Revenue Funding of Capital Land at Barton	-	-	-	-	-	(813)	(813)
	-	-	-	-	-	(167)	(167)
Total General Fund	(4,477)	2,722	(2,291)	(4,045)	2,241	(3,673)	(5,477)
HRA:							
Job Evaluation Reserve	(166)	166	-	-	-	-	-
Decent Homes Capital Reserve	(3,125)	-	(55)	(3,181)	1,396	(233)	(2,018)
Corporate Contingency Reserve	-	-	(112)	(112)	112	-	-
Committed Projects Reserve	-	-	-	-	-	(181)	(181)
Direct Services Project Work	-	-	-	-	-	(120)	(120)
IT Equipment Reserve	(318)	126	-	(192)	-	(117)	(309)
Total HRA	(3,609)	292	(168)	(3,484)	1,508	(651)	(2,627)
Capital & Insurance Funds:							
Self Insurance Fund	(1,081)	-	(146)	(1,227)	-	(146)	(1,373)
Investment Income Reserve	(1)	1	-	-	-	-	-
Total Capital and Insurance Funds	(1,082)	1	(146)	(1,227)	-	(146)	(1,373)
Grand Total	(9,168)	3,016	(2,604)	(8,756)	3,749	(4,470)	(9,477)

NOTES TO THE CORE FINANCIAL STATEMENTS

General Fund: Reserve Descriptions

Icelandic Banking Reserve	The Icelandic Banking reserve will be used to fund the capitalisation of the Iceland Banking losses.
Recession Led Pressures Reserve	Created to cover any recessionary pressures impacting the General Fund Budget. These pressures have now been incorporated into base budgets so the provision is no longer required.
Cemetery Maintenance	Created to cover one-off costs associated with cemetery maintenance.
Taxis Licensing Reserve	Created to manage the ring-fenced taxi licensing cost centre. Surplus/(deficits) associated with this cost centre are collected and the balance is used to improve and / or address pressures within the Taxi Licensing area.
Town Hall Equipment Reserve	Used to fund new / replacement or repair of Town Hall equipment.
Work of Art Reserve	Created to aid the purchase or restoration of Council's works of art.
Shopmobility Reserve	Created to fund replacement or repair of Shopmobility equipment.
Employee Cost Reserve	Created to cover employee pressures and severance payments.
Customer Services Server Replacement	Created to fund a replacement of server in Customer Services, expected to complete in 2010-11.
S&R Oxford Business Contributions	Used to fund contributions to Business Partnership Schemes within the Oxford.
Salix Energy Projects Reserve	Created from a grant made available via Salix. The fund is used to loan money to Service Areas within Oxford City Council. Services then utilise these funds to implement energy efficient schemes. Savings on energy costs are then used to repay the initial loan.
Non Salix Energy Projects Reserve	Created to fund energy projects not matched by Salix funding. It is expected that all energy projects will be funded via the Salix reserve in the future.
IT Infrastructure Reserve	Used to fund IT Infrastructure replacement across the Council.
Repairs and Maintenance Reserve	Created via a transfer of capital funding into revenue. This will be used to fund repairs & maintenance at Covered Market & other areas.
Reserve for Land Charges	Collects the surplus/(deficit) associated with Land Charges. Funds are used to improve the services and address pressures associated with the Land Charges area.
Leisure Repairs & Maintenance	Created via a transfer of Capital Funding into Revenue at the end of 2009/10. The reserve will be used to cover substantive repairs in the Leisure Service area.
Business Transformation Projects	A transitory account. At the year end budgets associated with transformation projects not yet completed 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.
Invest to Save Projects	This reserve is longer required (balance is zero).
City Council Elections Reserve	Created from the budget surplus/(deficit) on the City Council Elections cost centre. City elections are held every 2 years and this reserve is used to fund additional costs in election year.
Chief Executive's Award Fund	The Chief Executive's Award Fund Reserve was set up at request of Chief Executive to fund future award schemes.
Committed Projects Reserve	Created to cover carry-forward requests from services.
CRM Rollout Reserve	Created to fund the rollout of the Council's Customer Relationship Management (CRM) programme.
Grants Reserve	Created to hold grant monies.
Direct Revenue Funding of Capital	Created to fund future capital programme.
Land at Barton	This is an HCA grant made available to fund expenses related to the project to build houses on land at Barton.
HRA: Reserve Descriptions	
Job Evaluation Reserve	This reserve is no longer required (balance is zero).
Decent Homes Capital Reserve	The Decent Homes Capital reserve is a Housing Revenue Account general reserve used to meet the cost of capital works to properties.
Corporate Contingency Reserve	The Corporate Contingency Reserve was created as a result of a net underspend.
Committed Project Reserve	Created to carry service request for carry-forward of under-spends.
Direct Services Project Work	This reserve was created for future 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.
Capital and Insurance Funds: Descriptions	
Self Insurance Fund	The Self Insurance Fund Reserve is used to cover claim costs that are below the Council's insurance policy excess limit. The fund will be subject to actuary review in this finance year and will be adjusted in line with any recommendations following this review.
Investment Income Reserve	This reserve is no longer required (balance is zero).

NOTES TO THE CORE FINANCIAL STATEMENTS

9. Other Operating Expenditure

	2010/11 £000	2009/10 £000
Parish Council Precepts	197	174
Levies	-	-
Payments to the Housing Capital Receipts Pool	303	641
(Gains)/Losses on the Disposal of Non-Current Assets	(1,190)	(2,815)
Total	(690)	(2,000)

10. Financing and Investment Income and Expenditure

	2010/11 £000	2009/10 £000
Interest Payable and Similar Charges	551	570
Pensions Interest Costs and Expected Return on Pensions Assets	3,112	7,514
IFRS adjustments	-	(5,947)
Interest Receivable and Similar Income	(212)	(260)
Income & Expenditure in Relation to Investment Properties and Changes in their Fair Value	(3,762)	(7,377)
Other Investment Income	(449)	(814)
Total	(760)	(6,314)

11. Taxation and Non Specific Grant Income

	2010/11 £000	2009/10 £000
Council Tax Income	(12,555)	(12,198)
Non Domestic Rates	(14,643)	(13,452)
Non-Ringfenced Government Grants	(2,276)	(3,426)
Capital Grants and Contributions	-	(4,352)
Total	(29,474)	(33,428)

NOTES TO THE CORE FINANCIAL STATEMENTS

12. Property, Plant and Equipment Movements in 2010/11

	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
Cost of Valuation								
At 1 April 2010	563,713	105,307	9,893	207	3,552	4,649	3,300	690,621
Additions	7,686	4,172	2,993	-	129	2	8,511	23,493
Donations	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	15,604	3,956	-	-	-	-	-	19,560
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	54,055	1,084	-	-	-	-	-	55,139
Derecognition - Disposals	-	(4)	(299)	-	-	-	-	(303)
Derecognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(151)	(4,277)	-	-	-	(278)	-	(4,706)
Other movements in cost or valuation	4,714	8,886	-	-	-	225	(4,339)	9,486
At 31 March 2011	645,621	119,124	12,587	207	3,681	4,598	7,472	793,290
Accumulated Depreciation and Impairment								
At 1 April 2010	(7,396)	(10,894)	(4,133)	(49)	-	(54)	-	(22,526)
Depreciation Charge	(5,118)	(4,458)	(1,465)	(15)	-	(72)	-	(11,128)
Depreciation written out to the Revaluation Reserve	429	1,700	-	-	-	-	-	2,129
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	6,967	3,308	-	-	-	-	-	10,275
Impairment losses/ (reversals) recognised in the Revaluation Reserve	(39,617)	(116)	-	-	-	-	(445)	(40,178)
Impairment losses/(reversals) recognised in the Surplus/(Deficit) on the Provision of Services	(140,909)	(5,978)	(707)	-	-	-	(5,211)	(152,805)
Derecognition - Disposals	-	-	248	-	-	-	-	248
Derecognition - Other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	2	-	-	-	-	94	-	96
At 31 March 2011	(185,642)	(16,438)	(6,057)	(64)	-	(32)	(5,656)	(213,889)
Net Book Value								
At 31 March 2011	459,979	102,686	6,530	143	3,681	4,566	1,816	579,402
At 31 March 2010	556,319	94,391	5,048	158	4,284	4,594	3,300	668,094
Variation	(96,340)	8,295	1,482	(15)	(603)	(28)	(1,484)	(88,692)

NOTES TO THE CORE FINANCIAL STATEMENTS

12. Property, Plant and Equipment cont. Comparative Movements in 2009-10

	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
Cost of Valuation								
At 1 April 2009	566,858	107,024	7,315	207	3,615	3,458	-	688,477
Additions	7,454	1,083	1,875	-	753	11	1,500	12,676
Donations	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	156	1,306	-	-	-	(11)	(167)	1,284
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	11	33	-	-	-	-	(1,192)	(1,148)
Derecognition - Disposals	(275)	-	-	-	(43)	-	-	(318)
Derecognition - Other	(3,271)	(1,250)	-	-	-	-	-	(4,521)
Assets reclassified (to)/from Held for Sale	(162)	(1,087)	-	-	-	-	-	(1,249)
Other movements in cost or valuation	449	-	9	-	-	1,191	3,185	4,834
At 31 March 2010	571,220	107,109	9,199	207	4,325	4,649	3,326	700,035
Accumulated Depreciation and Impairment								
At 1 April 2009	-	(8,583)	(2,760)	(34)	-	-	-	(11,377)
Depreciation Charge	(7,465)	(3,755)	(1,382)	(15)	-	(54)	-	(12,671)
Depreciation written out to the Revaluation Reserve	2	585	-	-	-	-	34	621
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	12	167	-	-	-	-	2	181
Impairment losses/ (reversals) recognised in the Revaluation Reserve	(17)	(7)	-	-	-	-	-	(24)
Impairment losses/(reversals) recognised in the Surplus/(Deficit) on the Provision of Services	(7,490)	(1,896)	-	-	(41)	-	-	(9,427)
Derecognition - Disposals	3	-	-	-	-	-	-	3
Derecognition - Other	38	-	-	-	-	-	-	38
Other movements in depreciation and impairment	13	771	(9)	-	-	-	(62)	713
At 31 March 2010	(14,904)	(12,718)	(4,151)	(49)	(41)	(54)	(26)	(31,943)
Net Book Value	556,317	94,391	5,048	158	4,284	4,594	3,300	668,092
Carried at Historical Cost	-	-	6,530	-	3,504	-	-	10,034
Valued at fair value as at:								
31 March 2011	459,677	48,718	-	-	-	219	1,815	510,429
31 March 2010	302	4,739	-	-	55	1,937	-	7,033
31 March 2009	-	15,566	-	-	-	-	-	15,566
31 March 2008	-	12,177	-	51	-	-	-	12,228
31 March 2007	-	20,886	-	-	-	-	-	20,886
31 March 2006	-	-	-	86	-	-	-	86
De-minimis	-	600	-	6	122	14	-	742
Total Cost or Valuation	459,979	102,686	6,530	143	3,681	2,170	1,815	577,005

NOTES TO THE CORE FINANCIAL STATEMENTS

a) Capital Commitments

At 31 March 2011, the Authority had entered into a number of contracts for the construction of or enhancement to Property, Plant and Equipment in 2011/12 and future years, budgeted at £7.066 million. Similar commitments at 31 March 2010 were £6.783 million. The major commitments are:

<u>Description</u>	<u>Contractor</u>	2010/11 £000
Old Fire Station	Kingerlee	1,920
Office for the future	ISIS Ltd	3,087
Playground refurbishment	Ground works	559
New Build Competition pool	Mace	73
Windows	Nationwide	20
S106 Fees	Oxford County Council	224
Construction costs Cardinal House	Leadbitter Group	600
Construction costs Lambourn Road	Lovells	403
Controlled Entry	West Midland Services Ltd	180
Total Capital Commitments		7,066

b) Revaluations

Corporate Assets value Council assets on a rolling programme. Corporate Assets work with external valuers to provide some of the valuations and work on the other aspects of the valuation work internally.

The annual valuations for the financial year 2010-11 were provided as follows:

- External valuation
 - Investment Assets were revalued by Amanda Blythe-Smith MRICS on behalf of Kemp & Kemp
 - Operational Assets were revalued by Rupert Sheppard MRICS & Craig Middleton MRICS on behalf of Cluttons and John Thompson-Ashby & Chris Wallin MRICS on behalf of Countrywide Surveyors Ltd.
- Internal valuation

A number of valuations for reclassification of assets within the year were undertaken internally, together with portfolio valuations for garages and rent to buy etc. Componentisation has been devised and implemented using internal valuers/building professionals etc

The work was undertaken by Martin Lyons MRICS.

