

Agenda

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Audit and Governance Committee

Date: **Thursday 28 June 2012**

Time: **6.00 pm**

Place: **Town Hall**

For any further information please contact:

Mathew Metcalfe, Democratic Services Officer

Telephone: 01865 252214

Email: mmetcalfe@oxford.gov.uk

Audit and Governance Committee

Membership

| | | |
|----------------------|---|-------------------------------|
| Chair | Councillor Mike Rowley | Barton and Sandhills; |
| Co-Vice-Chair | Councillor David Rundle Councillor Craig Simmons | Headington; St. Mary's; |
| | Councillor Tony Brett | Carfax; |
| | Councillor Mary Clarkson | Marston; |
| | Councillor Roy Darke | Headington Hill and Northway; |
| | Councillor James Fry | North; |

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AGENDA

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| 1 APOLOGIES FOR ABSENCE | |
| 2 DECLARATIONS OF INTEREST | |
| 3 STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2012 | 1 - 142 |
| <p>The Head of Finance has submitted a report which presents the Statement of Accounts for the year ending 31st March 2012.</p> <p>The Committee is asked to note the contents of the Statement of Accounts certified by the Executive Director (Organisational Development and Corporate Services) prior to their submission to the external auditors.</p> | |
| 4 2011/12 ANNUAL GOVERNANCE STATEMENT | 143 - 152 |
| <p>The Head of Law and Governance has submitted a report, which presents the 2011/12 Annual Governance Statement for approval.</p> <p>The Committee is asked to approve the 2011/12 Annual Governance Statement.</p> | |
| 5 AUDIT COMMISSION PROGRESS REPORT | 153 - 162 |
| <p>The Head of Finance has submitted a report on behalf of the Audit Commission which details the progress made in delivering the work set out in the 2011/12 audit plan.</p> <p>The Committee is asked to comment on and note the report.</p> | |
| 6 INTERNAL AUDIT ANNUAL REPORT - PRICEWATERHOUSECOOPERS (PWC) | 163 - 180 |
| <p>The Head of Finance has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC), which provides a commentary of internal audit activity for the 2011/12 year.</p> <p>The Committee is asked to comment on and note the report.</p> | |
| 7 RISK MANAGEMENT QUARTERLY REPORTS - QUARTER 4, 2011/12 | 181 - 188 |
| <p>The Head of Finance has submitted a report which updates the Committee on both corporate and service risks as at the end of quarter 4, 31st March</p> | |

2012.

The Committee is asked to comment on and note the report.

8 PROGRESS ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS 189 - 198

The Head of Finance has submitted a report which updates the Committee progress on the implementation of internal and external audit recommendations.

The Committee is asked to comment on and note the report.

9 INVESTIGATION TEAM, FINANCE, PERFORMANCE 2011/12 199 - 204

The Head of Finance has submitted a report the purpose of which is to report to the Committee the Investigation Team's performance for the period 2011/2012 and to update Members on Fighting Fraud Locally.

The Committee is asked to comment on and note the report.

10 MINUTES 205 - 212

Minutes of the meetings held on 16th April and 23rd May 2012.

11 DATES OF FUTURE MEETINGS

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

Thursday 27th September 2012
Thursday 29th November 2012
Thursday 28th February 2013
Thursday 18th April 2013

12 MATTERS EXEMPT FROM PUBLICATION

If the Committee wishes to exclude the press and the public from the meeting during consideration of any of the items on the exempt from publication part of the agenda, it will be necessary for the Board to pass a resolution in accordance with the provisions of Paragraph 21(1)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 of the on the grounds that their presence could involve the likely disclosure of exempt information as described in specific paragraphs of Schedule 12A of the Local Government Act 1972.

PART TWO

13 ALLEGATIONS OF INTERNAL FRAUD, INVESTIGATIONS AND OUTCOMES 2011/12 213 - 220

This item is exempt from publication by virtue of paragraphs 2,3 and 7,
Schedule 12A, Local Government Act 1971

- (2) Information which is likely to reveal the identity of an individual
- (3) Information about someone's finances or business
- (7) Information about action to deal with a crime

DECLARING INTERESTS

What is a personal interest?

You have a personal interest in a matter if that matter affects the well-being or financial position of you, your relatives or people with whom you have a close personal association more than it would affect the majority of other people in the ward(s) to which the matter relates.

A personal interest can affect you, your relatives or people with whom you have a close personal association positively or negatively. If you or they would stand to lose by the decision, you should also declare it.

You also have a personal interest in a matter if it relates to any interests, which you must register.

What do I need to do if I have a personal interest?

You must declare it when you get to the item on the agenda headed "Declarations of Interest" or as soon as it becomes apparent to you. You may still speak and vote unless it is a prejudicial interest.

If a matter affects a body to which you have been appointed by the authority, or a body exercising functions of a public nature, you only need declare the interest if you are going to speak on the matter.

What is a prejudicial interest?

You have a prejudicial interest in a matter if;

- a) a member of the public, who knows the relevant facts, would reasonably think your personal interest is so significant that it is likely to prejudice your judgment of the public interest; and
- b) the matter affects your financial interests or relates to a licensing or regulatory matter; and
- c) the interest does not fall within one of the exempt categories at paragraph 10(2)(c) of the Code of Conduct.

What do I need to do if I have a prejudicial interest?

If you have a prejudicial interest you must withdraw from the meeting. However, under paragraph 12(2) of the Code of Conduct, if members of the public are allowed to make representations, give evidence or answer questions about that matter, you may also make representations as if you were a member of the public. However, you must withdraw from the meeting once you have made your representations and before any debate starts.

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To: Audit and Governance Committee **Item No:**

Date: 28th June 2012

Report of: Head of Finance

Title of Report: Statement of Accounts for the Year Ending 31st March 2012

Summary and Recommendations

Purpose of report: To present the Council's Statement of Accounts for the year ending 31st March 2012 to the Audit and Governance Committee.

Key decision? No

Executive lead member: Councillor Ed Turner

Policy Framework: Budget

Recommendation(s): That the Committee note the contents of the Statement of Accounts certified by the Executive Director (Organisational Development and Corporate Services) prior to their submission to the external auditors

AppendixA - Statement of Accounts 2011/12

1 **Approval of the Statement of Accounts**

The Statement of Accounts for 2011/12 are attached at Appendix A. The Accounts and Audit Regulations 2011 require that the responsible financial officer of a larger relevant body must, no later than 30th June immediately following the year end, sign and date the Statement certifying that it presents a true and fair view of the financial position of the body at the end of the year to which it relates.

Following scrutiny by external audit the authority must then, by the 30th September approve the Statement of Accounts.

2 **The Explanatory Foreword**

The explanatory forward shown on pages 7 - 20 of the Statement, explains the more significant features of the accounts. It is based on the information contained within the Statement and fulfills a similar purpose to a directors' report in company accounts.

3 **Major Changes Affecting the Statement of Accounts**

The Council's accounting policies are set out in Note 1 (page 29) to the Statement. Whilst largely unchanged from last year there are some changes and events that have taken place over the year which have a material impact on the understanding of the Accounts. These are set out in paragraphs 4-10 below:

4 **Heritage Assets** (notes 44 – 48 page 95)

A heritage asset is an asset with historical, cultural, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. The Accounting Code requires the Authority for the first time in 2011-12 to carry heritage assets on its Balance Sheet at valuation and restate the Accounts for 2010-11 for comparative purposes. The Council has identified heritage assets with a total value of £2.4 million as at 1 April 2011 including:

- Great Mace and plate, silver plaques and cutlery
- Furniture
- Civic Regalia
- Firearms
- Pictures and drawings
- Memorial gardens and city walls
- Mayor's car number plate.

Some assets have an indeterminable life and cannot be depreciated whilst others such as the Mayor's car number plate are valued at market value.

5 **HRA Self Financing**

On the 28 March 2012 the Council borrowed £198.5 million from the Public Works Loans Board and made a payment of the same amount to

the Department of Communities and Local Government. This transaction allowed the Council to buy its way out of the Housing Subsidy system under the Government's 'self financing proposals'. In exchange for this one-off payment the Council will no longer need to pay negative Housing Subsidy to the Government of around £13 million per annum. This is shown as a separate item in the Council's Housing Revenue Account.

6 Total borrowing for the Council including all Public Works Loan Board debt was £202.2 million as at 31 March 2012.

7 **Interest in Acquired Companies**

On 23 September 2011 the Council entered into a partnership with Grosvenor Developments Limited to form Barton Oxford LLP, a joint venture vehicle to develop social and affordable housing on land owned by the Council at Barton. The Council has a 50% interest in the Company and shares profits and losses and therefore is required to prepare group accounts for the first time. The Council received £0.5 million as part payment of its costs of establishing the company in 2011-12 and transferred the land with a value of £0.8 million to the LLP on 31 October 2011. The value will be repaid with interest by January 2019. At the 31 March 2012 the company had net liabilities of £8,363 50% of which has been incorporated into the Council's Group Accounts (page 112).

8 **Icelandic Banking Losses**

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

Glitnir - In November 2011 the priority status appeal in relation to the Council's original £1.5 million deposit with the Icelandic bank Glitnir was confirmed by the Icelandic Supreme Court. On 15 March 2012, the Council received four of the five foreign currency repayments due from Glitnir Bank totalling £1.2 million. The repayment date of the fifth currency (in Icelandic Krona (ISK)) is still to be confirmed as changes to Icelandic law are required to allow ISK to be transferred out of Iceland. Once this has been resolved, it is expected that we will receive close to 100% of our initial deposit.

Heritable Bank - In respect of the Council's £3 million deposits with Heritable bank, the Council continues to receive repayments and it is expected that approximately 90% will be received. £2.1 million has been received to-date.

9 The Council had capitalised all of the banking losses and funded these by prudential borrowing at a cost of around £0.2 million per annum. Going forward the Council will repay its prudential borrowing and relieve itself from the debt charge. In addition a balance of £0.3 million which

was held in a reserve specifically created to fund these payments is no longer required and has been released to revenue.

10 Pension Funds

The Council's liability to provide for the cost of past employment benefits to staff have increased in the year ended 31 March 2012.

The liability reported as at 31 March 2011 was £53.2 million. The revised liability as at the 31 March 2012 is £97.9 million. The increase is due to a number of factors, the most significant of which is an actuarial loss of £45.2 million due to a significant increase in the estimated liabilities of the fund with only a small increase in fair value of the assets. More information regarding the Defined Benefit Pension Scheme can be found in note 40 of the Statement of Accounts (page 87). The past history of the movement on the pension liability is disclosed and shows that over the past five years the liability has been as high as £145.6 million. The rise this year is therefore disappointing but can be seen to be £47.7 million lower than the peak experienced.

11 General Fund Revenue

The Council set a budget for spending on General Fund services of £25.8 million, to be financed by Grant funding of £13.4 million and Council Tax of £12.4 million. Included within the budget was provision for a transfer of £0.8 million to the General Fund Working Balance as shown below:

| | Approved Budget 11/12 £000 | Net Expenditure 11/12 £000 | Variance £000 |
|----------------------------------|---|---|--------------------------|
| Directorates | | | |
| Chief Executive | 5,065 | 5,070 | 5 |
| City Regeneration | 4,897 | 2,376 | -2,521 |
| City Services | 7,369 | 5,149 | -2,220 |
| Finance & Efficiency | 6,461 | 6,063 | -398 |
| Total Expenditure | 23,792 | 18,658 | -5,134 |
| SLAs And Capital Charges | (1,640) | (1,642) | -2 |
| Corporate Below the Line Budgets | 2,810 | 2,404 | -406 |
| Net General Fund | 24,962 | 19,420 | -5,542 |
| Net transfer to reserves | 0 | 5,542 | 5,542 |
| (Use of)/ transfer to Balances | 816 | 816 | 0 |
| Net Budget Requirement | 25,778 | 25,778 | 0 |
| External Funding | 13,399 | 13,399 | 0 |
| Council Tax | 12,355 | 12,355 | 0 |
| Collection Fund surplus | 24 | 24 | 0 |
| Total Funding Available | 25,778 | 25,778 | 0 |

- 12 The Council's outturn position was favourable at year end. It overachieved against the budgeted position by some £0.5 million which has subsequently been transferred to an earmarked reserve for funding the future Capital Programme and was able to add £0.8 million to the working balance in line with the budget. Due to a number of variances in service expenditure the Council was able to transfer an amount of £5.5 million to earmarked reserves, details of which are discussed in more detail below.
- 13 The most notable variations within the budget are detailed below:

Chief Execs – Overall adverse variance of £5k

Adverse

- Overspend on service expenditure in People and Equalities such as occupational health and payroll - £0.13 million
- Shortfall in Town Hall income of £0.12 million

Favourable

- Slippage on museum refurbishment project £0.15 million
- Supplies and service favourable variances in Policy and Communication - £0.1 million
- Law and Governance unspent elections reserve - £0.037 million

City Regeneration- Overall favourable variance of £(2,521k)

Favourable

- £1.2 million of unused grants/budgetary provision mainly associated with Housing and Communities activities e.g. HOWD additional grant, Communities external grant provision, Connecting Communities grant etc now transferred to earmarked reserves for future years
- £0.4 million associated with salary savings arising from vacancies predominately within Housing and Communities during the year.
- Savings associated with Council Offices repairs and maintenance, public utility and rates expenditure £0.2 million
- Favourable landlord rent reviews during the financial year, together with a release back to revenue of a previous rent review liability that was not realised £1 million

Adverse

- Reduction in Planning/Building Regulations income £0.1 million
- Overspend on Homelessness e.g private rented accommodation £0.1 million

City Services – Overall favourable variance of £(2,020k)

Favourable

- Income re HMO licenses to be used in 2012/13 - £0.4 million
- Government grants received in respect of sports activities, air quality and contaminated land to be used in 2012-13 £0.7 million

- Additional income from off street parking - £0.1 million
- Additional work in engineering services £0.4 million
- Underspends on salaries and additional external tree work income in street scene £0.4 million

Finance and Efficiency- Overall favourable variance of £(398k)

Favourable

- Underspends on ICT projects relating to Servitor and MS Office implementation £0.1 m
- Slippage on Procure to Pay Project to be implemented in 2012-13 - £0.1 million
- Release of Icelandic reserve no longer required - £0.2 million

Corporate – Overall favourable variance of £(408k)

Adverse

- Reduced interest charged to HRA on cash balances due to lower interest rates and less cash balances - £0.1 million
- Interest paid on outstanding debt higher than budgeted - £0.1 million
- Funding for capital projects and vehicles higher than budgeted £1.2 million. The higher level of funding of capital projects in the order of £0.7 million was largely to mitigate the need to undertake prudential borrowing
- Increase in provision to cover court costs £0.3 million

Favourable

- Investment income up due to increased investment returns - £0.1 million
- Underspends on contingencies for employee inflation, contingencies for savings, , homelessness and redundancy subsequently transferred to reserves £2.1 million subsequently transferred to reserves

14 At the 31st March 2012 the General Fund Working Balance stood at £5.242 million

Contingencies Reserves and Balances

- 15 The analysis of the net transfer to reserves of £5.542 million is shown in Note 8 page 57 to the accounts and takes earmarked reserves to £12.365 million. Most notable transfers include:
- £1.8 million is in respect of budgeted provisions and contingencies which were not used in year including, employee inflation £350k and provisions for unachieved savings £606k, homelessness £300k and redundancy costs £500k
 - £0.3 million release of the reserve established to fund borrowing costs on the capitalisation of Icelandic banking losses which following a legal ruling is no longer required

- £1.9 million is in respect of grants received by the authority in the year which are credited to a reserve pending spend in future years, further details of which can be shown in Note 34
- £1.2 million is in respect of underspends on services which have been carried forward to be used in 2012-13 of which an amount of £643k requires CEB approval
- £0.4 million is in respect of income that has been received in respect of HMO license applications the work for which will be progressed in 2012-13
- An additional transfer to the insurance fund to fund potential liabilities arising from claims by Municipal Mutual Insurance has been made of £0.3 million
- Residual balances, representing surpluses on the Councils General Fund totalling approximately £0.5 million have been transferred to a reserve to fund the capital programme, in addition to the £0.5 million in respect of New Homes Bonus grant received in year.

16 **Housing Revenue Account (page 103)**

The HRA was budgeted to make a surplus of £0.5 million for 2011/12. The outturn position was £0.6 million, a favourable variance of £0.1 million. Notable variations include:

- Additional rental income of £0.3 million arising from increased re-lets and weekly rents moving to target rent
- Saving on provision for a rent review on Southfield Park of £0.2 million. The review is coming to fruition and it is considered that the current provision of £1.3 million will be sufficient to cover accrued rental charges
- An overspend on day-to-day repairs caused by additional gas maintenance works - £0.4 million

At 31st March 2012 the HRA working balance stood at £2.62 million.

17 **Capital Programme**

The Council's budgeted capital spend for 2011/12 was approximately £35 million. Actual spend was £21 million; a variation of £14 million, of which approximately £11 million was carried forward as slippage to be spent in future years. Notable variations include the following:

- slippage on the construction of the Competition Swimming Pool at Blackbird Leys of £7.8 million due to a Judicial Review on the Council's decision to progress the project
- £3 million of variations on HRA related schemes including slippage of £0.7 million in relation to works to Tower Blocks, £1 million underspend relating to the construction of Cardinal House and £1.2 million of slippage on other improvement works such as doors, windows and heating.

- £0.8 million underspend in respect of 'city development' infrastructure schemes including development fees for land at Barton £0.5 million which were subsequently charged to revenue.
- £0.5 million slippage on repairs and refurbishment of corporate buildings including Rosehill Community Centre of £0.2 million
- £0.8 million underspend on Play Barton and £0.2 million of other play area slippage
- £0.3 million of slippage on ICT related projects

18 At the 31st March 2012 capital receipts unapplied stood at £12.95 million, which will be used to fund future years capital programme

19 **Financial Implications**

These are covered within the main body of the report

20 **Legal Implications**

These are covered within the body of the report

21 **Risk Implications**

There are no risks associated with the recommendations in this report

22 **Communications**

The Council's accounts are subject to external audit by the Audit Commission, the local address of which is Unit 5, Isis Business Centre, Horspath Road, Cowley, Oxford, OX4 2RD. Members of the public and local government electors have certain rights in the audit process:-

1. From Monday 9th July 2012 to Friday 3rd August 2012 between 9.30am and 4.30 pm any person may inspect the accounts of the Council for the year ended 31st March 2012 and certain related documents (comprising books, deeds, contracts, bills, vouchers and receipts) at the address given at the end of this report. They may also make copies of the accounts and documents.
2. From 9.30am on Monday 6th August 2012 until the conclusion of the audit process, a local government elector for the area of the Council, or her/his representative, may ask the auditor questions about the accounts. Please contact the Horspath Road address given above to make arrangements to ask any questions.
3. From 9.30am on Monday 6th August 2012 until the conclusion of the audit process, a local government elector for the area of the Council, or her/his representative, may object to the Council's accounts asking that the auditor issue a report in the public interest (under Section 8 of the Audit Commission Act 1998) and/or apply to the court for a declaration that an item in the accounts is contrary to law (under Section 17 of the Audit Commission Act 1998). Written notice of a proposed objection and the grounds on which it is made must be sent to the auditor at the address given above and copied to me at the address given below.