Council Dwellings were valued on the Beacon principle. The effective date of the valuation was 01st April 2010. Other Property Plant and equipment to be valued as part of the five year cycle were valued as at 31st March 2011, except for the componentised assets that were valued as at 1st April 2010.

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-

NOTES TO THE CORE FINANCIAL STATEMENTS

length transaction, after proper marketing. The parties are taken to have acted knowledgeably, prudently and without compulsion.

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.

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.

	2010/11 £000	2009/10 £000
Rental Income from Investment Property	(5,788)	(5,650)
Direct Operating Expenses arising from Investment Property	299	214
Net (Gain)/Loss	(5,489)	(5,436)

Investment property valuations were assessed to identify assets that were possible to have experienced a significant change in value. All investment assets identified as representing a significant change in value were valued as at 31st March 2011.

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

	2010/11 £000	2009/10 £000	2008/09 £000
Balance at Start of Year	78,669	72,492	107,187
Additions:			
Purchases	-	-	
Construction	-	-	
Subsequent expenditure	1	73	82
Disposals		(729)	(367)
Net (Gains)/Losses from Fair Value Adjustments	78,670	71,836	106,902
Transfers:			
To/from Inventories	-	-	
To/from Property, Plant and Equipment	-	-	(2,150)
Other changes - Net Revaluation	3,762	6,833	(32,260)
Balance at End of the Year	82,432	78,669	72,492

NOTES TO THE CORE FINANCIAL STATEMENTS

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 useful lives assigned to the major software suites used by the Authority are:

	Internally Generated Assets	Other Assets
2 years	none	Data Centre Software
4 years	none	Software Licences
5 years	none	Data Centre Software, Desktop Migration Software
6 years	none	Data Centre Software
7 years	none	Data Centre Software, Data Centres Licences

The Movement on Intangible Assets

	2010/11 £000	2009/10 £000	2008/09 £000
Balance at 1 April 2010			
- Gross Carrying Amounts	543	-	-
- Accumulated Amortisation	-	-	-
Net Carrying Amount at Start of Year	543	-	-
Additions:			
- Internal Development	-	-	-
- Purchases	17	543	-
- Acquired through Business Combinations	-	-	-
Amortisation for the Period	(98)	-	-
Other Changes	-	-	-
Balance at 31 March 2011	462	543	-
Comprising			
Gross Carrying Amounts	560	543	-
Accumulated Amortisation	(98)	-	-
	462	543	-

The amortisation of £98k is shown in net cost of services under Non-Distributed cost.

NOTES TO THE CORE FINANCIAL STATEMENTS

There is one item of capitalised software that is individually material to the financial statements as set out below:

	Carrying Amount		Remaining Amortisation Period
	31 March 2011 £000	31 March 2010 £000	
IBM XIV Storage System	199	249	4 years

15. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet.

Categories of Financial Instruments	Long-term			Current		
	2010/11 £000	2009/10 £000	2008/09 £000	2010/11 £000	2009/10 £000	2008/09 £000
Investments						
Loans and Receivables	32	32	32	24,794	29,335	22,209
Total Investments	32	32	32	24,794	29,335	22,209
Debtors						
Loans and Receivables	21,704	19,137	18,205	16,247	17,396	15,076
Total Debtors	21,704	19,137	18,205	16,247	17,396	15,076
Borrowings						
Financial Liabilities at Amortised Cost	(3,641)	(5,128)	(5,476)	(995)	(923)	(2,124)
Total Borrowings	(3,641)	(5,128)	(5,476)	(995)	(923)	(2,124)
Other Long Term Liabilities						
Deferred Liabilities	(1,992)	(1,600)	(2,193)	-	-	-
Finance Lease Liability	(2,006)	(2,057)	(2,106)	-	-	-
Liability for Defined Benefit Pension Scheme	(53,200)	(145,622)	(102,990)	-	-	-
Total Other Long Term Liabilities	(57,198)	(149,279)	(107,289)	-	-	-
Creditors						
Financial Liabilities at Amortised Cost Amounts	-	-	-	(22,246)	(23,990)	(18,964)
Total Creditors	-	-	-	(22,246)	(23,990)	(18,964)

NOTES TO THE CORE FINANCIAL STATEMENTS

16. Inventories

	Consumable			Maintenance			Total		
	2010/11 £000	2009/10 £000	2008/09 £000	2010/11 £000	2009/10 £000	2008/09 £000	2010/11 £000	2009/10 £000	2008/09 £000
Balance Outstanding at Start of Year	41	32	28	635	644	557	676	676	585
Purchases	147	9		3,054	2,956	112	3,201	2,965	112
Recognised as an Expense in the Year	(142)	-	(21)	(2,943)	(2,939)		(3,085)	(2,939)	(21)
Written-off Balances	(7)	-		-	(26)		(7)	(26)	-
Reversals of Write-offs in Previous Years	-	-		-	-		-	-	-
Balance Outstanding at Year End	39	41	7	746	635	669	785	676	676

17. Debtors

The table below shows the amount that the Council was owed at 31 March 2011 by third parties, together with amounts paid by the Council in advance of receipt of goods or services.

	2010/11 £000	2009/10 £000	2008/09 £000
Central Government Bodies	4,494	4,314	2,979
Other Local Authorities	5,813	6,472	8,087
Other Entities and Individuals	5,941	6,610	4,010
Total	16,247	17,396	15,076

Note: There are no debtors with NHS Bodies or Public Corporations & Trading Funds.

18. Cash and Cash Equivalents

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

	2010/11 £000	2009/10 £000	2008/09 £000
Cash Held by the Authority	13,000	15,000	3,140
Bank Current Accounts	(739)	1,092	(234)
Short-term Deposits with Building Societies	-	-	-
Total Cash and Cash Equivalents	12,261	16,092	2,906

NOTES TO THE CORE FINANCIAL STATEMENTS

19. Assets Held for Sale

	Current		2008/09 £000	Non Current		2008/09 £000
	2010/11 £000	2009/10 £000		2010/11 £000	2009/10 £000	
Balance Outstanding at Start of Year	1,419	2,062	-	-	-	-
Assets newly classified as Held for Sale:						
Property, Plant and Equipment	4,604	1,248	2,062	-	-	-
Impairment Losses	(64)	-	-	-	-	-
Assets Sold	(2,097)	(1,891)	-	-	-	-
Balance Outstanding at Year End	3,862	1,419	2,062	-	-	-

20. Creditors

The table below shows the amount that the Council owed as at 31 March 2011 to third parties, together with amounts received by the Council in advance of supply of goods or services.

	2010/11 £000	2009/10 £000	2008/09 £000
Central Government Bodies	(1,568)	(1,741)	(898)
Other Local Authorities	(7,756)	(662)	(745)
Other Entities and Individuals	(12,871)	(21,538)	(16,077)
Total	(22,195)	(23,941)	(17,720)

Note: There are no creditors with NHS Bodies or Public Corporations & Trading Funds. The Creditors figure on the main Balance Sheet also includes £51K for 2010/11 and £49k for 2009/10 for Finance Lease Liabilities outstanding.

NOTES TO THE CORE FINANCIAL STATEMENTS

21. Provisions

Provisions for doubtful debts are separately disclosed against debtors on the Balance Sheet.

The total value for Provisions held at 31 March 2011 are:

	Outstanding Legal Cases		Other Provisions		Total £000
	Current	Non Current	Current	Non Current	
	£000	£000	£000	£000	
Balance at 1 April 2008	-	(445)	(101)	(341)	(887)
Additional Provisions made in year	-	(510)	(80)	(41)	(631)
Amounts Used in year	-	-	-	27	27
Unused Amounts reversed in year	-	-	58	-	58
Unwinding of Discounting in year	-	-	-	-	-
Balance at 1 April 2009	-	(955)	(123)	(355)	(1,433)
Additional Provisions made in year	-	(191)	(9)	(1,463)	(1,663)
Amounts Used in year	-	-	43	28	71
Unused Amounts reversed in year	-	-	80	-	80
Unwinding of Discounting in year	-	-	-	-	-
Balance at 1 April 2010	-	(1,146)	(9)	(1,790)	(2,945)
Additional Provisions made in year	-	(191)	-	(2,959)	(3,150)
Amounts Used in year	-	-	9	48	57
Unused Amounts reversed in year	-	-	-	-	-
Unwinding of Discounting in year	-	-	-	-	-
Total Provisions	-	(1,337)	-	(4,701)	(6,038)

Note: there are no injury and damage compensation provision (current or non-current).

Outstanding Legal Cases

A dispute over the rent increase on Southfield Park has been ongoing since the 1 April 2004. On the 26 January 2010 the arbitrator was appointed. The parties are in the process of writing their legal submissions to put to the arbitrator in respect of the correct interpretation of the rent review clause. A legal case has been effectively underway since the appointment of the arbitrator.

22. Usable Reserves

Movements in the Authority's Usable Reserves are detailed in the Movement of Reserves Statement and Note 7.

NOTES TO THE CORE FINANCIAL STATEMENTS

23. Unusable Reserves

	2010/11 £000	2009/10 £000	2008/09 £000
Revaluation Reserve	(34,314)	(58,550)	(60,713)
Capital Adjustment Account	(607,679)	(673,894)	(678,286)
Financial Instruments Adjustment Account	-	-	852
Deferred Capital Receipts Reserve	(17,851)	(17,872)	(18,162)
Pensions Reserve	53,200	145,622	102,990
Collection Fund Adjustment Account	(29)	(125)	(16)
Accumulated Absences Account and Employee Reserve	1,575	2,142	1,628
Total Unusable Reserves	(605,098)	(602,677)	(651,707)

The Statements have been adjusted to rectify an error resulting from the council's asset register not keeping a correct record of the historic cost of our assets. This has resulted in an error in the estimated transfer of the amount that fair value depreciation exceeds historic cost depreciation. A prior period adjustment is not required because changes in accounting estimates are accounted for in the current and future years, these changes do not give rise to a prior period adjustment.

The adjustment made is a transfer between Revaluation Reserve and Capital Adjustment Account of £848k for Council Dwellings and £3,658k for Other Land and Buildings.

In the Revaluation Reserve note below the line showing £5,524k is made up of the Historical Cost Adjustments above plus excess depreciation of £738k for Council Dwellings and £280k for Non Council Dwellings.

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	2010/11 £000	2009/10 £000
Balance at 1 April	(58,550)	(65,676)
Prior year adjustments		1,863
Upward revaluation of assets	(21,082)	(6,375)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	39,570	4,524
Surplus or deficit on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	(40,062)	(65,664)
Difference between fair value depreciation and historical cost depreciation	5,524	616
Accumulated gains on assets sold or scrapped	206	2,225
Amount written off to the Capital Adjustment Account	18	4,273
Balance at 31 March	(34,314)	(58,550)

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 amortisations 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 7 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

	2010/11		2009/10	
	£000	£000	£000	£000
Capital Adjustment Account				
Balance at 1 April		(673,894)	-	(678,286)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	-	-	-	-
Changes for depreciation and impairment of non-current assets	154,296	-	15,336	-
Revaluation losses on Property, Plant and Equipment	(68,852)	-	-	-
Amortisation of Intangible Assets	99	-	-	-
Revenue expenditure funded from capital under statute	1,335	-	5,202	-
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	1,944	-	3,801	-
		88,822	-	24,339
Adjusting amounts written out of the Revaluation Reserve		(5,656)	-	(4,920)
Net written out amount of the cost of non-current assets consumed in the year		83,166		19,419
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,497)	-	(1,948)	-
Use of the Major Repairs Reserve to finance new capital expenditure	(5,367)	-	(5,340)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		-	-	-
Application of grants to capital financing from the Capital Grants Unapplied Account	(5,530)	-	(5,741)	-
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(293)	-	(232)	-
Capital expenditure charged against the General Fund and HRA balances	(4,264)	-	(1,766)	-
Movements in the market value of Investment properties debited or credited to the Comprehensive income and Expenditure Statement	0	(16,951)	-	(15,027)
Balance at 31 March		(607,679)		(673,894)

NOTES TO THE CORE FINANCIAL STATEMENTS

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 usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2010/11 £000	2009/10 £000
Balance at 1 April	(17,872)	(18,162)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7	-
Transfer to the Capital Receipts Reserve upon receipt of cash	14	290
Balance at 31 March	(17,851)	(17,872)

d. Pension Elements

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.