The draft statement of accounts can also be found on the Councils website from Monday 2nd July (www.oxford.gov.uk).

Name and contact details of author:-

Name: Nigel Kennedy

Job title: Head of Finance

Service Area / Department Finance and Efficiency

Tel: 01865 272708 e-mail: nkennedy@oxford.gov.uk

Statement of Accounts 2011/12

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INTRODUCTION

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INTRODUCTION

Welcome to Oxford City Council's Statement of Accounts for the year ending 31 March 2012.

The Statement of Accounts is a statutory document providing information on the cost of services provided by Oxford City Council to the council tax payer and the council house tenant and detailing how those services were financed. In addition, it provides information, within the Balance Sheet on page 25 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.

The report provides, in accordance with International Financial Reporting Standards (IFRS), the accounts for the General Fund, Housing Revenue Account, Collection Fund and all other accounts for which the Council is responsible. The Council's Balance Sheet provides details of its Assets and Liabilities as at 31 March 2012. Other supporting statements are provided to help to explain the figures in the accounts. In addition, a glossary can be found at the back of the Statement of Accounts publication to help explain some of the technical terms.

The accounts and all relevant documents are subject to review by the Audit Commission who provide their opinion on the Council's accounts. The Audit Commission gave an unqualified opinion on the Statement of Accounts presented for 2010/11, the first year of adoption of IFRS and are required to give an opinion on the 2011/12 Statement of Accounts.

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
Executive Director, Organisational Development and Corporate Services

Oxford City Council
Town Hall
St. Aldate's
Oxford
OX1 1BX

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 Executive Director, Organisational Development and Corporate Services.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets, and
- approve the Statement of Accounts.

The Responsibilities of the Executive Director Organisational Development and Corporate Services

The Executive Director, Organisational Development and Corporate Services 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 Executive Director, Organisational Development and Corporate Services 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 Executive Director, Organisational Development and Corporate Services 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 23 to 116 presents a true and fair view of the financial position of Oxford City Council as at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

The unaudited Accounts were issued on 28 June 2012 and the audited accounts will be authorised for issue on 27 September 2012.

Signed

Jacqueline Yates
Executive Director, Organisational
Development and Corporate Services

Date

Signed

Councillor Mike Rowley
Chair of Audit & Governance Committee

Date

EXPLANATORY FOREWORD

Purpose of Explanatory Foreword

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

1. Major Changes Effecting the Statement of Accounts

The Council's accounting policies are set out in Note 1 (page 29) to the Statement of Accounts. Whilst largely unchanged from last year there are some changes and events that have taken place over the year which have a material impact on the understanding of the Accounts.

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Total borrowing for the Council including all Public Works Loan Board debt was £203.3 million as at 31 March 2012.

• Interest in Acquired Companies

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EXPLANATORY FOREWORD

2012 the company had net liabilities of £8,363 50% of which has been incorporated into the Council's Group Accounts (page 112).

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• Pension Funds

The Council's liability to provide for the cost of past employment benefits to staff have increased in the year ended 31 March 2012.

The liability reported as at 31 March 2011 was £53.2 million. The revised liability as at the 31 March 2012 is £97.9 million. The increase is due to a number of factors, the most significant of which is an actuarial loss of £45.2 million due to a significant increase in the estimated liabilities of the fund with only a small increase in fair value of the assets. More information regarding the Defined Benefit Pension Scheme can be found in note 40 of the Statement of Accounts (page 87). The past history of the movement on the pension liability is disclosed and shows that over the past five years the liability has been as high as £145.6 million. The rise this year is therefore disappointing but can be seen to be £47.7 million lower than the peak experienced.

2. Summary of 2011/12 Outturn

General Fund

The Council's outturn position was favourable at the year end. It overachieved against the budgeted position by some £0.5 million which it subsequently transferred to an earmarked reserve for funding the future capital programme and was able to add £0.8 million to the working balance in line with the budget. Due to a number of favourable variances in service expenditure the Council was able to transfer an amount of £5.5 million to earmarked reserves, details of which are discussed in more detail below.

HRA

The budgeted position provided for a surplus of £0.5 million, the actual surplus was £0.6 million, the favourable variance being due to an increased number of property re-lets over that originally forecast and a reduction in the provision for the rent review on Southfield Park. The provision of £1.3 million is considered to be sufficient to fund the outcome of the review which is nearing fruition.

EXPLANATORY FOREWORD

Capital

The Council's Capital Programme showed a total spend of around £21 million; a variation against the original programme of £14 million and £3.3 million to the latest approved budget. Of this £2.9 million related to slippage and £0.4 million to underspends largely in relation to HRA related projects. Variations from the original approved budget are due to:

- slippage on the construction of the Competition Swimming Pool at Blackbird Leys (£7.8 million) due to a Judicial Review on the Council's decision to progress the project
- £3 million of variations on HRA related schemes including slippage of £0.8 million in relation to works to the Tower Blocks, £1 million underspend relating to construction of Cardinal House, and £1.2 million of slippage on other improvement works such as doors, windows and heating.
- £0.8 million underspend in respect of 'city development' infrastructure schemes including development fees for the land at Barton (£0.5 million) which were subsequently charged to revenue.
- £0.5 million slippage on repairs and refurbishment of corporate buildings including Rosehill Community Centre (£0.2 million)
- £0.8 million underspend on Play Barton and £0.2 million of other play area slippage
- £0.3 million of slippage on ICT related projects.

3. The Statement of Accounts

The Statement of Accounts consists of the following:

- The Statement of Responsibilities, setting out the general responsibilities of both the City Council, and of the Section 151 Officer (The Executive Director, Organisational Development and Corporate Services). The purpose is for the Executive Director (Organisational Development and Corporate Services) to sign a statement that the accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for that year then ended (page 6).
- The Statement of Accounting Policies, setting out the detailed rules under which we account for assets, liabilities, income and expenditure (pages 29-46).
- The Core Financial Statements (pages 23-26, 103-116) incorporating:
 - a. Movement in Reserves Statement – (MIRS) a statement used to adjust IFRS accounting practice to Local Government proper practice to ensure the accounting changes do not impact on Council Tax and create any additional burden.
 - b. The Comprehensive Income and Expenditure Statement a statement which incorporates all revenue income and expenditure relating to the year
 - c. Balance Sheet
 - d. Cashflow
 - e. Housing Revenue Account
 - f. Collection Fund
 - g. Group Accounts.

EXPLANATORY FOREWORD

Details Of The Core Financial Statements

The Movement in Reserves Statement (MIRS)

The MIRS shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) totalling around £34.3 million as at 31 March 2012 and unusable reserves which are not 'cash backed' totalling £367.7 million.

The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (page 24). These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes.

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

The General Fund Working Balance - this has been increased with the budgeted transfer of £0.8 million and as at 31 March 2012 stands at £5.2 million.

The HRA Working Balance - As at 31 March 2012 this has increased from its original £2 million to £2.6 million, this is £0.1 million up on the budgeted position of £2.5 million.

Earmarked General Fund Reserves – As at 31 March 2012 these stood at £12.4 million. In 2011/12 the Council made a net transfer in of £5.5 million with key reserve movements including:

- **Icelandic Reserve** - this reserve was used for funding the prudential borrowing costs of the capitalised Icelandic investment losses. With the majority of the funds due to be returned to the Council this reserve is no longer required. £0.3 million has therefore been released to revenue.
- **The Employee Cost Reserve** has increased due to a budgeted £0.5 million contribution taking the total reserve to £1.2 million. This reserve will be used going forward to fund pressures identified in the Council's Medium Term Financial Plan.
- **Grants and Other Reserve** - under accounting rules grants are transferred to earmarked reserves and then released to revenue as money is spent, if the grant has conditions attached to it. The net increase in the grants reserve is around £1.8 million which includes Oxford Sports Partnership of £0.5 million and £1 million of unspent revenue monies in Housing and Communities.
- **Direct Revenue Funding of Capital** - the New Homes Bonus of £0.5 million has been transferred to a reserve to fund the Capital Programme, together with the residual balance on the revenue account (£0.5 million) which will be used in 2012/13.
- **Organisational Development Reserve** (£0.6 million) This has been established from the contingency for unachieved savings and will be utilised in 2012/13 to fund the partnership payment agreed as part of the Medium Term Financial Plan.
- **Loan Guarantee Reserve** - A reserve of £0.1 million has been created to fund the potential default in loan guarantees given to small businesses.
- **Insurance Reserves** - An additional £0.3 million has been transferred to the Self Insurance Fund following an actuarial review of the fund and the increased likelihood of liabilities arising from the administrative arrangements of the Council's previous insurers Municipal Mutual Insurance (MMI).

EXPLANATORY FOREWORD

HRA Earmarked Reserves - As at 31 March 2012 these stood at £0.8 million following a net transfer out, of £1.8 million. Within this net transfer, £2 million was transferred from the Decent Homes Reserve to fund improvement and refurbishment of the Council dwelling stock. This reserve is now closed. The balance of movement relates to the earmarking of underspends in the HRA which will be utilised in 2012/13.

Capital Receipts Unapplied - As at 31 March 2012 the Council held approximately £13 million usable capital receipts: £6.4 million having been used to finance the Capital Programme. The remaining receipts will be used over the life of the medium term plan. Major disposals in the year included:

- Blue Boar Street administrative offices
- Headington Hill Dairy Barn
- Barn Manor Road South Hinksey
- Grantham House ex sheltered housing accommodation.

The Comprehensive Income and Expenditure Statement

This Statement (page 24) shows the cost in the year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The segment reporting note (page 76) shows how the Comprehensive Income and Expenditure Statement reconciles back to the management accounts reported quarterly to the City Executive Board, further details and the outturn are discussed below.

General Fund Revenue Outturn 2011/12

The Council set a budget for spending on General Fund services of £25.8 million, to be financed by Grant funding of £13.4 million and Council Tax Requirement of £12.4 million. Included within the budget was provision for a transfer of £0.8 million to the General Fund Working Balance (reserves).

The average Council Tax for a Band D property was set at £262.96, a nil per cent Council Tax increase on the previous year.

The table below summarises the outturn position in the format used for 2011/12 internal reporting and as reported to the City Executive Board on 4 July 2012.

EXPLANATORY FOREWORD

| | Approved Budget 11/12 £000 | Net Expenditure 11/12 £000 | Variance £000 |
|---|-------------------------------------|-------------------------------------|----------------------|
| Directorates | | | |
| Chief Executive | 5,065 | 5,070 | 5 |
| City Regeneration | 4,897 | 2,376 | (2,521) |
| City Services | 7,369 | 5,149 | (2,220) |
| Finance & Efficiency | 6,461 | 6,063 | (398) |
| Total Ex' SLAs & Capital Charges | 23,792 | 18,658 | (5,134) |
| SLAs And Capital Charges | (1,640) | (1,642) | (2) |
| Corporate Below the Line Budgets | 2,810 | 2,404 | (406) |
| Net General Fund | 24,962 | 19,420 | (5,542) |
| Net transfer to reserves | - | 5,542 | 5,542 |
| (Use of)/ transfer to Balances | 816 | 816 | - |
| Net Budget Requirement | 25,778 | 25,778 | - |
| External Funding | 13,399 | 13,399 | - |
| Council Tax | 12,355 | 12,355 | - |
| Collection Fund surplus | 24 | 24 | - |
| Total Funding Available | 25,778 | 25,778 | - |

Major variations include :

**A) Chief Executive
Favourable**

- Slippage on museum refurbishment project £0.1 million
- Budgetary provision earmarked for election expenditure was not used and instead transferred to reserves to be spent in 2012/ 2013 £37,000

Adverse

- Overspend on service expenditure in People & Equalities such as Occupational Health and Payroll - £0.1 million
- Shortfall in Town Hall income of £0.1 million

**B) City Regeneration
Favourable**

- £1.2 million of historical unused grants/budgetary provision mainly associated with Housing and Communities activities e.g. Preventing Homelessness additional grant, Communities external grant provision, Connecting Communities grant etc now transferred to earmarked reserves for future years
- £0.4 million associated with salary savings arising from vacancies predominately within Housing and Communities during the year

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- Ward Member Budget underspend carried forward to following financial year £45,000
- Budget for Tenants Handbook underspend carried forward to following financial year £45,000
- Savings associated with Council Offices repairs and maintenance, public utility and rates expenditure £0.2 million
- Favourable landlord rent reviews during the financial year, together with a release back to revenue of a previous rent review liability that was not realised £1 million

Adverse

- Under achievement of Planning/Building Regulations income £0.1 million
- Overspend on Homelessness e.g. private rented accommodation £0.1 million

C) City Services

Favourable

- Overachievement in year of income re HMO licenses £0.4 million
- Underspend on Government grants received in respect of sports activities, air quality and contaminated land. These will be used in 2012/13 £0.7 million.
- Additional income from off street parking £0.1 million
- Waste collection savings in supplies and services £38,000
- Additional income re engineering services £0.4 million
- Underspends on salaries and additional external tree work income in Street Scene £0.4 million

D) Finance and Efficiency

Favourable

- Underspends on ICT projects relating to Servitor and MS Office implementation £0.1 million
- Slippage on Procure to Pay Project to be implemented in 2012/13 £0.1 million
- Release of Icelandic reserve no longer required £0.3 million

Adverse

- Overpends in supplies and service in procurement and unachieved procurement savings £57,000

E) Corporate

Favourable

- Investment income up due to increased investment returns £95,000
- Underspends on budgeted contingencies the majority of which were subsequently transferred to reserves £2.1 million

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Adverse

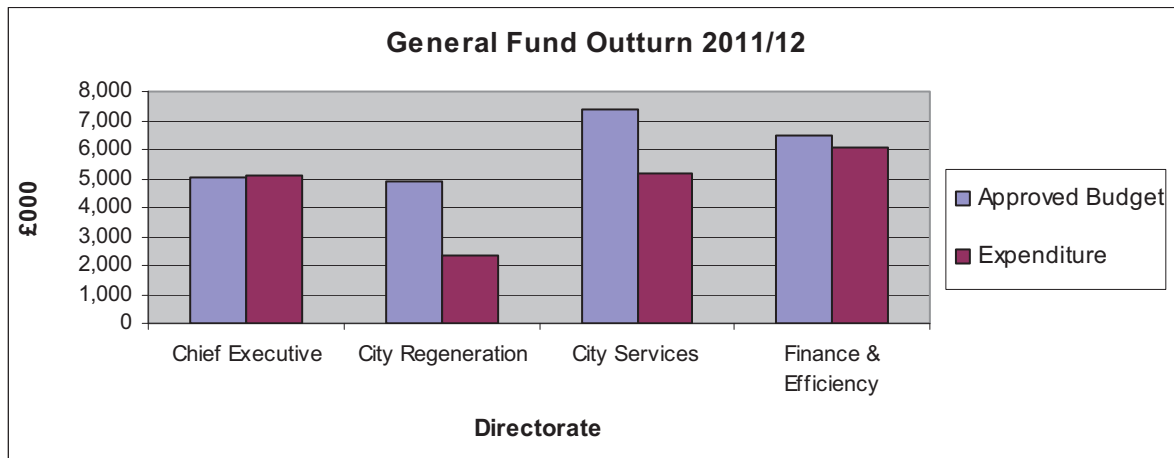
- Reduced interest charged to HRA on cash balances due to lower interest rates and lower cash balances - £0.1 million
- Interest paid on outstanding debt higher than budgeted £0.1 million
- Additional revenue funding for capital projects £0.7 million and increased vehicle funding of £0.5 million
- Increase in provision to cover court costs £0.3 million

EXPLANATORY FOREWORD

Net Transfers to Reserves

- The analysis of the net transfer to reserves of £5.5 million is shown in Note 8 (page 57) to the accounts. The most notable transfers include :
 - ♦ £1.8 million in respect of budgeted provisions and contingencies which were not used in year including, employee inflation £0.4 million, provision for unachieved savings £0.6 million, homelessness £0.3 million and redundancy costs £0.5 million
 - ♦ £1.9 million in respect of grants received by the authority in the year which are credited to a reserve pending spend in future years, further details of which can be seen in Note 34 (page 80)
 - ♦ £1.2 million in respect of underspends on committed projects which have been carried forward to be used in 2012/13
 - ♦ £0.4 million in respect of income that has been received in respect of HMO license applications the work for which will be progressed in 2012/13
 - ♦ An additional transfer to the Insurance Fund to cover potential liabilities arising from claims by MMI has been made of £0.3 million
 - ♦ Residual balance, representing surpluses on the Councils General Fund totalling approximately £0.5 million which has been transferred to a reserve to fund the Capital Programme, in addition to the £0.5 million in respect of New Homes Bonus grant received in year.

A comparison of actual net spend against the budget by Directorate is shown below.



The Balance Sheet

The Balance Sheet (page 25) shows the value as at 31 March 2012 of the assets and liabilities recognised by the Authority. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

- **Usable Reserves** - those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves to meet unforeseen circumstances and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

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- **Unusable Reserves** – those reserves 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; and reserves that reflect timing differences shown in the Movement in Reserves Statement line “adjustments between accounting basis and funding basis under regulations”.

The Balance Sheet (page 25) can be summarised as follows:

| | 2011/12 £000 | 2010/11 £000 | Variation £000 |
|---|-----------------|-----------------|-------------------|
| Value of Land and Property owned | 689,791 | 683,074 | 6,717 |
| Cash, Investments, AHFS and Stocks | 30,319 | 28,702 | 1,617 |
| Money Oxford owes | (334,797) | (97,958) | (236,839) |
| Money Oxford is owed | 16,795 | 16,247 | 548 |
| Net Worth of Council at 31 March | 402,108 | 630,065 | (227,957) |

The main variation from last year relates to the increase in long term borrowing by the Council, required to bring its Council Housing stock out of the subsidy system (£198.5 million).

Cash Flow Statement

The Cash Flow Statement (page 26) shows the changes in Cash and Cash Equivalents of the Council during the reporting period. The Statement shows how the Council generates and uses Cash and Cash Equivalents by classifying cash flows as operating, investing and financing activities.

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

Investing activities represent the extent to which cash outflows have been made for 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 Council.

The overall reduction in cash and cash equivalents i.e. short term investments between 2010/11 and 2011/12 is approximately £7.4 million. This has arisen largely due to a reduction in money held in Money Market Funds in favour of longer term investments which attract higher interest rates.

The Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement (page 103) shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

EXPLANATORY FOREWORD

| Income and Expenditure Account | Budget £000 | Actual £000 | Variance £000 |
|--------------------------------------|----------------|----------------|------------------|
| Income from Rent and Service Charges | (38,182) | (37,295) | 887 |
| Total Expenditure | 28,986 | 236,527 | 207,541 |
| Subsidy, Finance and Appropriations | 8,696 | (199,852) | (208,548) |
| Deficit/(Surplus) | (500) | (620) | (120) |

The HRA was budgeted to make a surplus of £0.5 million for 2011/12. The outturn position as shown was £0.6 million, a favourable variance of £0.1 million. Notable variations included:

- Additional rental income of £0.3 million arising from increased re-lets and weekly rents moving to target rent
- Saving of provision for rent review on Southpark of £0.2 million. The review is coming to fruition and it is considered that the current provision of £1.3 million will be sufficient to cover accrued rental charges
- Overspend in day-to-day repairs caused by additional gas maintenance works - £0.4 million
- The account reflects the self financing payment of £198.5 million, which is reversed out through appropriations therefore there is no overall effect on the bottom line.