	2010/11 £000	2009/10 £000
Balance at 1 April	145,622	102,990
Actuarial gains or losses on pensions assets and liabilities	(72,962)	37,422
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	(13,205)	11,431
Employer's pensions contributions and direct payments to pensioners payable in the year	(6,255)	(6,221)
Balance at 31 March	53,200	145,622

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	2010/11 £000	2009/10 £000
Balance at 1 April	(125)	(16)
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	96	(109)
Balance at 31 March	(29)	(125)

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 31st March. These accruals are reversed and therefore mitigated through the Movement in Reserves Statement.

	2010/11 £000	2009/10 £000
Accumulated Absences Account		
Balance at 1 April	2,142	1,628
Settlement or cancellation of accrual made at the end of the preceding year	(1,504)	(1,532)
Additional accrual during the year	937	2,046
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	(567)	514
Balance at 31 March	1,575	2,142

NOTES TO THE CORE FINANCIAL STATEMENTS

24. Operating Activities

	2010/11 £000	2009/10 £000
Operating activities within the Cashflow Statement include the following cashflows relating to Interest		
Cash Interest Received	479	260
Cash Interest Paid	(562)	(570)
Dividends Received	-	-
Total	(83)	(310)

25. Investing Activities

	2010/11 £000	2009/10 £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	25,493	16,365
Purchase of short-term and long-term investment	2,541	(9,624)
Other payments for investing activities	-	-
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(3,372)	(5,859)
Other capital cash receipts in advance	(604)	(556)
Proceeds from short-term and long-term investments	(4,407)	(7,855)
Other receipts from Investing Activities	(4,407)	(7,855)
Total Cash Flows from Investing Activities	19,651	(7,529)

26. Financing Activities

	2010/11 £000	2009/10 £000
Repayment of Long Term Borrowing	923	2,124
Cash receipts of Short and Long-Term Borrowing	72	-
Other receipts from Financing Activities	-	-
Payments for the reduction of a Finance Lease Liability	(2)	-
Payments for the reduction of a PFI Liability	-	-
Total Cash Flows from Financing Activities	993	2,124

NOTES TO THE CORE FINANCIAL STATEMENTS

27. Amounts Reported for Resource Allocation Decisions

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	Chief Executive £000	City Regeneration £000	City Services £000	Finance & Efficiency £000	Total £000
2010/11					
Fees, Charges and other service income	(3,519)	(19,081)	(79,712)	(6,133)	(108,445)
Government Grants	(10)	(935)	(70,430)	(3,222)	(74,597)
Total Income	(3,529)	(20,016)	(150,142)	(9,355)	(183,042)
Employee expenses	3,769	9,718	30,614	(19,397)	24,704
Other service expenses	632	13,407	114,070	6,637	134,746
Support service recharges	549	4,363	7,191	4,549	16,651
Depreciation, amortisation and impairment	37	(5,653)	91,744	248	86,375
Total Expenditure	4,986	21,835	243,619	(7,963)	262,476
Net Expenditure	1,457	1,819	93,477	(17,318)	79,434

Services Income and Expenditure	Chief Executive £000	City Regeneration £000	City Services £000	Finance & Efficiency £000	Total £000
2009/10 Comparative Figures					
Fees, Charges and Other Service Income	(3,651)	(6,033)	(73,443)	(6,706)	(89,833)
Government Grants	(7)	(306)	(58,189)	(958)	(59,460)
Total Income	(3,658)	(6,339)	(131,632)	(7,664)	(149,293)
Employee Expenses	2,626	9,800	27,645	5,297	45,368
Other Service Expenses	416	11,520	102,324	7,001	121,261
Support Service Recharges	593	3,544	29,309	6,572	40,018
Total Expenditure	3,635	24,864	159,278	18,870	206,647
Net Expenditure	(23)	18,525	27,646	11,206	57,354

- **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.

NOTES TO THE CORE FINANCIAL STATEMENTS

2010/11	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, Charges and Other Service Income	(108,445)	(3,762)	(112,207)
(Surplus)/deficit on Associates and Joint Ventures	-	-	-
Interest and Investment Income	-	(661)	(661)
Income from Council Tax	-	(12,555)	(12,555)
Government Grants and Contributions	(74,597)	(16,769)	(91,366)
Total Income	(183,042)	(33,747)	(216,789)
Employee Expenses	24,704	-	24,704
Other Service Expenses	134,746	-	134,746
Support Service Recharges	16,651	-	16,651
Depreciation, Amortisation and Impairment	86,376	-	86,376
Interest Payments	-	3,514	3,514
Precepts & Levies	-	197	197
Payments to Housing Capital Receipts Pool	-	303	303
(Gain)/ Loss on Disposal of Fixed Assets	-	(1,190)	(1,190)
Total expenditure	262,477	2,824	265,301
(Surplus)/Deficit on the Provision of Services	79,435	(30,923)	48,510
2009/10	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, Charges and Other Service Income	(89,833)	(13,324)	(103,157)
(Surplus)/Deficit on Associates and Joint Ventures	-	-	-
Interest and Investment Income	-	(1,074)	(1,074)
Income from Council Tax	-	(12,198)	(12,198)
Government Grants and Contributions	(59,460)	(20,912)	(80,372)
Total Income	(149,611)	(47,508)	(196,801)
Employee Expenses	45,368	-	45,368
Other Service Expenses	121,261	-	121,261
Support Service Recharges	17,161	-	17,161
Depreciation, Amortisation and Impairment	22,857	-	22,857
Interest Payments	-	7,766	7,766
Precepts & Levies	-	174	174
Payments to Housing Capital Receipts Pool	-	641	641
(Gain)/ Loss on Disposal of Fixed Assets	-	(2,815)	(2,815)
Total Expenditure	206,647	5,766	212,413
(Surplus)/Deficit on the Provision of Services	57,036	(41,742)	15,612

NOTES TO THE CORE FINANCIAL STATEMENTS

28. Trading Operations

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

		2010/11 £000	2009/10 £000
Building Control Charging Account	Turnover	(607)	(551)
	Expenditure	552	564
	(Surplus)/Deficit	(55)	13
Trade Refuse & Recycling	Turnover	(1,771)	(1,928)
	Expenditure	973	1,539
	(Surplus)/Deficit	(798)	(389)
Estates	Turnover	(229)	(503)
	Expenditure	247	462
	(Surplus)/Deficit	18	(41)
Net Surplus on Trading Operations		(835)	(417)

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 highways maintenance.

	2010/11 £000	2009/10 £000
Routine Maintenance	1,273	1,255
Administrative Costs	93	112
Net Surplus Arising on the Agency Arrangement	1,366	1,367

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Currently the City Council's in-house service providers carry out the maintenance operation of S42. This work is split into three; Highways engineering, carriageway and pavement maintenance and grass cutting which are undertaken by the Engineering teams and Grounds Maintenance teams respectively. The third area of work is Tree Maintenance, which is carried out by the Leisure & Parks Tree team.

30. Member's Allowances

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

	2010/11 £000	2009/10 £000
Members' Allowances		
Allowances	342	343
Expenses	4	2
Total Payments	346	345

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	2010/11	140,000	28,280	168,280
	2009/10	141,031	28,488	169,519
Director, City Regeneration	2010/11	109,080	22,034	131,114
	2009/10	109,080	22,034	131,114
Director, City Services	2010/11	107,907	21,797	129,704
	2009/10	109,080	22,034	131,114
Monitoring Officer	2010/11	77,770	15,709	93,479
	2009/10	78,062	15,752	93,814
* Director of Finance and Efficiency Head of Finance	2010/11	90,395	18,223	108,618
	2009/10	77,700	14,281	91,981

*The Council restructured its Senior Management Team, which resulted in the appointment of a Director of Finance and Efficiency in 2010/11.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2010/11	Number of employees 2009/10
£50,000 - £54,999	9	11
£55,000 - £59,999	4	3
£60,000 - £64,999	5	5
£65,000 - £69,999	2	1
£70,000 - £74,999	6	4
£75,000 - £79,999	1	0
£80,000 - £84,999	2	2
£85,000 - £89,999	0	0
£90,000 - £94,999	1	0
Total Number of Employees	30	26

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 other services provided by the Authority's external auditors:

	2010/11 £000	2009/10 £000
External Audit Statutory Inspection	192	253
Certification of Grant Claims & Returns	91	89
Total	283	342

33. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2010/11 £000	2009/10 £000
Grants Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	2,126	3,108
Area Based Grant	150	318
National Non-Domestic Rates	14,641	13,463
Total	16,917	16,889
Grants Credited to Services		
Benefits Grant	69,842	68,310
Homelessness Main Grant	641	688
Sports England - Sports Grants	332	459
Carbon Framework Grant	253	-
Homelessness Revenue Grant	170	-
Barton Project Grant	168	-
Growth Fund Grant	246	145
Discretionary Housing Payments Grant	92	71
Co-Location Grant	79	-
Flood Prevention Grant	57	-
Free Swim Grant	44	100
Homelessness Add On Grant	40	-
Local Area Agreement Award Grant- Tourism	100	-
Enhanced Housing Options Grant	51	29
Go Active Grant	43	37
Habitats Climate Change Grant	34	-
Connecting Communities Grant	75	5
Air Quality Grant	22	-
Positive Futures Grant	20	-
Behavioral Change Local Fund Grant	20	-
Landscape and Play Grant	13	-
Recession Impact And Repossession Prevention Grants	11	13
Housing & Planning Delivery Grant	-	630
Waste and Recycling Grants	-	116
Playbuilder Grant	-	77
Blackbird Leys Wellbeing Hub Grant	-	47
Consultancy Support Grant	-	20
Town Twinning Grant	-	13
New Burdens Grant	-	5
Electoral Registration Data Standards Grant	-	4
Procurement Hub Contribution	101	46
Tourism Contribution	67	-
Big Dance Contribution	29	33
SALIX Contribution	-	200
Local Authorities Business Growth Incentive Scheme	-	104
Total	72,550	71,152

Statement of Accounts 2010/11

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 giver. The balances at the year end are as follows:

Capital Grants Receipts in Advance	2010/11 £000
Additional Funding for Council Tax leaflet	11
Free Swims	45
Barton Adventure Play Park	744
West End Partnership	399
Old Fire Station	2,311
Housing Delivery (NGP) Allocation	683
HCA Growth Fund Grant	734
Healthy Living Initiatives	77
Developer Contributions	2,836
Total	7,840

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 party's ability to bargain freely with it.

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.

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.

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

- Central Government – Central Government provides a number of grants to local authorities.
- Housing Associations – The Council is a partner with various Housing Associations for the purpose of providing Social Housing.

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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.
- 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. In addition, The County Council provides computing services and support with a partnership agreement running from 1st April 2009 for a period of 7 years ending 31st March 2016.
- Local Boards and Trusts – Officers and Members represent the Council on various organisations. There are no material transactions.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Expenditure	2010/11	2009/10
	£000	£000
Opening Capital Financing Requirement	14,219	10,553
Capital investment		
Property, Plant and Equipment	23,530	11,479
Investment Properties		83
Intangible Assets	17	543
Revenue Expenditure Funded from Capital under Statute	1,335	5,202
Total Capital Spend	24,882	17,307
Sources of Finance		
Capital Receipts	1,497	1,948
Government Grants and Other Contributions	12,292	9,686
Sums Set Aside from Revenue	2,455	1,607
Prudential Borrowing	-	-
(MRP/loans fund principal)	244	400
Sources of Finance Total	16,488	13,641
Closing Capital Financing Requirement	22,613	14,219
Explanation of Movements in Year		
Increase in Underlying Need to Borrowing (supported by government financial assistance)	-	-
Increase in Underlying Need to Borrowing (unsupported by government financial assistance)	8,394	3,666
Assets Acquired Under Finance Leases	-	-
Assets Acquired Under PFI/PPP Contracts	-	-
Increase/(Decrease) in Capital Financing Requirement	8,394	3,666

The Council is required to make a minimum provision within its revenue account for debt repayment (MRP). This is calculated as a percentage of its CFR at the start of the financial year. At 1st April 2009 the Council had a negative non-housing CFR and therefore no provision is required in 2009/10. A voluntary revenue provision was made towards the repayment of the debt outstanding with South Oxfordshire District Council.