The Collection Fund

The Collection Fund (page 110) is the Council's statement reflecting its statutory obligation as a Billing Authority to maintain a separate Collection Fund. The Statement shows the transactions the Council as a Billing Authority has undertaken in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

The movement in the Collection Fund Balance is £0.1 million reducing the Collection Fund Balance to £27,000 as at 31 March 2012. This balance is shared between the major preceptors i.e. the City Council, County Council and Police Authority as follows:

| | 2011/12 £000 | 2010/11 £000 |
|----------------------------|-----------------|-----------------|
| Oxford City Council | 4 | 29 |
| Oxfordshire County Council | 20 | 126 |
| Thames Valley Police | 3 | 16 |
| Total | 27 | 171 |

The main reason for the reduction in the balance of £0.1 million relates to:

- Increase in council tax exemptions

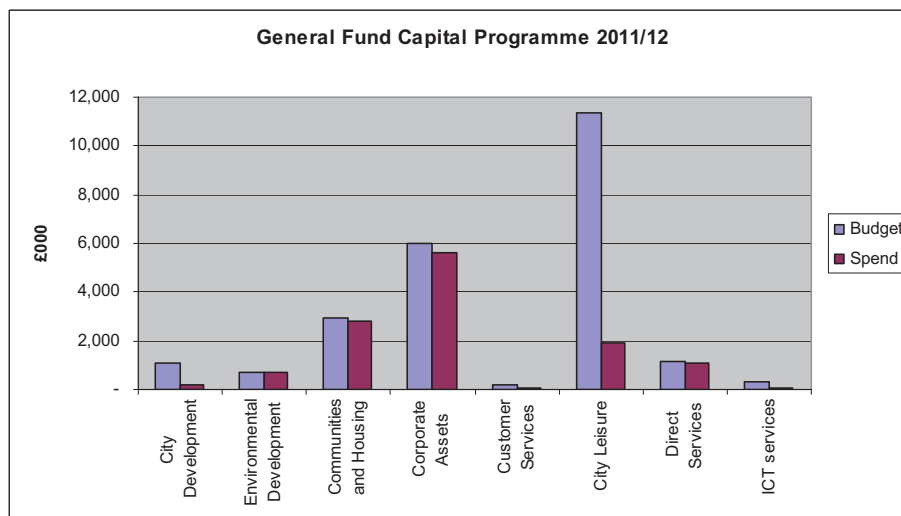
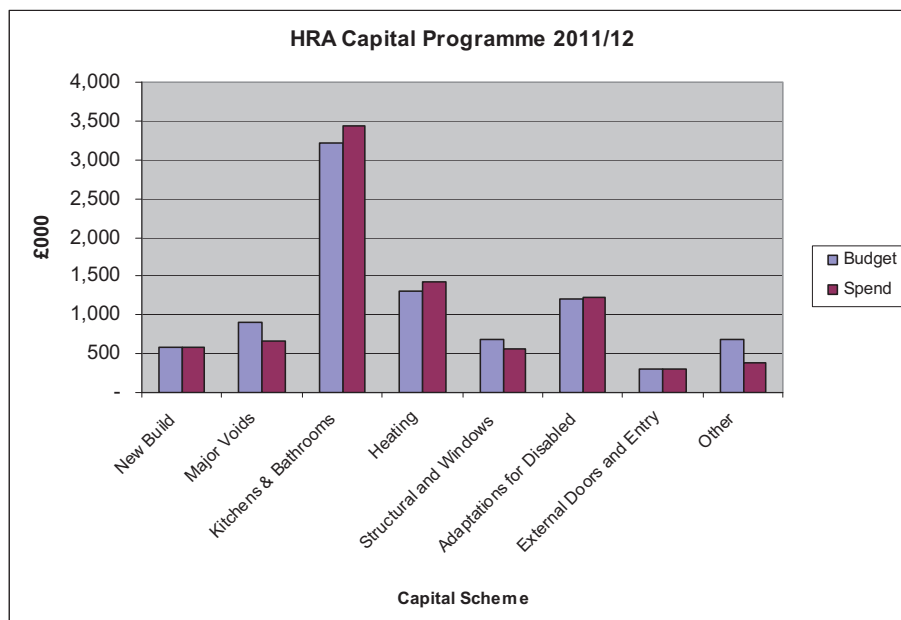
Capital Outturn 2011/12

The Council's budgeted capital spend for 2011/12 was approximately £35 million, actual spend was £21 million; a variation of £14 million of which approximately £11 million was carried forward as slippage to be spent in future years. Notable variations include the following:

- slippage on the construction of the Competition Swimming Pool at Blackbird Leys of £7.8 million due to a Judicial Review on the Council's decision to progress the project

EXPLANATORY FOREWORD

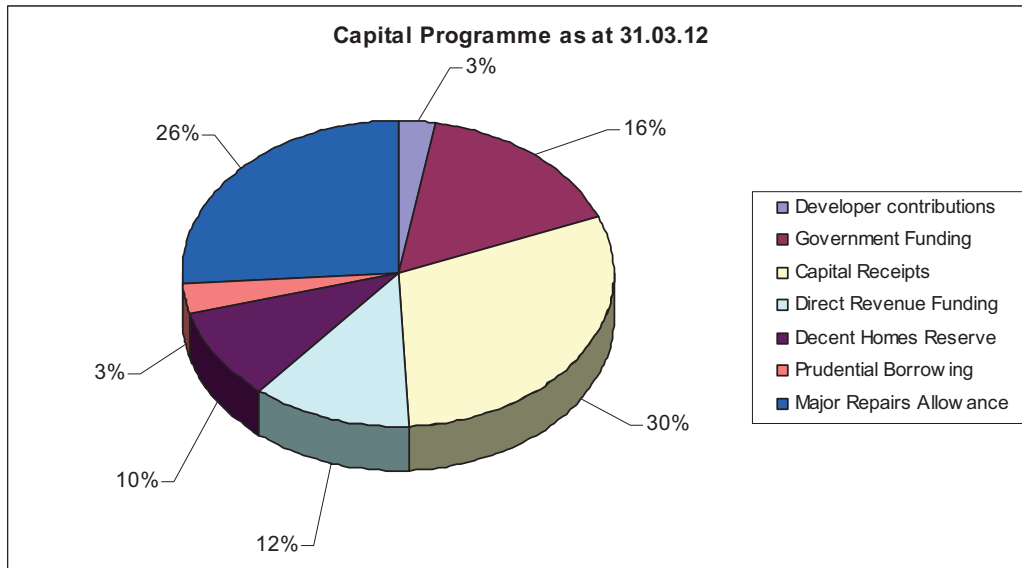
- £3 million of variations on HRA related schemes including:
 - £1 million underspend on construction of Cardinal House and Lambourne House
 - £0.7 million slippage on tower block refurbishment works
 - £0.55 million slippage on window replacement programme
 - £0.2 million slippage on shop refurbishment
 - £0.55 million slippage on other housing related works
- £0.8 million underspend in respect of 'city development' infrastructure schemes including development fees for land at Barton £0.5 million which were subsequently charged to revenue
- £0.5 million slippage on repairs and refurbishment of corporate buildings including Rosehill Community Centre of £0.2 million
- £0.8 million underspend on Play Barton and £0.2 million of other play area slippage
- £0.3 million of slippage on ICT related projects



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Funding the Capital Programme

The program was funded through a combination of capital receipts (£6.4 million 30%), the HRA Major Repairs Allowance in respect of the decent homes programme (£5.4 million), Government Grants (£3.3 million), the largest of which was in respect of the Old Fire Station, Direct Revenue Funding from the General Fund (£2.5 million), plus Prudential Borrowing (£0.6 million), developer contributions (£0.6 million) and the HRA Decent Homes Reserve (£2 million).



Contingencies and Provisions

At 31 March 2012 the Council had made financial provision for expenditure likely to be incurred some time in the future totalling £6.3 million. Included in this figure are the following amounts:

- Rent Deposit Scheme – £3.5 million - this provision covers deposits paid on behalf of tenants placed into private properties by the Council. The provision assumes a write off of approximately 86% of the debt.
- Bond deposits - £0.5 million – a scheme established to help local non-statutory homeless individuals access the private housing market. This provision represents payments that may need to be made towards rent deposits.
- Singletree Repairs and Maintenance - £0.2 million – a provision to cover major works in respect of leaseholder properties. When the leasehold property is resold a percentage of the resale value is paid into the provision.
- Lease agreement Southfield Park - £1.3m – required to cover increase in site rent due from April 2004. Agreement still in arbitration.

4. Financial Prospects Looking Forward

General Fund

The 2011/12 outturn position was favourable with the Council not needing to call on its working balance and under spending by approximately £0.5 million in year.

The Council's Medium Term Financial Plan for 2012/13 to 2015/16 agreed at Council in February 2012 estimated working balances at year end as follows :

EXPLANATORY FOREWORD

| | 2012/13 £000 | 2013/14 £000 | 2014/15 £000 | 2015/16 £000 |
|--------------------|-----------------|-----------------|-----------------|-----------------|
| Working Balance | 3,620 | 3,501 | 3,541 | 3,603 |

To achieve this position a significant savings and service reduction programme has been implemented totalling £11 million over the next four years. This programme of savings is significant and more risky in nature with a large amount coming from new trading activities, although there are contingencies held in reserve in the event that some of these income streams are not achieved.

Going forward many of the difficulties we had around certainty of funding for 2012/13 are likely to remain until much later in the financial year, in particular the Business Rates reforms and Council Tax localisation which will commence in April 2013 will effect Formula Grant. In addition, changes in welfare reforms will pose a significant operational issue over the next three or four years.