36. Leases

a) Authority as Lessee

FINANCE LEASE

The Council has acquired an administrative building and vehicles 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 2011 £000	31 Mar 2010 £000
Other Land and Buildings	2,041	2,121
Vehicles, Plant, Furniture and Equipment	7	7
Total	2,048	2,128

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 2011 £000	31 Mar 2010 £000
Finance lease liabilities (net present value of minimum lease payments)		
- Current	51	49
- Non Current	2,006	2,057
Finance Costs Payable in Future Years	1,121	1,203
Minimum Lease Payments	3,178	3,309

The minimum lease payments are payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 2011 £000	31 Mar 2010 £000	31 Mar 2011 £000	31 Mar 2010 £000
Within 12 Months	131	131	51	49
1-5 Years	516	523	224	216
Over 5 Years	2,531	2,655	1,782	1,841
Total	3,178	3,309	2,057	2,106

OPERATIONAL LEASE

The Council has operating leases for vehicles. The future minimum lease payments under the non cancellable leases is shown in the table below:

	31 Mar 2011 £000	31 Mar 2010 £000
Within 12 Months	5	17
1-5 Years	-	-
Over 5 Years	-	-
Total	5	17

NOTES TO THE CORE FINANCIAL STATEMENTS

The above Operating Leases are all in the secondary rental period, and therefore no split between capital and interest is required. The above payments are charged to Service Accounts.

b) Authority as Lessor

FINANCE LEASE

The Authority has leased 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.

The following is the long term debtor value of the future lease payments related to the Building Elements. These values have replaced the fixed asset previously held on the Council's Balance Sheet.

	31 Mar 2011 £000	31 Mar 2010 £000
Finance Lease debtor (net present value of minimum lease payments)		
- Current	8	7
- Non Current	13,456	13,464
Unearned Finance Income	-	-
Unguaranteed Residual Value of Property	-	-
Gross Investment in the Lease	13,464	13,471

The gross investment is the long term debtor element related to capital repayment element. The minimum lease payments are the total receivable over the terms of the leases. 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 2011 £000	31 Mar 2010 £000	31 Mar 2011 £000	31 Mar 2010 £000
Within 12 Months	8	7	8	7
1-5 Years	36	34	36	34
Over 5 Years	13,420	13,430	13,420	13,430
Total	13,464	13,471	13,464	13,471

NOTES TO THE CORE FINANCIAL STATEMENTS

OPERATIONAL LEASE

The Council leases out Property and Equipment under Operation 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 2011 £000	31 Mar 2010 £000
Within 12 Months	4,250	4,183
Later than one year but not later than five years	12,970	12,995
Over 5 Years	18,136	20,373
Total	35,356	37,552

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £1.380 Million contingent rents were receivable by the authority (£1.374 Million in 2009/10).

37. Impairment Losses

Impairment losses during 2010-11 are included in Note 12.

The largest impairment is due to the change in the Existing Value for Social Housing factor for Council Dwellings and this is determined by the Department for Communities and Local Government.

The Existing Value for Social Housing factor reduced from 45% to 32% over the period.

38. 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. These costs are required to be met immediately.

During 2010-11 termination costs amounted to £0.353 million, (£0.878 million in 2009/10). These costs are charged to the Cost of Services, and can be removed via the Movement in Reserves Statement allowing a burden to fall on the General Fund in line with the minimum required charge. However, the Council have only reduced the General Fund by £0.123 million with the other £0.23 million being provided via a Provision.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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	
	2010/11 £000	2009/10 £000
Cost of Services		
Current Service Cost	6,277	3,745
Past Service Costs	(22,702)	-
Settlements and Curtailments	108	632
Financing and Investment Income and Expenditure		
Interest Cost	12,541	13,403
Expected Return on Scheme Assets	(9,429)	(5,889)
Total Post Employment Benefit Charged to the Surplus/(Deficit) on the Provision of Services	(13,205)	11,891
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure statement		
Actuarial (Gains) and Losses	(72,962)	37,422
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(86,167)	49,313
Movement in Reserves Statement		
Reversal of Net Charges made to the Surplus/(Deficit) for the Provision of Services for Post Employment Benefits in accordance with the Code	13,205	(11,891)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' Contributions Payable to Scheme	6,255	6,681

The Cumulative amount of actuarial gain recognised in the Comprehensive Income and Expenditure Account at 31 March 2011 is £9.59 million.

c) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actual basis using the projected credit method, an estimate of the pensions that will be payable in future years depending on assumptions about mortality rates, salary levels etc. Both the Local Government Scheme and discretionary benefit liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Council Fund based on the latest valuation of the scheme as at 31 March 2011 is set out below.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Principal Assumptions Used By The Actuary Are:	2010/11	2009/10
Long-term Expected Rate of Return on Assets in the Scheme:		
Equity Investments	7.40%	7.50%
Bonds	5.50%	5.50%
Average All	6.80%	6.80%
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
Men	21.5 years	23.1 years
Women	24.1 years	25 years
Longevity at 65 for Future Pensioners:		
Men	23.4 years	25.4 years
Women	25.9 years	27.3 years
Rate of Inflation		
RPI	3.50%	3.90%
CPI	2.70%	n/a
Rate of Increase in Salaries	4.50%	4.90%
Rate of Increase in Pensions	2.70%	3.90%
Rate for Discounting Scheme Liabilities	5.50%	5.50%

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	2010/11 %	2009/10 %
Equity Investments	72	73
Debt Instruments	14	18
Other Assets	14	9
Total	100	100

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

History of Gains and Losses	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Difference between Expected and Actual Return on Assets	0.54	-14.1	-40.4	22.2	1
Actual Gains and Losses on Liabilities	-0.2	-0.3	-0.3	0	17

NOTES TO THE CORE FINANCIAL STATEMENTS

d) Assets and Liabilities in Relation to Past-Employment Benefits

	2010/11 £000	2009/10 £000
Opening Balance 1 April	284,790	203,700
Current Service Cost	6,277	3,745
Interest Cost	12,541	13,403
Contributions by Scheme Participants	1,959	1,915
Actuarial (Gain)/ Loss	(71,430)	68,309
Benefits Paid	(7,458)	(6,454)
Past Service Cost	(22,702)	(460)
Curtailments	108	632
Closing Balance 31 March	204,085	284,790

Reconciliation of Fair Value of the Schemes Assets

	2010/11 £000	2009/10 £000
Opening Balance 1 April	139,168	100,710
Expected Rate of Return	9,429	5,889
Actuarial (Gain)/Loss	1,532	30,887
Employers Contributions	6,709	6,681
Contributions by Scheme Participants	1,959	1,915
Benefit Paid	(7,912)	(6,914)
Settlements	-	-
Closing Balance 31 March	150,885	139,168

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.

The actual return on scheme assets for the year was £11.64 million (2009/10: £36.775 million).

In the budget statement on 22 June 2010 the Chancellor announced that with effect from 1st April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing Oxford City Council's Pension liabilities by £22.248 million and has been recognised as a past service gain in accordance with guidance set down in Urgent Issues Task Force (UITF) Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund (or Housing Revenue Account).

NOTES TO THE CORE FINANCIAL STATEMENTS

e) Scheme History

	2006/07	2007/08	2008/09	2009/10	2010/11
	£000	£000	£000	£000	£000
Present Value of Liabilities					
Local Government Scheme	200,630	190,200	203,700	284,790	204,085
Fair Value of Assets in the Local Government Pension Scheme	135,680	129,850	100,710	139,168	150,885
Surplus/(Deficit) in the Scheme	<u>(64,950)</u>	<u>(60,350)</u>	<u>(102,990)</u>	<u>(145,622)</u>	<u>(53,200)</u>

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £204.085 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet resulting in a negative overall balance of £53.2 million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

The deficit on the scheme will be made good by increased contributions over the remaining working life of the employees (i.e. before payment falls due), as assessed by the Actuary.

Finance only needs to be raised to cover discretionary benefits when the pension is actually paid.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £5.882 million.

40. Contingent Liabilities

a) Municipal Mutual Insurance

Under Oxford City Council's agreement with its previous insurer Municipal Mutual Insurance (MMI) the Council is exposed to the possibility of having to repay all or part of claims already settled by MMI. This will only apply if MMI cannot achieve a solvent run off of its liabilities. At 31 March 2011 the maximum repayment stood at £0.527 million. However, MMI are still receiving claims and this figure may be more however, there is no further information available at this point.

MMI's accounts for the year ended 30 June 2009 include the statement that "The Directors foresaw a solvent run off". Based on the management accounts for the 30 September 2010 the Directors reported that the run off projection did not show a break-even projection and the company's solvency position was dependant on a successful result to litigation. However, there are many uncertainties surrounding numbers of future claims, inflation rates and future investment returns. The projection of income and expenditure over 40 years is a highly subjective exercise and the situation is very volatile.

On this basis no provision for repayment has been made. The situation will continue to be reviewed, and if the outlook changes, a provision for losses will be considered.

b) Recovery of Search Fees

With the introduction of the Home Information Pack new activity arose with the Property Search Companies providing a service to home owners offering to gather all information needed when a property was first put on the market for sale. These companies were entitled to a more limited range of land charge information for a nationally set, personal search fee of £22. About two years ago the Property Search Companies started to claim that the personal search fee should be free of charge because it fell within Freedom of Information Act and/or Environmental Information Regulations, which commenced in 2005. For the period commencing 2005 a group action has been issued on behalf of about 36 property search companies, which includes a sum sought from the Council of £645. The Council is yet to be provided with evidence that the company on whose behalf the money is sought has ever made a payment to Oxford City Council in respect of personal search fees. It is possible that other claims to recover sums paid to the City Council could be made, but this is extremely uncertain, and the amounts that could be recovered cannot be reliably estimated, but the absolute maximum would be in the order of £11,000.

It is very unlikely that such costs will be incurred since it will be difficult for these claimants to prove that they have not been unjustly enriched.

c) Staffing Reductions

The Council's Budget and Medium Term Financial Plan approved by the Council in February 2011 made provision for the reduction of approximately 100 posts over the next four years, starting in 2011-12. Not all the posts have been identified and therefore it is difficult to identify the costs that could be involved in terminating the contracts of employment. It is, however, probable that some of those affected will be entitled to a termination payment which would be a resource drain on the Council.

The Council has an earmarked reserve for Severance and HR costs in connection with these expenses which at 31 March 2011 totalled around £1 million.

d) Compulsory Purchase Acts 2004

On 21st April 2011 proceedings were issued under the Planning and Compulsory Purchase Act 2004, against the Council and the Secretary of State for Communities and Local Government in regard to the Council's adoption of its Core Strategy. In the event that the claim is upheld the Council would be required to reconsider the effected element of its Core Strategy. The cost of this exercise at this point is unknown.

41. Contingent Assets

a) VAT

Following a VAT Tribunal case (Fleming t/a Bodycraft) challenging the restriction that prevents the correction of VAT errors more than three years old, HM Revenue and Customs announced a 'transitional period' of twelve months, ending 31 March 2009, during which time VAT registered organisations were able to make claims for VAT overpaid from 1 April 1973 to December 1996. The Council worked with its advisors to identify opportunities to submit claims in respect of activities where the VAT liability had changed (either through HMRC review or litigation) but the Council had been prevented from making earlier claims due to the three year rule. As a result of this exercise, claims, mainly in relation to EU rulings involving sporting activity exemptions, were submitted on the Council's behalf. In March 2011 the Council received an amount of £0.482 million (£0.813 million including simple interest and net of costs) which has been transferred to earmarked reserves.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council has requested that all claims are paid including compound interest and have filed a claim against HMRC through an Appeal Tribunal with its advisors KPMG to this effect.

b) Land At Barton

The Council has conducted a bespoke competition for the selection of a co-investment partner to enter into a Joint Venture to develop the land and facilitate the construction of infrastructure and housing at West Barton. At its meeting on the 25 May 2011 the Council approved a recommendation to accept a bid from Grosvenor Developments Limited as preferred partner and gave delegated authority for the Executive Director Regeneration and Housing to enter into a limited liability joint venture partnership (LLP) with Grosvenor. Upon signing of the agreement, which is expected in July 2011, the Council will transfer its freehold interest in the land at Barton to the JV estimated at a value of £0.9 million. In addition, upon completion of the deal the JV will pay to the Council a contribution of its fees to-date of £0.5 million.

c) Icelandic Bank

A capitalised loss of approximately £1.944 million in respect of investments with Glitnir Bank and Heritable Bank could be reversed, subject to a favourable resolution in the Icelandic courts and receipt of final settlement.

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 and building societies whose credit rating is independently assessed as sufficiently secure by the Council's Treasury Advisers and to restrict lending to a prudent maximum amount for each financial institution. The Council also maintains a formal counterparty policy in respect of those financial institutions and other bodies from which it may borrow, or with whom it may enter into other financing arrangements.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £4.5 million invested in this sector at that time. The Council has received approval to capitalise some of the expected losses to the value of £1.944 million, which it did in 2009/10.

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

The maturity analysis of financial liabilities is as follows:

Analysis of Loans by Maturity	2010/11 £000	2009/10 £000
Between 1 and 2 years	739	742
Between 2 and 5 years	816	2,743
Between 5 and 10 years	2,822	895
Total	4,377	4,381

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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. All of the debt relates to the HRA. Currently the Council do not intend to reschedule or repay this debt, therefore have included it at amortised cost.

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. All investments are at a fixed rate and for a fixed term therefore the accrued interest is based on the agreed rates at the inception date of the investment, and therefore a fair value has not been used as a comparator.

	2010/11 £000	2009/10 £000
Short Term Borrowing - Public Works Loan Board	739	680
Short Term Borrowing - South Oxfordshire District Council	256	243
Long Term Borrowing - Public Works Loan Board	3,638	4,376
Deferred Liability - South Oxfordshire District Council	1,158	1,427
Local Bonds	4	4
	5,795	6,730
Interest	-	86
Amortised Cost	5,795	6,816
Fair Value	5,600	6,699

	2010/11 £000	2009/10 £000
Short Term Investments	24,794	29,173
Long Term Investments	32	32
Cash	(995)	1,335
	23,832	30,540
Interest	-	337
Amortised Cost	23,832	30,877

All trade and other payables are due to be paid in less than one year. Trade debtors of £15.736 million are not shown in the table above.

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 or investments, therefore the impact of a 1% increase or decrease in interest rates would have a nil financial impact.

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

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

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.

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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;
- 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:

Fair Value of Assets and Liabilities carried at Amortised Cost	2010/11		2009/10	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
PWLB Debt	4,376	5,600	5,056	6,699
Non - PWLB Debt	1,417	1,417	1,674	1,674
Total Debt	5,793	7,017	6,730	8,373
Trade Creditors	12,871	12,871	15,402	15,244
Total Financial Liabilities	18,664	19,888	22,132	23,617
Money Market Loans < 1year	24,794	24,794	29,173	29,510
Money Market Loans > 1year	-	-	-	-
Bonds	-	-	-	-
Long Term Debtors	21,704	21,704	5,665	5,665
Trade Debtors	5,941	5,941	12,202	12,202
Total Loans and Receivables	52,439	52,439	47,040	47,377

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

H1.1 Housing Revenue Account Income and Expenditure Statement

	2010/11 £000	2009/10 £000
Expenditure		
Repairs & Maintenance	5,918	10,307
Supervision & Management	6,190	6,460
Rents, Rates, Taxes & Other Charges	322	330
Negative HRA Subsidy Payable	11,833	10,984
Depreciation and Impairment of Non-Current Assets	90,482	17,157
Debt management costs	-	
Movement in the Allowance for Bad Debts (not specified by the Code)	146	(16)
Total Expenditure	114,891	45,222
Income		
Dwelling Rents (Gross)	(31,406)	(30,759)
Non Dwelling Rents (Gross)	(1,457)	(1,402)
Charges for Services & Facilities	(1,759)	(1,752)
Total Income	(34,622)	(33,913)
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	80,269	11,310
HRA Services' share of Corporate and Democratic Core	274	317
Trading Account	18	(40)
Net Income for HRA Services	80,561	11,587
HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:		
(Gain)/Loss on Sale of HRA Fixed Assets	-	(1,420)
Interest Payable and Similar Charges	710	744
Interest and Investment Income	(43)	(59)
Pensions Interest Cost and Expected Return on Pension Assets	-	-
Capital Grants and Contributions Receivable	-	-
(Surplus)/Deficit for the year on HRA Services	81,228	10,852

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

H1.2 Movement on the Housing Revenue Account Statement

The HRA Income and Expenditure Account show 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 calculated depreciation on HRA assets and the Housing Subsidy 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.

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

MOVEMENT ON THE HRA STATEMENT

	2010/11 £000	2009/10 £000
Balance on the HRA at the end of the Previous Year	(2,000)	(2,917)
(Surplus)/Deficit for the Year on the HRA Income and Expenditure Account	81,228	10,852
Adjustments between Accounting Basis and Funding Basis Under Statute	(80,464)	(9,924)
Net Increase/(Decrease) before Transfers to or from Reserves	764	928
Transfer to and from Reserves	(764)	(11)
Increase/(Decrease) in Year on the HRA	-	917
Balance on the HRA at the end of the Current Year	(2,000)	(2,000)

NOTES TO THE HOUSING REVENUE ACCOUNT

H2.1 Housing Stock Numbers

	2010/11	2009/10
Houses		
1 bedroom	278	278
2 bedrooms	848	839
3 bedrooms	2,916	2,913
more than 3 bedrooms	275	274
Flats		
1 bedroom	1,612	1,557
2 bedrooms	1,761	1,753
3 bedrooms	153	153
more than 3 bedrooms	4	4
Non Dwelling Properties		
Hostels	8	8
Overall Total	7,855	7,779

Summary of Changes in Stock	2010/11	2009/10
Stock at 1 April 2010	7,779	7,905
Adjustment Prior Year	(1)	0
Less Sales	(4)	(21)
Other Disposals	(12)	(106)
Additions	93	1
Stock at 31 March 2011	7,855	7,779

Garages and Parking Spaces	2010/11	2009/10
Garages In Block	2,280	2,283
Garages Within Curtilage	275	275
Parking Spaces	50	50
Overall Total	2,605	2,608

Summary of Changes in Garages & Parking Spaces	2010/11	2009/10
Stock at 1 April 2010	2,608	2,629
Overstated Demolished from Prior Year	-	-
Demolished/ Disposed	(3)	-
Non Residential Parking Included in Prior Year	-	(19)
Garages within Curtilage Overstated Prior Year	-	(2)
Stock at 31 March 2011	2,605	2,608

NOTES TO THE HOUSING REVENUE ACCOUNT

The vacant possession of the Council's Housing stock as at 1st April 2010 amounted to £1,391,398,900 the social housing factor reduction of 68% reduced the value to an EUV-SH of £445,247,600.

The table below shows the HRA property values as at 1st April 2010 and 31st March 2011.

	as at 31st March 2011	as at 1st April 2010
Council Dwellings		
Land	205,290	200,300
Dwellings	254,690	244,947
Sub Total	459,980	445,248
Other Property	21,054	25,415
Total	481,034	470,662
Opeartional Assets	472,841	461,823
Non operational assets	8,194	8,839
Total	481,034	470,662

H2.2 Movement on the Major Repairs Reserve

	2010/11 £000	2009/10 £000
Opening Balance	-	-
Transfer from Capital Financing Reserve	(5,423)	(7,940)
Excess of Depreciation on Dwellings over Major Repairs Allowance	55	2,600
Financing of Capital Expenditure (MRA Applied)	5,368	5,340
Closing Balance	-	-

NOTES TO THE HOUSING REVENUE ACCOUNT

H2.3 Capital Expenditure and Financing

	2010/11 £000	2009/10 £000
Buildings	14,930	9,024
Other Assets	-	-
Deferred Charges	-	-
Total Spend	14,930	9,024
Sources of Finance		
Supported Borrowing	546	546
Government Grants & Other Contributions	3,566	-
Prudential Borrowing	4,054	-
Major Repairs Allowance	5,367	5,340
Decent Homes Reserve	1,397	-
Capital Receipts	-	3,138
Revenue Contributions	-	-
Total Financing	14,930	9,024

H2.4 Capital Receipts

	2010/11 £000	2009/10 £000
Buildings	(404)	(2,049)
Less Administrative Costs	-	12
Total	(404)	(2,037)

NOTES TO THE HOUSING REVENUE ACCOUNT

H2.5 Housing Subsidy

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

Summary of HRA Subsidy Claim 2010/11

	2010/11 £000	2009/10 £000
Management and Maintenance	14,175	13,732
Major Repairs Allowance	5,367	5,340
Charges for Capital	1,053	1,406
Less		
Interest on Receipts	(9)	(11)
Guideline Rent Income	(32,395)	(31,490)
Rent Constraint Allowance	-	-
Housing Subsidy Payable	(11,809)	(11,023)
Adjustment to Subsidy for Prior Year	(24)	-
Total	(11,833)	(11,023)

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 2010/11 these charges equated to £0.191 million, in 2009/10 there were no such charges.

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.

	2010/11 £000	2009/10 £000
Interest on Cash Balances	34	49
Interest on Loans to Individuals	9	10
Total	43	59

NOTES 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 service cost of pension amounting to £1,908k has been charged to the HRA and the adjustment between accounting bases of £123k applied to ensure the HRA is charged with the statutory sum related to the actual cost of pension of £1,785k.

H2.9 Rent Arrears (HRA only)

	2010/11		2009/10	
	£000	%	£000	%
Arrears Details				
Current Tenants	611	1.86	831	2.56
Past Tenants	92	0.28	109	0.34
Overall	703	2.14	940	2.90
Total Rents due in Year	32,797		32,535	

	2010/11	2009/10
	£000	£000
Doubtful Debt provision		
Opening Balance	307	392
Prior Year Adjustment	-	2
Write-offs in Year	(154)	(169)
Additional Provision	74	82
Closing Balance	227	307

In light of the current economic climate the doubtful debt provision was reviewed. However, as the rents team have further improved their collection rate during 2010/11 the provision was deemed sufficient.

H2.10 Trading Operations

This relates to work undertaken by the Housing Repairs Workforce on General Fund properties such as Barton Centre, Covered Market and Town Hall.

NOTES TO THE HOUSING REVENUE ACCOUNT

	Expenditure	Income	Net (Surplus)/ Deficit	Net (Surplus)/ Deficit
	2010/11 £000	2010/11 £000	2010/11 £000	2009/10 £000
Estates	247	(229)	18	(41)
Total Trading Operations	247	(229)	18	(41)

H2.11 Capital Commitments

<u>Description</u>	<u>Contractor</u>	2010/11 £000	2009/10 £000
Roofing	GSR	-	181
Fire Doors	Lindman	-	234
External Rendering	Fergal	-	184
Windows	Nationwide	20	350
S106 Fees	Oxford County Council	224	224
New Build Site Management	Frankam Consultancy (Oxford) Ltd	-	91
Project Management	The Clarkson Alliance	-	48
Construction costs Cardinal House	Leadbitter Group	600	2,737
Construction costs Lambourn Road	Lovells	403	2,734
Controlled Entry	West Midland Services Ltd	180	-
Total Capital Commitments HRA		1,427	6,783

COLLECTION FUND

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:

	2010/11 £000	2009/10 £000
Income		
Council Tax	(63,457)	(62,527)
Business Rates	(75,650)	(75,971)
Transfers from General Fund		
Council Tax Benefit	(10,318)	(9,708)
Discretionary Rate Relief	(20)	(12)
Contributions		
Towards Previous Year's Collection Fund deficit	-	-
Sub Total	(149,445)	(148,218)
Expenditure		
Precepts	73,878	71,270
Business Rates		
Payment to National Pool	75,448	75,754
Cost of Collection Allowance	222	229
Bad and Doubtful Debts		
Provisions	(193)	323
Contributions		
Towards Previous Year's Estimated Collection Fund Surplus	656	-
Sub Total	150,011	147,576
(Surplus) /Deficit	566	(642)
Collection Fund Balances		
	2010/11 £000	2009/10 £000
Balance B/forward	(737)	(95)
Movement	566	(642)
Balance C/forward	(171)	(737)

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. The amount collectable, less a cost of collection allowance set by the Department of Communities and Local Government, and any adjustment to the provision for doubtful debts, is paid into the National Non Domestic Rate Pool. For each billing authority a set amount per head is paid back. For 2010/11 our contribution to the national pool was £75.448 million and our entitlement £14.641 million.

The local rateable value (2010 Rating List) as at 31 March 2011 was £230.026 million (£205.485 million at 31 March 2010). The multiplier for 2010/11 was set at 41.4 pence in the pound (48.5 pence for 2009/10).

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 2010/11 Council Tax was set at £266.63 for a band D property (2009/10 £261.41).

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	2,234	1,519	6/9	1,012
B	8,791	6,817	7/9	5,302
C	18,551	15,534	8/9	13,808
D	15,526	12,589	1	12,589
E	6,593	5,247	11/9	6,413
F	2,779	2,366	13/9	3,418
G	3,167	2,684	15/9	4,473
H	566	309	18/9	617
	58,207	47,065		47,632
Crown Properties				0
Allowance of 2% for non-collection				(953)
Total				46,679



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GLOSSARY OF TERMS AND ABBREVIATIONS

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.