The Government are still struggling to hit their deficit reduction targets and the next Comprehensive Spending Review will undoubtedly see more reductions in Government funding for local government over the coming years.

Inflation is also running at a higher level than predicted, with CPI projected to reach 5% in the current financial year and remain above target into 2013, which will clearly impact costs.

Pressure will continue on the Council's income streams such as off street car parking, planning and licensing and with bank base rates at an all time low investment income earned will also be suppressed. Personal income is also likely to reduce as wage freezes continue, causing further pressures for the Council in the collection of rents and Council Tax which the Council has partly mitigated through increased provision for bad debts and reduced Council Tax collection forecasts.

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

HRA

HRA Reform which came into effect from 1 April 2012, was a good deal for Oxford City Council. Exchanging subsidy payments of around £13 million per annum to the government for the payment of interest charges of around £8 million will release additional funding enabling the Council to deliver its strategic housing aspirations more effectively.

Capital

The Council has a significant Capital Programme going forward with major projects including the refurbishment of sports pavilions, further development of play areas, replacement of the Council's vehicle fleet, the 'one depot' project and new cemetery provision. Whilst some of this Programme will be funded by capital receipts from the disposal of other land and buildings, additional prudential borrowing may be required, which will impact on the revenue account.

Within the HRA Capital Programme in addition to the routine annual refurbishment programme for Council dwellings of around £8 million, there is also £18 million of new build in the next two years to build 112 dwellings part funded from HCA grant. Additionally, there is further £60 million of additional investment over the next few years.

EXPLANATORY FOREWORD

In Conclusion

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

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

- visit our website at www.oxford.gov.uk
- send an e-mail to either:
Head of Finance (Nigel Kennedy at nkennedy@oxford.gov.uk) or
Financial Accounting Manager (Anna Winship at awinship@oxford.gov.uk)
- write to us at:
Oxford City Council
2nd Floor, Town Hall, St Aldates
Oxford OX1 1BX
- or, contact our auditors via a-witty@audit-commission.gov.uk

CORE FINANCIAL STATEMENTS

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MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

| | General Fund Balance | Earmarked GF Reserves | Housing Revenue Account | Earmarked HRA Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Authority Reserves |
|--|----------------------|-----------------------|-------------------------|------------------------|--------------------------|--------------------------|-----------------------|-------------------------|--------------------------|
| Note | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance as at 31 March 2010 carried forward | 3,140 | 5,365 | 2,000 | 3,390 | 8,065 | 369 | 22,329 | 602,687 | 625,018 |
| 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) | - | 80,464 | - | 1,587 | - | 52,104 | (52,166) | (62) |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | 2,771 | - | (764) | - | 1,587 | - | 3,594 | 2,411 | 6,005 |
| Transfers (to)/from Earmarked Reserves | (1,484) | 1,484 | 764 | (764) | - | - | - | - | - |
| Increase/(Decrease) in 2010/11 | 1,287 | 1,484 | 0 | (764) | 1,587 | - | 3,594 | 2,411 | 6,005 |
| Balance at 31st March 2011 carried forward | 4,429 | 6,849 | 2,000 | 2,627 | 9,651 | 369 | 25,925 | 605,098 | 631,023 |
| Restated Movement in Reserves during 2010/11 | | | | | | | | | |
| Surplus/(Deficit) on the Provision of Services | 31,296 | - | (81,228) | - | - | - | (49,932) | - | (49,932) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | 55,042 | 55,042 |
| Total Comprehensive Income and Expenditure | 31,296 | - | (81,228) | - | - | - | (49,932) | 55,042 | 5,110 |
| Adjustments between Accounting Basis & Funding Basis under Regulations | (28,525) | - | 80,464 | - | 1,587 | - | 53,526 | (53,589) | (63) |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | 2,771 | - | (764) | - | 1,587 | - | 3,594 | 1,453 | 5,047 |
| Transfers (to)/from Earmarked Reserves | (1,484) | 1,484 | 764 | (764) | - | - | - | - | - |
| Increase/(Decrease) in 2010/11 | 1,287 | 1,484 | 0 | (764) | 1,587 | - | 3,594 | 1,453 | 5,047 |
| Balance at 31st March 2011 carried forward | 4,429 | 6,849 | 2,000 | 2,627 | 9,651 | 369 | 25,925 | 604,140 | 630,065 |
| Movement in Reserves during 2011/12 | | | | | | | | | |
| Surplus/(Deficit) on the Provision of Services | 11,322 | - | (196,681) | - | - | - | (185,359) | - | (185,359) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | (42,596) | (42,596) |
| Total Comprehensive Income and Expenditure | 11,322 | - | (196,681) | - | - | - | (185,359) | (42,596) | (227,955) |
| Adjustments between Accounting Basis & Funding Basis under Regulations | (4,965) | - | 195,463 | - | 3,302 | - | 193,800 | (193,802) | (2) |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | 6,357 | - | (1,218) | - | 3,302 | - | 8,441 | (236,398) | (227,957) |
| Transfers (to)/from Earmarked Reserves | (5,541) | 5,541 | 1,838 | (1,838) | - | - | - | - | - |
| Increase/(Decrease) in 2011/12 | 816 | 5,541 | 620 | (1,838) | 3,302 | - | 8,441 | (236,398) | (227,957) |
| Balance at 31st March 2012 carried forward | 5,245 | 12,390 | 2,620 | 789 | 12,953 | 369 | 34,366 | 367,742 | 402,108 |

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.

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

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

This statement shows the accounting cost in year, of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement on page 23.

| Notes | 2011/12 | | 2010/11 restated | | 2010/11 | | 2010/11 | |
|--|------------------------|-------------------|------------------------|-------------------|----------------------|------------------------|-------------------|----------------------|
| | Gross Expenditure £000 | Gross Income £000 | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| Central Services to the Public | 3,220 | (997) | 3,772 | (1,101) | 2,671 | 3,772 | (1,101) | 2,671 |
| Cultural Services | 12,024 | (4,612) | 5,919 | (4,248) | 1,671 | 5,919 | (4,248) | 1,671 |
| Environment and Regulatory Services | 19,063 | (10,980) | 16,326 | (3,315) | 13,011 | 16,326 | (3,315) | 13,011 |
| Planning Services | 6,009 | (3,510) | 2,500 | (87) | 2,573 | 2,660 | (87) | 2,573 |
| Highways and Transport Services | 7,064 | (10,645) | 8,588 | (10,097) | (1,509) | 8,588 | (10,097) | (1,509) |
| Local Authority Housing (HRA) | 235,221 | (37,295) | 197,926 | (34,850) | 80,288 | 115,138 | (34,850) | 80,288 |
| Other Housing Services | 105,281 | (97,377) | 7,904 | (77,728) | 6,657 | 84,385 | (77,728) | 6,657 |
| Corporate and Democratic Core | 4,073 | (103) | 3,970 | (162) | 5,926 | 4,266 | (162) | 4,104 |
| Non Distributed Costs | 6,683 | (2,341) | (183) | (24,061) | (24,244) | (183) | (24,061) | (24,244) |
| Cost of Services | | | 230,778 | | 86,644 | | | 85,222 |
| Other Operating Expenditure | | | | | (690) | | | (690) |
| Financing and Investment Income and Expenditure | | | | | (6,548) | | | (6,548) |
| (Surplus)/Deficit on Discontinued Operations | | | | | - | | | - |
| Taxation and Non-Specific Grant Income | | | | | (29,474) | | | (29,474) |
| (Surplus)/Deficit on Provision of Services | | | 185,359 | | 49,932 | | | 48,510 |
| Adjusted Revaluation Reserve | | | | | | | | |
| (Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets | | | | | 17,922 | | | 18,385 |
| (Surplus)/Deficit on Revaluation of Available for Sale Financial Assets | | | | | - | | | - |
| Other (old balance on Collection Fund, Prior Period Adjustments -PPA) | | | | | - | | | - |
| Actuarial (Gains)/Losses on Pension Assets and Liabilities | | | | | (72,962) | | | (72,962) |
| Other Comprehensive Income and Expenditure | | | 42,596 | | (55,040) | | | (54,577) |
| Total Comprehensive Income and Expenditure | | | 227,955 | | (5,108) | | | (6,067) |

On 28th March 2012 the Council paid the Department of Communities and Local Government £198.5 million in relation to the Housing Revenue Account (HRA) self financing reforms. The accounting entries show this amount in the Local Authority Housing (HRA) cost of service line and removed through the Movement in Reserves Statement, so as not to affect the bottom line in accordance with Proper Accounting Practice.

This entry is an exceptional item, and the accounting treatment follows the accounting policy set out in Local Authority Accounting Bulletin 92.