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.

Collection Fund Adjustment Account

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

GLOSSARY OF TERMS AND ABBREVIATIONS

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.

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

General Fund Balance

Balance at Year End not earmarked for any specific purpose.

Group Accounts

Group Accounts are prepared using consistent accounting policies which will require authorities to align their financial statements more closely with UK GAAP.

Oxford City Council has not used acquisitions or mergers' accounting methodologies following consideration of the level of involvement with companies, voluntary organisations and other public bodies to determine if there is a requirement to undertake group accounts. There are no subsidiaries, associates or joint ventures.

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.

GLOSSARY OF TERMS AND ABBREVIATIONS

Impairment

An accounting adjustment made to the value of the asset when its 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.

Long Term Debtors

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

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 1st April 2004 Right To Buy receipts are subject to a payment into a government pool at the rate of 75%. Costs associated with improvement to the property expended over the past three years are deductible from the cash receipt before the pooling percentage is applied.

GLOSSARY OF TERMS AND ABBREVIATIONS

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.

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.

Revenue Expenditure Funded from Capital under Statute

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 (DCLG), which is based on the Government's assessment as to what should be spent on local services. The amount provided by the DCLG 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.

GLOSSARY OF TERMS AND ABBREVIATIONS

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INDEPENDENT AUDITORS REPORT AND CERTIFICATE

INDEPENDENT AUDITORS REPORT AND CERTIFICATE

Opinion on the Authority accounting statements

I have audited the accounting statements of Oxford City Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account and the Collection Fund and related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Oxford City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Corporate Director Finance & Efficiency and auditor

As explained more fully in the Statement of Responsibilities the Corporate Director Finance & Efficiency, as the chief financial 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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Oxford City Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

INDEPENDENT AUDITORS REPORT AND CERTIFICATE

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

INDEPENDENT AUDITORS REPORT AND CERTIFICATE

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Oxford City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

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

Maria Grindley

Officer of the Audit Commission

Audit Commission

Unit 5 ISIS Business Centre

Horspath Road

Oxford OX4 2RD

29 September 2011

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Direct Line: 01865 252339
Fax: 01865 252458
E-mail: jyates@oxford.gov.uk

Maria Grindley
District Auditor
Unit 5 Isis Business Centre
Horspath Road
Oxford
OX4 2RD

29th September 2011
Our ref: JY/NK
Your ref:

Dear Maria,

Letter of Representation

Oxford City Council- Audit for the period ended 31 March 2011

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers and Members of Oxford City Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2011.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

There are no uncorrected misstatements; all of the issues related to the financial statements identified as part of the audit have been corrected

Supporting records

All relevant information and access to persons within the organisation has been made available to you for the purpose of your audit, and all the transactions undertaken by the Council have been properly reflected and recorded in the financial statements.

Internal control

I have communicated to you all deficiencies in internal control of which I am aware.

Fraud and error

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error. I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

I confirm:

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the process;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures; and

- the completeness and appropriateness under the financial reporting framework.

Related party transactions

I confirm that I have disclosed the identity of Oxford City Council related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Signed on behalf of Oxford City Council

I confirm that this letter has been discussed and agreed by the Audit and Governance Committee on 29 September 2011.

Yours sincerely

Jacqueline Yates
Director of Finance & Efficiency

Date

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To: Audit & Governance Committee
Date: 28 September 2011
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.

Report Approved by:

Finance: Nigel Kennedy

Policy Framework: Financial stability

Recommendation(s):

The Audit and Governance Committee is asked to note progress with the recommendations as listed in the Appendix.

Appendix A – Internal and External Audit recommendation tracker

Summary

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 which remain outstanding together with updated management responses are provided in Appendix A.

Recommendation tracking

2. Each recommendation is marked with a % complete which correlates to a red/amber/green rating depending on their percentage complete. Up to 25% complete are marked red, between 25% and 75% complete are amber and over 75% complete are green.
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 2 recommendations that are showing as red on the external audit recommendation tracker, these are both medium risk items These are both related to the investment decisions being made in respect of our

corporate asset investment portfolio, a review is to be undertaken of the systems currently used.

5. There are 14 external audit recommendations that are being reported as 100% complete and will be removed from the next report; this is largely due to the completion of the Statement of Accounts and the implementation of recommendations as part of that process. Of the recommendations that are not yet complete there are 11 that are more than 3 months passed their review date, all but two of these are more than 50% complete.

Internal Audit recommendations

6. There has been one internal audit report finalised since the last meeting and these recommendations have been added to the tracker, this report is:

- Car Parking – Medium Risk Rating

7. There are 5 red recommendations on the internal audit recommendation tracker, none of which are high risk recommendations. There are no areas of concern over any of the outstanding recommendations.

8. There are 29 internal audit recommendations that are being reported as 100% complete and will be removed from the next report. Of the recommendations that are not yet complete there are 18 that are more than 3 months passed their review date, more than half of these are more than 50% complete.

9. All of these recommendations will be addressed as part of the Corporate Services Modernisation Programme of work, including:

- Implementing improvements in ICT systems, Agresso Healthcheck;
- Implementing procure to pay for the ordering and payment of goods and services.

Financial Implications

10. This report is for noting and therefore there are no financial implications directly arising from the recommendations in the report

Legal Implications

11. There are no legal implications arising from the recommendations in this report.

Name and contact details of author:

Nigel Kennedy
Head of Finance
Telephone: (01865) 252708
nkennedy@oxford.gov.uk

Background papers: None

Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Service	Updater	Owner	Due Date	Comments	% Complete
IA267	Collection Fund - Single person discount accounts	31-Mar-2011	Reliefs may no longer be applicable. The Council may not be maximising their income streams.	High	A review of all single person discount accounts should be undertaken. All individuals should be requested to confirm that they are still eligible for the discount. Where confirmation has not been provided, the relief should be suspended.	Customer Services	Anne Harvey-Lynch	Helen Bishop	31-Mar-2012	Meeting held in June to review SPD project and pursue funding from County.	25
IA208	General Ledger - Codes	1-Oct-2010	Codes may be used incorrectly or not identified for management reporting.	High	A review of cost centre and account codes should be performed to ensure that they remain valid and in use.	Finance	Martin Westmoreland	Nigel Kennedy	1-Oct-2010	As part of the CorVu implementation cost centres have been reviewed and allocated to owners. As a result of this we have identified cost centres that need to be reviewed further for use. Account codes will be dealt with during the Agresso health check review scheduled for Sept/Oct	30
IA268	Collection Fund - Investigate accounts in credit	31-Mar-2011	Overpayments and refunds may not be identified on a timely basis.	High	Efforts should be made to investigate all accounts in credit and issue refunds and overpayments if necessary. Going forward, reports should be run on a periodic basis to identify credit balances.	Customer Services	Anne Harvey-Lynch	Helen Bishop	31-Mar-2011	Now referred to supplier for guidance (Capita)	45
IA277	Debtors - Amendment reports	31-Mar-2011	Unauthorised deletions/alterations may be made to the debtor system if security over access to standing data is not adequately maintained. Unauthorised access to and alteration of system data could assist theft/misappropriation. Inaccurate changes to standing data lead to incorrect invoices being raised	High	Amendment reports should be produced and distributed to Revenues teams on a monthly basis and reviewed by an appropriate member of staff to confirm that amendments are accurate and authorised.	Finance	Pete Johnson	Nigel Kennedy	31-Mar-2011	Amendments are reviewed by the Incomes Team Leader (ITL) on an ad hoc basis. A %age of Credit notes are reviewed by the ITL.	50
IA101	Health and safety: Risk assessment forms	1-Mar-2010	Risk assessments should be completed by individual departments for specific Health and Safety Risks. 1/20 assessments tested had not been completed.	High	Officers should be reminded that risk assessment forms should be completed fully upon submission. Any incomplete forms should be returned to the officer for re-work.	People and Equalities	Mark Preston	Simon Howick	31-Jul-2010	E&D Business partner involved in formal reporting process and officers are being reminded of the need to complete EqIA's. A good example of this was the formal budget setting process and the associated EqIA. The Forward Plan of reports is reviewed by the E&D Business Partner to ensure applicable reports include an EqIA	75
IA276	Debtors - Direct Debit function within Agresso	31-Mar-2011	Debtors are more likely to default on payments if automated direct debits are not set up.	High	The Authority should investigate the use of the direct debit function within Agresso to facilitate periodic payments and payment plans. If the system does not support this function then further enquiries should be made into utilising the Council's cash collection system for this facility.	Finance	Pete Johnson	Nigel Kennedy	1-Jul-2011	Direct debit Project near completion. Awaiting Final confirmation from BACS provider on application of paperless Direct Debits	95
IA318	Debtors - Set up automated direct debits	31-May-2011	Debtors are more likely to default on payments if automated direct debits are not set up.	High	The Authority should investigate the use of the direct debit function within Agresso to facilitate periodic payments and payment plans. If the system does not support this function then further enquiries should be made into utilising the Council's cash collection system for this facility.	Finance	Pete Johnson	Nigel Kennedy	1-Jul-2011	Direct Debit project near completion for Trade Waste & Commercial Rent.	95

Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Service	Updater	Owner	Due Date	Comments	% Complete
IA163	Fixed Assets - No asset security policy	1-Apr-2010	There is no asset security policy in place at the Authority.	High	An Asset Security policy should be developed for the Authority. This should cover as a minimum: Responsibility for security at each location; Restriction of access to property; Identification of assets (consideration should be given to tagging); Protection against environmental damage	Finance	Anna Winship	Nigel Kennedy	1-Sep-2010	This has been incorporated into the security measures that are being developed.	100
IA202	Housing Rents - Reconciliation not reviewed in timely fashion	11-Jan-2010	The reconciliation cannot be evidenced as performed and reviewed in a timely fashion.	High	It is recommended that upon the completion of the quarterly reconciliation a copy of the spreadsheet is saved and locked for editing by a reviewer.	Finance	Anna Winship	Nigel Kennedy	31-Dec-2010	For all monthly reconciliations they are 'signed' as complete, and once reviewed the reviewers name and date are input into the spreadsheet, the spreadsheet is then password protected.	100
IA231	Car Parking - Refunds	23-Mar-2010	Refunds may not be noted on a timely basis and may incur a cost to the council. Overpayments may be received. Refunds made by cheque do not represent value for money.	High	The functionality of the on-line payment system should be reviewed to ensure that excess payments cannot be made for fines. The use of cheques for refunds should be reviewed.	Finance	Anna Winship	Nigel Kennedy	31-Mar-2010	Refunds are raised by the same method as to the original payment received, therefore if received by card then the refund is issued via card. refunds by cheque are now limited.	100
IA248	Performance Indicators - Corvu access in Leisure & Parks	31-Jan-2011	Recording of data may be delayed.	High	Corvu access should be provided to sufficient numbers of officers to ensure that performance information can be reported on a monthly basis.	Leisure and Parks	Lucy Cherry	Ian Brooke	31-Jan-2011	Those required to complete corporate and Service Level measures, audit and risk updates have received training and can be supported by two super users across the service.	100
IA273	Debtors - De minimis level for raising debt	31-Mar-2011	Raising debts below a de minimis level is not cost efficient.	High	The Authority should consider the introduction of a de minimis level for raising debts and provide guidance on how this should be implemented. The Council might consider grouping together minor debts and invoicing these amounts when they reach a sufficient level. It is acknowledged that it is appropriate to have certain exemptions from this rule, but these should be formally documented	Finance	Nicki Peirce	Nigel Kennedy	31-Jan-2011	Recent Debtors guideline have been issued to reinforce this point.	100
IA315	Debtors - Cost efficient raising of debts	31-May-2011	Raising debts below a de minimis level is not cost efficient.	High	The Authority should consider the introduction of a de minimis level for raising debts and provide guidance on how this should be implemented. The Council might consider grouping together minor debts and invoicing these amounts when they reach a sufficient level. It is acknowledged that it is appropriate to have certain exemptions from this rule, but these should be formally documented	Finance	Nicki Peirce	Nigel Kennedy	31-Jan-2011	Duplicate recommendation	100
IACP003	Car Parking	01 August 2011	Non compliance may not be identified leading to lost income and potential fraud.	Low	It has been agreed with audit that it is sufficient for this control to be performed on a weekly basis in order to balance efficiency and risk. All differences will be followed up and reasons clearly documented on the reconciliation. The Parking Manager will monitor trends to ensure that issues are not indicative of misappropriation. Procedure notes will be updated to reflect this change in process.	Direct Services	Jason Munro	Jason Munro	1st August 2011	Due to the changes in management this has not been possible to do on a weekly basis. However it is hoped to be implemented by end September 2011	25

Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Service	Updater	Owner	Due Date	Comments	% Complete
EA008	Equality & Diversity - Corporate Equality Training Programme	24-Sep-2009	There is a corporate equality training programme in place and a commitment has been made in the Transformation Service Plan for Human Resources for 2008/9 and 2009/10. This programme will run through 2009/10.	Low	The Authority should ensure that all staff attend the training on equality and diversity. This could be undertaken by regularly monitoring and reporting on attendance levels of staff to the Equalities Board and reiterating the importance of this training to management. With regards to the low attendance from City Leisure and city Works staff, discussions with heads of service should continue and an action plan should be developed to achieve higher attendance amongst these groups.	People and Equalities	Simon Howick	Simon Howick	30-Jun-2009	Diversity training has been in place in its most recent form for the last 3 years and many staff have been through it. Revised training now being launched in October 2011 for Management Practice Group, to cascade through the Council	50
EA012	Asset Management - Asset Management Plan	27-Apr-2010	The development of the strategic Asset Management Plan will include for high level challenge of the portfolio together with two pilot area based reviews. The intention is to establish a rolling programme of area based reviews on a prioritised basis. At the same time the Council is embarking on a strategic review of its markets	Low	Provide a corporate challenge to the size, form, mix and distribution of the current asset base through the continuation of its programme of property reviews of assets. (GREEN)	Corporate Assets	Steve Sprason	Steve Sprason	27-Apr-2010	The refreshed AM Plan is currently being drafted, with a target date for presentation to CEB of December 2011.	50
EA013	Asset Management - Develop the Strategic Plan for Property	27-Apr-2010	Work of developing the Strategic Plan for Property and the preparation of a new Asset Management Plan has already commenced. This will fully encompass these requirements.	Low	Ensure that the strategic plans for assets fully encompass the aims of the Council, and the long-term business plans of the service departments and those of its partners (GREEN)	Corporate Assets	Steve Sprason	Steve Sprason	27-Apr-2010	As above	50
IA283	Debtors - Fully train staff to make best use of revised structure	31-Mar-2011	Inconsistencies could lead to inefficiencies in processes, resulting in the Council not maximising its cash flow from its revenue generating streams.	Low	In order to ensure that the issues which have been highlighted by this review are addressed effectively within the revised system, it is imperative that staff are fully trained to allow the Council to make best use of the revised structure.	Finance	Pete Johnson	Nigel Kennedy	31-Jul-2011	On going process to train new starters. No access to be given until training is complete. Training is to be rolled out as and when required	60
EA014	Asset Management - Corporate Property & Facilities Management	27-Apr-2010	Build capacity to manage the asset base strategically.	Low	The Council has already determined to create a corporate Property & Facilities Management function. Initially this will draw together property and asset management activities, repairs and maintenance, surveying and engineering activities and certain facilities management functions including cleaning and caretaking. Phase 2 will encompass a broader review of property and construction related activities within the authority including proposals to develop strategic asset management capacity.	Corporate Assets	Steve Sprason	Steve Sprason	27-Apr-2010	Complete - the function is now called Corporate Assets and includes all aspects of Property and Asset Management, repairs and maintenance and "Hard FM" functions.	100
EA016	Asset Management - Strategic Asset Management Plan	27-Apr-2010	Clarify plans for improving the condition of the property assets.	Low	The confirmation of the Strategic Asset Management Plan will bring greater clarity to short, medium and long-term investment and disinvestment decisions.	Corporate Assets	John Bellenger	Steve Sprason	27-Apr-2010	A 4 year Planned Preventative Maintenance programme has been agreed with a budget of circa £7m	100
IA316	Debtors - Duplication of work	31-May-2011	Work is duplicated, resulting in inefficiencies and additional costs to the Council. Invoices raised may be inaccurate leading to over or underpayment.	Low	Work is duplicated, resulting in inefficiencies and additional costs to the Council. Invoices raised may be inaccurate leading to over or underpayment.	Finance	Nicki Peirce	Nigel Kennedy	31-Mar-2011	Procedures have been reviewed no work is duplicated.	100
IACP002	Car Parking	01 August 2011	The Council does not have detailed information on the whereabouts of their assets, leading to an increased risk of misappropriation.	Low	The department now has an established team responsible for Shopmobility. The Car Parking manager will perform spot checks on the assets in addition to the quarterly full stock count.	Direct Services	Jason Munro	Jason Munro	1st August 2011	Fully implemented	100

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IACP004	Car Parking	01 August 2011	Any suspicious or fraudulent activity may not be identified and followed up on a timely basis.	Low	It has been agreed with audit that it is sufficient for this control to be performed on a weekly basis in order to balance efficiency and risk. All differences will be followed up and reasons clearly documented on the reconciliation. The Parking Manager will monitor trends to ensure that issues are not indicative of misappropriation. Procedure notes will be updated to reflect this change in process.	Direct Services	Jason Munro	Jason Munro	1st August 2011	It was agreed with audit that this would only be required to be done monthly. Monthly checks are now happening so fully implemented. 100%	100
IACP005	Car Parking	01 August 2011	The Council does not have full transparency over the use of their assets.	Low	A requirement to include a photocopy of appropriate ID on file is included within the procedure notes.	Direct Services	Jason Munro	Jason Munro	1st August 2011	Fully implemented	100
IACP007	Car Parking	01 August 2011	Cash balances may be incorrectly stated. The Council may not identify lost or stolen cash on a timely basis.	Low	Documentation should be increased to outline the reason for all variances over the £10 threshold. This will be reiterated to officers and examples of good documentation provided for reference.	Direct Services	Jason Munro	Jason Munro	1st August 2011	Fully implemented	100
EA017	Asset Management - Investment Decisions	27-Apr-2010	Make investment decisions that encompass the costs, risks and benefits over the whole-life of the asset. (NOT ASSESSED)	Medium	Make investment decisions that encompass the costs, risks and benefits over the whole-life of the asset. (NOT ASSESSED)	Corporate Assets	Steve Sprason	Steve Sprason	27-Apr-2010	Not assessed.	0
EA019	Asset Management - Profit Centre approach	27-Apr-2010	Clarify its approach to the balance between profit and loss on the commercial estate.	Medium	A "profit centre" approach will be established in respect of discrete property portfolios eg City Centre Retail, Agricultural etc so as to be able to allocate expenditure, including costs of management against income.	Corporate Assets	Steve Sprason	Steve Sprason	27-Apr-2010	Not undertaken pending a review of systems of Property & Treasury management of the Investment Portfolio.	0
IA082	Debtors: Credit note reports	23-Mar-2010	The Council does not run exception reports to display all significant credit notes raised.	Medium	Exception reports disclosing all credit notes should be run on a periodic basis. All significant credit notes should be reviewed by management to ensure they are valid and appropriate.	Finance	Pete Johnson	Nigel Kennedy		Assigned incorrectly - needs assign to Pete Johnson Newly assigned will ensure reports are investigated and built with a view to monitor monthly	0
IA145	Creditors - Manual controls decreasing efficiency	1-Apr-2010	Manual controls around purchases and payments decrease the effectiveness of the controls. Payments may be made fraudulently and in error and management have limited comfort over the completeness and accuracy of invoices paid.	Medium	Further consideration should be given to the introduction of an electronic purchase and matching process within the Agresso system. It is acknowledged that a cost will be incurred in the introduction of this workflow; however it will facilitate improved internal control within the Council	Finance	Denise Sheppard	Nigel Kennedy	1-Dec-2010	PJ update - Purchase to Pay project is currently being schedule for implementation. Consideration needs to be given to capture the wider systems 5% complete as the decision to proceed with this project has been given	5
IA149	Creditors - Unusual/unauthorised transactions	1-Apr-2010	Unusual or unauthorised transactions may not be detected, leading to an increased risk or misstatement and fraud.	Medium	The Authority should agree upon a suite of exception reports which should be run and reviewed on a regular basis. These should include: Incomplete orders; Goods received not invoiced; Invoices raised without purchase orders; Unusual payments; and Changes made to supplier standing data. It is acknowledged that a number of these reports cannot be run from Agresso unless an automated purchase order process is enabled. In these cases the Authority should consider collating this information manually	Finance	Denise Sheppard	Nigel Kennedy	1-Aug-2010	This is currently not available within Agresso as we do not have Purchase to Pay module. Once implemented a suite of reports will be designed.	5

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IA009	GL: Cost centre and account codes review	1-Oct-2009	The Council does not undergo a regular review of cost centres and account codes to ensure they remain valid and in use. It was noted through review of the ledger that 21 account codes have been set up outside of the normal coding structure. In addition it appears that a number of codes have duplicate names and descriptions.	Medium	The Authority should seek to review the chart of accounts on an annual basis. All dormant and duplicate codes should be removed.	Finance	Martin Westmoreland	Nigel Kennedy	31-Mar-2010	Will form part of the Agresso Health Check review scheduled for Sept / Oct	20
IA280	Debtors - Write off procedures	31-Mar-2011	Inconsistent policies could impact the cash flow of the Council and increase the risk of legal challenge to Council decisions.	Medium	Write off procedures should be reviewed so that they are consistent across the entire Council. These should be re-distributed to staff and kept electronically on the shared drive.	Finance	Nigel Kennedy	Nigel Kennedy	31-Mar-2011	Write off procedures will be reviewed following the recent publication of the Debtors Guidelines.	20
IA034	Council Tax - All individuals to confirm entitlements to discount	10-Jan-2009	Council not undertaken review of all single person discount accounts.	Medium	Review to be done. All individuals to confirm entitlement to discount. When conformation not provided, relief should be suspended.	Customer Services	Anne Harvey-Lynch	Helen Bishop	31-Mar-2011	Project in place working with neighbouring Authorities to outsource SPD reviews to Capita.	25
IA281	Debtors - Assess all aged debt for write off	31-Mar-2011	Debtor balances may be overstated if unrecoverable debt continues to be recognised as an asset.	Medium	Efforts should be made to assess all aged debt for write off. Any debts deemed as recoverable (e.g. where payment plans are in place) should be clearly highlighted and, in future, all aged debt should be reviewed on a periodic basis. The method of calculation	Finance	Pete Johnson	Nigel Kennedy	1-Feb-2011	Aged debt analysis done monthly for debts over 365 days in order to review backlog of debts.	30
EA002	Certification of Claims and Returns Laptop allocations	23-Mar-2010	All PC and Laptop Assets recorded with user and location details. All infrastructure Assets to be documented (with photographic evidence where possible) with location details	Medium	The Council should obtain a record of the laptop allocations and confirm their location	ICT Strategy	David Oakes	Adrian Orchard	31-Jan-2011	All PCs on the network can now be tracked down to the last user that logged on to it using the 'Scaleable' Asset Management tool. This may not always be the same as the user to whom it was allocated but gives a more accurate reflection of actual usage. Network equipment assets may also be able to be managed using this tool but that requires investigation.	50
EA006	Equality & Diversity - Strategic approach	24-Sep-2009	An Action Plan is in place for 2009/10 An Action Plan is currently being developed for 2010/11 Monitoring forms part of Performance Management Framework and is monitored on a monthly basis Steering group established and forms part of Corporate Equality Ob	Medium	Improve the strategic approach to equality and diversity by: establishing a clear action plan to improve the Councils position against the Local Government Equality Standard and the emerging Local Government Equality Framework; monitoring strategic equality and diversity plans regularly; ensuring that the new Corporate Equality Scheme is well publicised and available; and ensuring that the Council is compliant with the commission for Racial Equalities code of housing.	People and Equalities	Sadie Paige	Simon Howick		The Council is currently a level 1 authority against the Equality Framework for Local Government. We aim to reach the 'achieving' level 2 following an external Peer Review on 5th & 6th October.	50
EA011	Equality & Diversity - Website	24-Sep-2009	The internet and intranet will be updated to reflect the progress on the CES. Peter McQuitty, Melanie Faulkner-Barrett (PPC), Lynne Hooper (CD) and Jarlath Brine (OCH). 31st March 2009	Medium	The Authority should ensure that the website is kept up to date with progress on equality and diversity objectives.	People and Equalities	Simon Howick	Simon Howick	31-Mar-2009	Web pages have improved recently and will be updated with progress regarding Council's various initiatives in this area	50
IA084	Debtors: Direct Debits	23-Mar-2010	The Agresso system used for raising of corporate debtors and periodic payments does not have a direct debit function.	Medium	The authority should investigate the functionality of the corporate debtor system to facilitate the use of direct debits for periodic payments and payment plans.	ICT Strategy	Pete Johnson	Adrian Orchard	1-Oct-2010	Phase 1 of the Direct Debit Project covering Periodic payments complete. Phase 2 of the project is to tackle payment plans	50

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IA100	Health and Safety: PIs	1-Mar-2010	Key PIs are not in place for the Health and Safety function. No management information is reported at present. Both documents have been drafted for consideration.	Medium	PIs and management information should be formally agreed and monitored on a regular basis by management. Action plans should be put into place to rectify adverse performance.	People and Equalities	Mark Preston	Simon Howick	30-Jun-2010	CMT is scheduled to receive a report on Safety Policy Changes and Safety Performance Indicators in end July 2011.	50
IA144	Creditors: Commitment accounting		Budget information may not acknowledge future commitments. Creditor accruals may be inaccurate.	Medium	The Authority should consider the use of commitment accounting. This would require purchase orders to be posted to cost centres on Agresso when they are raised.	Finance	Denise Sheppard	Nigel Kennedy	1-Dec-2010	Purchase to Pay module will tackle this issue on Agresso. Servitor has commitment accounting therefore 50% complete given	50
IA172	ICT - No user access reviews	27-Apr-2010	We were informed that no user access reviews have been performed recently, to determine who has access to particular network shared drives and if the access rights granted are appropriate. Similarly no formal reviews have been performed to determine and validate the level of access available to users in the applications such as CRM and Iworld.	Medium	The user access rights to network shares should be reviewed, to ensure that only authorised City Council staff can access the specific network shares they are entitled to access. Formal reviews covering user access rights within applications in the system should be performed to identify any remove any excess privileges available to users.	ICT Strategy	David Oakes	Adrian Orchard	30-Apr-2010	Network share rights for sensitive areas have been checked. However the entire access right structure will be reviewed as part of the project to migrate all data off the M drive to a new directory structure.	50
EA010	Equality & Diversity - Allow service areas to share good practice	24-Sep-2009	The equalities section that is in the transformation Service Plans are all undergoing an internal review. These plans will be monitored every month to assess progress and will then be discussed at the Directorate meeting with the Strategic Directors. This information will be reported quarterly to the Performance Board. There will also be an equalities item on the Wider Leadership Meetings. Peter Sloman, Mel Barrett, Tim Sadler and all the Heads of Service. Melanie Faulkner-Barrett will collate the monitoring information and update the action plan for circulation Reports will be issued at the beginning of every month for the previous month.	Medium	The Authority should ensure there are processes in place which allow service areas to share good practice. For example: identify progress of service areas and compare against each other; introduce timescales to measure progress; discuss and monitor progress of service areas at the Wider Leadership Meetings; and take rectification of action, as appropriate.	People and Equalities	Simon Howick	Simon Howick	3-Feb-2009	Service areas are compiling workforce plans which address E&D and a corporate overview of these will ensure we share good practice. A monthly publication is in place highlighting service area achievements. Service areas are progressing their own key service objectives linked to a diversity theme	75
IA036	Council Tax - Procedure Notes	10-Jan-2009	Procedures missing from shared drive.	Medium	Procedure notes needed for whole Council Tax process. All documents to be held on shared drive.	Customer Services	Anne Harvey-Lynch	Helen Bishop	31-Mar-2011	On-going but linked in with implementation of Lagan back office and Lagan scripts	75
IA264	Collection Fund - Accounts in arrears	31-Mar-2011	Debts are not collected or reviewed on a timely basis.	Medium	The Council should regularly review tenants' accounts in arrears and ensure that reminders, formal notices, etc. are being issued in line with procedure. A review of all accounts in arrears over one year should be undertaken to ensure that necessary legal action has been undertaken with write offs made as appropriate	Customer Services	Anne Harvey-Lynch	Helen Bishop	31-Mar-2012	Council Tax and NNDR are looking to merge to ensure this process can be carried out efficiently	75

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IA278	Debtors - Exception Reports (Credit Notes)	31-Mar-2011	Credit notes may be raised inappropriately or in error and revenue may not be optimised.	Medium	Exception reports disclosing all credit notes should be run on a periodic basis. All significant credit notes should be reviewed by management to ensure they are valid and appropriate.	Finance	Anna Winship	Nigel Kennedy	31-Mar-2011	Recent Debtors guideline have been issued to reinforce this point. All credit notes are administered by the Revenues Team only	75
EA007	Equality & Diversity - Approach to workforce planning and HR	24-Sep-2009	Equalities Questionnaire completed and analysis to be undertaken Workforce Plan is complete and an action plan is being developed A review timetable is in place with a list of policies/procedures to be revised The recruitment and selection Policy is part of the policy review timetable	Medium	Improve the approach to workforce planning and HR by improving the baseline knowledge about the workforce against the six equality strands; ensuring that gaps in workforce planning are addressed rapidly; reviewing current HR policies and procedures, including implementation of a fair employment and equal pay policy; improving the selection and recruitment process to attract a wider group of appropriately qualified applicants; and developing staff networks to support minority groups and to inform policy development.	People and Equalities	Simon Howick	Simon Howick	1-Mar-2010	All HR policies reviewed and now up to date - and reflect 2010 Equalities Act. Fair employment and Equal Pay policies in place. More proactive R&S underway such as job fair, targeting community groups with job ads, recruitment coaching sessions	80
EA009	Equality & Diversity - CES	24-Sep-2009	be reviewed and updated on an annual basis to take into account legislative changes. Monitoring reports will be completed by Melanie Faulkner-Barrett and sent to the Equalities Board. Daniel Rawstone (Legal) and Simon Howick (HR) will update the legislative changes. August 2009 and March 2010 Melanie Faulkner-Barrett will update the CES. Peter Mc Quitty and Melanie Faulkner-Barrett. Monthly reports issued from May 2009. Quarterly reports from July 2009. In addition we have also made a commitment in the Transformation Service Plan for PPC that we will, Collate and evidence all the work undertaken from August 2008 to March 2009 and issue an	Medium	The CES should be reviewed and updated on an annual basis.	People and Equalities	Simon Howick	Simon Howick	31-May-2009	CES redraft going to Members for consultation in October 2011 which includes current action plan - for sign off at CEB in December 2011	80
IA090	Debtors: Calculation of bad debt	23-Mar-2010	The provision against doubtful debts should be calculated by individual devolved departments.	Medium	All responsible officers should meet to discuss individual approaches to calculation of the bad debt provision.	Finance	Martin Westmoreland	Nigel Kennedy	30-Apr-2010	Officer discuss month end issues on a regular basis	80
IA323	Debtors - Unrecoverable debt recognised as an asset	31-May-2011	Debtor balances may be overstated if unrecoverable debt continues to be recognised as an asset.	Medium	Efforts should be made to assess all aged debt for write off. Any debts deemed as recoverable (e.g. where payment plans are in place) should be clearly highlighted and, in future, all aged debt should be reviewed on a periodic basis. The method of calculating the bad debt provision should be reviewed and procedures should be drawn up to help members of the Finance team calculate this going forward.	Finance	Martin Westmoreland	Nigel Kennedy	1-Feb-2011	The Method of calculating bad debt provision was reviewed during clsoe down and deemed appropriate. The methodology needs to be documented	80

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EA005	Equality & Diversity - Understanding of community and customer needs	24-Sep-2009	We will introduce a corporate comments and complaints system that forms part of the performance framework An initial Impact Assessment is currently being undertaken.	Medium	Improve understanding of community and customer needs by: using complaints and ongoing feedback to identify improvements; finalising and implementing the Council's consultation strategy; and evaluating the outcomes from the Council's investment in capacity building with the voluntary sector and reporting these outcomes publicly.	People and Equalities	Mike Newman	Simon Howick	28-May-2010	New corporate comments, complaints and compliments process in place and regularly reviewed (including at CMT). Evaluation of grant funding activities with voluntary sector embedded as part of process. Reported annually	100
EA015	Asset Management - Area Committees	27-Apr-2010	Involve area committees in strategic asset management.	Medium	Area Committees already have delegated to them responsibility for the strategic management of Community Centres, Parks etc. Processes will be put in place to engage with Area Committees in relation to the Council's wider portfolios and in the development of property related policies and procedures	Corporate Assets	Steve Sprason	Steve Sprason	27-Apr-2010	Not applicable following abolition of Area Committees	100
EA018	Asset Management - Migration to the CAPS Uniform property management system	27-Apr-2010	Continue to expand its knowledge about the fitness for purpose and value for money of its assets	Medium	Proposals are being developed to migrate to the CAPS Uniform property management system that will greatly assist in drawing together existing disparate sources of property data. Suitability surveys will be commissioned and property considerations will be integrated into service planning.	Corporate Assets	Steve Sprason	Steve Sprason	27-Apr-2010	Complete	100
EA020	Asset Management - Develop formal consultation process	27-Apr-2010	Undertake regular monitoring and reporting of performance	Medium	We will look to develop formal consultation process with internal, customers and occupiers of our buildings as part of the delivery of property services, business planning activities and service Asset Management planning.	Corporate Assets	Steve Sprason	Steve Sprason	27-Apr-2010	The Corporate Asset Management Group was established in February 2010 and continues to meet monthly. All stakeholders with an interest in Asset Management and Corporate Property are represented at this board.	100
EA021	Asset Management - Scrutiny Challenge	27-Apr-2010	Use the scrutiny function to challenge and review the performance of the asset base.	Medium	We will look to build scrutiny challenge into both strategy development and property challenge/review.	Corporate Assets	Steve Sprason	Steve Sprason	27-Apr-2010	Scrutiny function will be used going forward in the development of the refreshed Asset Management Plan.	100
EA022	Asset Management - Asset valuations	27-Apr-2010	Continue the work to improve fixed asset accounting and management with Finance and Estates working together	Medium	Asset valuations disclosed on the balance sheet were correct. There was not an error of £4.6m; this was just a mistreatment on disclosure note 6.12. A 100% review of asset lives has been undertaken and, where necessary, corrected.	Finance	Anna Winship	Nigel Kennedy	22-Nov-2010	relates to 10/11 accounts, therefore complete	100
EA023	Audit Opinion - Listing of debtors/creditors at year end	14-Jan-2011	The Council should provide a listing of the debtors/creditors at year end and income/expenditure for the year under audit to enable us to pick items included in the balance in the financial statements	Medium	The Council should provide a listing of the debtors/creditors at year end and income/expenditure for the year under audit to enable us to pick items included in the balance in the financial statements	Finance	Anna Winship	Nigel Kennedy	1-Jul-2011	A full list of debtors/creditors and income/expenditure were provided at the beginning of the audit process and samples were selected from these lists	100
EA024	Audit Opinion - External sourcing of evidence for transactions	14-Jan-2011	Rather than evidence prepared by a member of staff, keep and produce evidence for transactions from external sources where possible	Medium	Rather than evidence prepared by a member of staff, keep and produce evidence for transactions from external sources where possible	Finance	Anna Winship	Nigel Kennedy	1-Jul-2011	where possible this has been done as part of the closedown and working paper process for 10/11	100
EA025	Audit Opinion - External evidence for transactions rather than ledger prints	14-Jan-2011	Rather than ledger prints, keep and produce evidence for transactions from external sources where possible	Medium	Rather than ledger prints, keep and produce evidence for transactions from external sources where possible	Finance	Anna Winship	Nigel Kennedy	1-Jul-2011	Where possible this has been done as part of the 10/11 accounts and working papers process	100
EA026	Audit Opinion - Final audit should support relevant figures in Accounts	14-Jan-2011	Ensure final working papers provided for audit support the relevant years figures in the Accounts	Medium	Ensure final working papers provided for audit support the relevant year's figures in the Accounts	Finance	Anna Winship	Nigel Kennedy	1-Apr-2011	Working papers for the 10/11 accounts have been provided and support the 10/11 figures	100

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EA027	Audit Opinion - Keep supporting information to confirm validity of transactions	14-Jan-2011	For journal and some creditor testing, keep supporting information to confirm validity of transactions rather than needing to go back to the originator The time taken to respond to audit queries was delayed because working papers were kept in the service area.	Medium	For journal and some creditor testing, keep supporting information to confirm validity of transactions rather than needing to go back to the originator	Finance	Anna Winship	Nigel Kennedy	31-Mar-2011	Better working papers were collected prior to the audit for 10/11 accounts and this has helped with this process	100

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