BALANCE SHEET AS AT 31 MARCH 2012

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

| | Note | 2011/12 £000 | 2010/11 restated £000 | 2010/11 original £000 |
|------------------------------------|---------|------------------|-----------------------------|-----------------------------|
| Property, Plant & Equipment | 12 | 577,432 | 576,000 | 579,402 |
| Heritage assets | 13 | 2,496 | 2,444 | - |
| Investment Properties | 14 | 86,103 | 82,432 | 82,432 |
| Intangible Assets | 15 | 360 | 462 | 462 |
| Long Term Investments | 16 | 32 | 32 | 32 |
| Long Term Debtors | 16 | 23,368 | 21,704 | 21,704 |
| Long Term Assets | | 689,791 | 683,074 | 684,032 |
| Short Term Investments | 16 | 23,645 | 11,794 | 11,794 |
| Assets Held for Sale | 20 | 1,008 | 3,862 | 3,862 |
| Inventories | 17 | 768 | 785 | 785 |
| Short Term Debtors | 16 & 18 | 16,795 | 16,247 | 16,247 |
| Cash and Cash Equivalents | 16 & 19 | 4,898 | 12,261 | 12,261 |
| Current Assets | | 47,114 | 44,949 | 44,949 |
| Short Term Borrowing | 16 | (816) | (995) | (995) |
| Short Term Creditors | 16 & 21 | (18,906) | (22,246) | (22,246) |
| Provisions | 22 | - | - | - |
| Current Liabilities | | (19,722) | (23,241) | (23,241) |
| Long Term Creditors | 16 | - | - | - |
| Provisions | 22 | (6,298) | (6,038) | (6,038) |
| Long Term Borrowing | 16 | (201,354) | (3,641) | (3,641) |
| Other Long Term Liabilities | 16 | (101,271) | (57,198) | (57,198) |
| Capital Grants Receipts in Advance | 34 | (6,152) | (7,840) | (7,840) |
| Long Term Liabilities | | (315,075) | (74,717) | (74,717) |
| Net Assets | | 402,108 | 630,065 | 631,023 |
| Usable Reserves | MIRS | (34,366) | (25,925) | (25,925) |
| Unusable Reserves | 24 | (367,742) | (604,140) | (605,098) |
| Total Reserves | | (402,108) | (630,065) | (631,023) |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

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 | 2011/12 £000 | 2010/11 £000 |
|--|-------|-----------------|-----------------|
| Net (Surplus)/Deficit on the Provision of Services | | 185,359 | 48,510 |
| Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements | | 237 | (65,287) |
| Adjustments for Items Included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities | | - | - |
| Net Cash Flows from Operating Activities | | 185,596 | (16,777) |
| Investing Activities | 26 | 19,300 | 19,651 |
| Financing Activities | 27 | (197,533) | 957 |
| Net (Increase)/Decrease in Cash and Cash Equivalents | | 7,363 | 3,831 |
| Cash and Cash Equivalents at the Beginning of the Reporting Period | | (12,261) | (16,092) |
| Cash and Cash Equivalents at the End of the Reporting Period | 19 | (4,898) | (12,261) |

NOTES TO THE CORE FINANCIAL STATEMENTS

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1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. 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 2011/12 and the Service Reporting Accounting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

1.2 Accruals of Income and Expenditure

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

- 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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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, paid annual leave, sick leave, bonuses and non monetary benefits for current employees, are considered as an expense in the year in which the employee renders the service to the Authority.

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

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

Termination Benefits

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

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

Post-employment Benefits

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

The Local Government Pension Scheme

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

- the liabilities of the Oxfordshire County Council Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to-date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- the liabilities are discounted to their value at current prices, using a discount rate of 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 Oxfordshire County Council Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:

NOTES TO THE CORE FINANCIAL STATEMENTS

- ♦ quoted securities – current bid price
- ♦ unquoted securities – professional estimate
- ♦ unitised securities – current bid price
- ♦ property – margin above yield.

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

1. Current Service Cost – the increase in liabilities as a result of years of service earned 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effected. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains and losses are recognised in the Financing and Investment and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.11 Government Grants and Contributions

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

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

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

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

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

1.12 Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL) the levy will be charged on new builds (chargeable developments for the Authority) with appropriate

NOTES TO THE CORE FINANCIAL STATEMENTS

planning consent. The Council will charge for and collect the levy in 2013. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area. CIL is received without outstanding conditions and will be recognised in the Comprehensive Income and Expenditure statement in accordance with the accounting policy for Government grants and contributions as set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion may be used to fund revenue expenditure.

1.13 Housing Levy

The Council has adopted a policy of making a levy on each square foot of housing development. The levy will be received as income and recorded in the service within the Comprehensive Income and Expenditure Account, but then earmarked through the Movement In Reserves Statement (MIRS) to be retained to assist social housing development. When the earmarked reserve is applied an entry will be made in the MIRS to reduce the earmark reserve and increase the General Fund balance to compensate for the expenditure applying the levy.

1.14 Heritage Assets

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

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

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

Measurement Rules in relation to other Heritage assets

Oxford City Council Heritage Assets can be categorised as follows:

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

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

The assets movements are relatively static with very little acquisitions or disposals. However, acquisitions are initially recognized at cost. These assets are valued at market value in the Statement of Accounts.

- Memorials gardens and City Walls

The Authority has identified War Memorials in St Giles, and Marston Road, which along with the ancient City walls (inside New College, and Hall Street) and the Rewley Abbey Wall meet the

NOTES TO THE CORE FINANCIAL STATEMENTS

criteria of Heritage Assets. However, these assets lack any comparable market values and cost records do not exist. The cost of providing a Balance Sheet valuation on these assets would be disproportionate to any benefit to the user of the Authorities financial statements and therefore are excluded from the Balance Sheet.

- Heritage Non Operational Property

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

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

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

- Oxford City First Registration number plate

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

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

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

1.15 Intangible Assets

Expenditure on non monetary assets that do not have physical substance but are controlled by the Authority as a result of a past event (e.g. software licences and system development expenditure) are capitalised when they are 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

1.16 Interest in Companies and Other Entities

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

1.17 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.

1.18 Investment Property

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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).

1.19 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).

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 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.

1.20 Overheads and Support Services

The cost of Overheads and Support Services are charged to those that benefit from the supply of

NOTES TO THE CORE FINANCIAL STATEMENTS

services based on use and in accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) Service Reporting Accounting Code of Practice 2011/12 (SeRCOP).

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

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

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

1.21 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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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. In the case of pooling of Land the council can apply the sums to regeneration, and social housing investment.

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.

1.22 Private Finance Initiative (PFI) and Similar Contracts

The Council did not operate any PFI contracts during 2011/12.

1.23 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Contingent Assets

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

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

1.24 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.

1.25 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.

1.26 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.

1.27 Carbon Reduction Commitment Allowances

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide purchased as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and apportioned to the services on the basis of energy consumption.

1.28 HRA Self Financing

On 28 March 2012 the Council will pay Department for Communities and Local Government £198.5 million in relation to the Housing Revenue Account (HRA) self financing reforms. The accounting entries for this will show this amount in the HRA CI&E, but will be taken back out through the Movement In Reserves Statement so as not to affect the bottom line. This new accounting policy has been established to enable the future repayments to be used to reduce the loan liability and is being accounted for in 2011/12 as an exceptional item.

2. Accounting Standards Issued, Not Adopted

On 7 October 2010 the IASB issued amendments to IFRS 7 *Financial Instruments: Disclosures* as part of its comprehensive review of off balance sheet activities.

The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

The adoption of IFRS 7 by Oxford City Council will take effect from 1 April 2012, and as such will be a change in accounting policy. However, Oxford City Council do not actively employ any form of securitisation, and therefore this standard will not have a material impact on the financial statements of the Authority.

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:

Icelandic Bank transactions

The Council had £4.5 million invested in with two failed Icelandic banks, however, as at 31 March 2012, only £1.1 million remains outstanding.

A capital directive had been applied to fund the potential losses on these investments, and the Council had made a voluntary minimum revenue provision to set against the Investment funds returned.

The remaining outstanding funds are expected to be received in full from the Icelandic banks over the coming months.

Changes to Levels of Funding for Local Government

There is a high degree of uncertainty about future levels of funding for local government including the future of Business rate income.

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

Self Financing of Council Housing

A major complex transaction involved the payment of £198.5 million to the Government to secure the future self financing of the Council's Housing stock.

The Accounting Transactions in Relation to the Settlement Payments Determination 2012 involved applying the LAAP92 bulletin, resulting in the Statement of Accounts showing the Loan outstanding and reduction of capital.

The Housing Revenue Account was charged with the payment to HM Government, and this was adjusted in the Movement in reserves statement.

Componentisation of Fixed assets

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

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

Treatment of Future Capital Receipts from Joint Venture

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

A long term debtor and a deferred capital receipt account have been created for the Land value, while the interest income is being accrued even though the interest will not be received until 2019.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|-------------------------------|---|---|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The Council has a programme of capital work of £8 million per year on the housing stock, and undertakes major repairs and maintenance which will be able to sustain assumptions made regarding the useful lives assigned to assets. The non-Council Housing programme of capital works and long term maintenance programme will reduce as the assets are brought up to a good standard. | 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 assets were to increase by 1% the extra charge would amount to £112,000. |
| Provisions for equal Pay | The Council has not made a provision for the settlement of claims for back pay arising from the Equal Pay initiative, because only one claim 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. | No impact |
| Provisions Southfield Park | The Council has made a provision for the settlement of rent dispute on Southfield Park. A legal case is taking place. Recent legal opinion suggests that the arbiter will find in favour of the Council. However, this decision can still be subject to appeal. In light of this no additional contributions were made during 2011/12 and the provision still stands at c. £1.3 million. | If the current provision is found to be inaccurate by 10% the extra cost or reduced burden would be £134,000. |
| Provisions rent deposit | The Council operates a rent deposit scheme which provides the deposit necessary for an eligible resident to occupy private rented accommodation. The deposit is repayable. The certainty of repayment is very difficult to estimate. The Council has continued to make an 86% provision during 2011/12 and the total provision now stands at £3.54 million. | If the current provision is found to be inaccurate an extra 1% provision would result in the extra cost of £41,000. |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | | |
|--------------------|---|--|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. | The effects on the net pensions liability of changes in individual assumptions cannot be measured accurately. The assumptions interact in complex ways. During 2011/12, the Council's actuaries advised that the net pensions liability had increased by £45 million. The total Pension deficiency is £97.923 million. |
|--------------------|---|--|

| | | |
|---------|---|---|
| Arrears | At 31 March 2012, the Council had a balance of sundry debtors of £21.221 million. A review of significant balances suggested that an impairment of doubtful debts of £4.3 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. | If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional 1% or £0.2 million to be set aside as an allowance. |
|---------|---|---|

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

| General Fund | | Collection Fund | | | Court Costs | |
|----------------|-----------|--------------------------|--------------|------------|--------------------------|-----------|
| Sundry Debtors | | Council | | | | |
| | | Tax | NDR | | | |
| | | Year Debt | | | Year Debt | |
| Age of Debt | Provision | Raised | Provision | Provision | Raised | Provision |
| | | 2011/12 | 0.75% | 42% | 2011/12 | 25% |
| <1 Year | 60% | 2010/11 | 25% | 54% | 2010/11 | 45% |
| <2 Years | 60% | 2009/10 | 45% | 63% | 2009/10 | 70% |
| <3 Years | 80% | 2008/09 | 70% | 68% | 2008/09 | 75% |
| <4 Years | 100% | 2007/08 | 75% | 90% | 2007/08 | 90% |
| <5 Years | 100% | 2006/07 | 90% | 98% | 2006/07 | 90% |
| <6 Years | 100% | 2005/06 | 90% | 98% | 2005/06 | 90% |
| >6 Years+ | 100% | 2004/05 | 90% | 98% | 2004/05 | 92% |
| | | 2003/04 | 92% | 98% | 2003/04 | 94% |
| | | 2002/03 | 94% | 98% | 2002/03 | 96% |
| | | 2001/02 | 96% | 98% | 2001/02 | 97% |
| | | 2000/01 | 97% | 98% | 2000/01 | 100% |
| | | 1999/00 & prior years | 100% | | 1999/00 & prior years | 100% |

5. Material Items of Income and Expenditure

Housing Revenue Account Self Financing

On the 28 March 2012 the Council borrowed £198.5m from the Public Works Loan Board and made a payment of the same value to Department of Communities and Local Government. This transaction allowed the Council to buy itself out of the Housing Subsidy system under the Governments 'Self Financing proposals'. In exchange for a one-off payment, the Council along with a number of other Councils across the country, will now no longer need to make an annual payment to the Government, which for Oxford was in the region of £13 million. The Council funded the payment by procuring a number of fixed rate interest loans over varying periods ranging from 9 to 45 years from the Public Works Loans Board (PWLB) at an average interest rate of 3.26% over the 45 year period.

The £198.5 million payment is the Government's assessment over a 30 year period of what can be sustained by Oxford's Housing Revenue Account (HRA).

The Council under self-financing will now be free to retain all of the rental income from its housing stock but will still need to adhere to national policies regarding annual rent guidelines.

Pension Fund Actuarial Loss

The Pension Fund Actuary has reported an actuarial loss for 2011/12 of £45.2 million. This is reported as a loss on the Comprehensive Income & Expenditure, and subsequently adjusted (in accordance with proper practice) via the Movement in Reserves Statement to ensure it has no General Fund Balance implications.

6. Events After the Balance Sheet Date

The Statement of Accounts will be authorised for issue by the Executive Director of Organisational Development and Corporate Services on 27 September 2012. 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 2012, the figures in the Financial Statements and notes will be adjusted in all material respects to reflect the impact of this information.

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

Capital Receipts Reserve

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

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations

| 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 | 34 | 55 | - | (56) | - | - |
| Total Adjustments | (29,948) | 80,466 | 1,587 | - | - | (52,166) |

NOTES TO THE CORE FINANCIAL STATEMENTS

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

| 2011/12 | 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 Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of Non-Current Assets | 11,189 | 1,308 | - | 6,758 | - | (19,255) |
| Revaluation losses on Property Plant and Equipment | (115) | - | - | - | - | 115 |
| Movements in the market value of Investment Properties | (5,151) | - | - | - | - | 5,151 |
| Movements in the market value of Rent-to-mortgage properties | (846) | - | - | - | - | 846 |
| Amortisation of Intangible Assets | 102 | - | - | - | - | (102) |
| Capital grants and contributions applied | - | - | - | - | - | - |
| Movement in the Donated Assets Account | (14) | - | - | - | - | 14 |
| Revenue expenditure funded from Capital under Statute | 1,748 | 65 | - | - | - | (1,813) |
| Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (1,767) | (3,470) | - | - | - | 5,237 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | (307) | 198,528 | - | - | - | (198,221) |
| Capital expenditure charged against the General Fund and HRA balances | (4,565) | (2,017) | - | - | - | 6,582 |
| 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 | (3,943) | - | - | - | - | 3,943 |

NOTES TO THE CORE FINANCIAL STATEMENTS

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

| 2011/12 | 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 | - | - | 10,330 | - | - | (10,330) |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | (6,394) | - | - | 6,394 |
| Contribution from the Capital Receipts Reserve towards administrative costs of Non-Current Asset disposals | - | - | (136) | - | - | 136 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | 757 | - | (757) | - | - | - |
| 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 | - | - | - | - | (7) |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | - | - | 259 | - | - | (259) |
| Adjustment primarily involving the Major Repairs Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | - | - | - | (5,491) | - | 5,491 |
| 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 | (2,203) | - | - | - | - | 2,203 |

NOTES TO THE CORE FINANCIAL STATEMENTS

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

| 2011/12 | 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) | (5,893) | (134) | - | - | - | 6,027 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 5,466 | 124 | - | - | - | (5,590) |
| 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 | 35 | - | - | - | - | (35) |
| 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 | 535 | (208) | - | - | - | (327) |
| Other transfer adjustments | - | 1,267 | - | (1,267) | - | - |
| Total Adjustments | (4,965) | 195,463 | 3,302 | - | - | (193,800) |

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 2011/12.

| | Balance at 31 March 2012 £000 | Transfers In 2011/12 £000 | Transfers Out 2011/12 £000 | Balance at 31 March 2011 £000 | Transfers In 2010/11 £000 | Transfers Out 2010/11 £000 | Balance at 31 March 2010 £000 |
|--|--|------------------------------------|-------------------------------------|--|------------------------------------|-------------------------------------|--|
| General Fund: | | | | | | | |
| Icelandic Banking | - | - | 258 | (258) | - | - | (258) |
| Recession Led Pressures | - | - | - | - | - | 300 | (300) |
| Cemetery Maintenance | - | - | 5 | (5) | - | 14 | (19) |
| Taxi Licencing Reserve | (211) | (15) | - | (196) | (22) | - | (174) |
| Town Hall Equipment Reserve | (24) | - | 6 | (30) | - | 16 | (46) |
| Work Of Art Reserve | (5) | - | - | (5) | - | - | (5) |
| Shopmobility Reserve | (49) | - | - | (49) | (8) | - | (41) |
| Employee Cost Reserve | (1,212) | (500) | - | (712) | (792) | 821 | (741) |
| Customer Services Server Replacement | (29) | (29) | 40 | (40) | (40) | 72 | (72) |
| Oxford Business Contributions | (35) | - | - | (35) | - | - | (35) |
| SALIX Energy Projects Reserve | (271) | (85) | 34 | (220) | (41) | 90 | (269) |
| IT Infrastructure Reserve | (100) | - | - | (100) | - | - | (100) |
| Repairs & Maintenance Reserve | (459) | - | - | (459) | - | 105 | (564) |
| Reserve for Land Charges | (50) | (34) | - | (16) | - | 3 | (19) |
| Business Transformation Projects | (1,169) | (1,169) | 1,196 | (1,196) | (1,196) | 561 | (561) |
| City Council Elections Reserve | (59) | (38) | - | (21) | - | - | (21) |
| Chief Executive's Award Fund | - | - | 5 | (5) | (2) | - | (3) |
| Committed Projects Reserve | (1,060) | (968) | 127 | (219) | (219) | 75 | (75) |
| CRM Rollout Reserve | (100) | - | 200 | (300) | - | 184 | (484) |
| Grants Reserve | (2,486) | (1,857) | - | (629) | (373) | - | (256) |
| Direct Revenue Funding of Capital | (1,769) | (956) | - | (813) | (813) | - | - |
| Land at Barton | (206) | (39) | - | (167) | (167) | - | - |
| Homelessness | (266) | (266) | - | - | - | - | - |
| HMO Licensing Reserve | (380) | (380) | - | - | - | - | - |
| Organisational Development Reserve | (623) | (623) | - | - | - | - | - |
| IT Project Work | (68) | (68) | - | - | - | - | - |
| Loan Guarantee Reserve | (115) | (115) | - | - | - | - | - |
| Total General Fund | (10,746) | (7,143) | 1,871 | (5,475) | (3,673) | 2,241 | (4,043) |
| HRA: | | | | | | | |
| Decent Homes Capital Reserve | - | (318) | 2,336 | (2,018) | (233) | 1,396 | (3,181) |
| Corporate Contingency Reserve | - | - | - | - | - | 112 | (112) |
| Committed Projects Reserve | (317) | (317) | 181 | (181) | (181) | - | - |
| IT Project Work | (120) | - | - | (120) | (120) | - | - |
| IT Equipment Reserve | (309) | (65) | 65 | (309) | (117) | - | (192) |
| Total HRA | (746) | (768) | 2,582 | (2,628) | (651) | 1,508 | (3,484) |
| Insurance Funds: | | | | | | | |
| Self Insurance Fund - HRA | (43) | (43) | - | - | (93) | - | (1,227) |
| Self Insurance Fund - GF | (1,644) | (300) | 29 | (1,373) | (52) | - | - |
| Total Capital and Insurance Funds | (1,687) | (343) | 29 | (1,373) | (146) | - | (1,227) |
| Grand Total | (13,179) | (8,185) | 4,482 | (9,476) | (4,470) | 3,749 | (8,756) |

NOTES TO THE CORE FINANCIAL STATEMENTS

| General Fund: Reserve Descriptions | |
|--|---|
| Icelandic Banking Reserve | The Icelandic Banking reserve was used to fund the capitalisation of the Iceland Banking losses. This issue has now been resolved and as such the reserve is no longer required. |
| Recession Led Pressures Reserve | Created to cover consequential recessionary led pressures that impacted on 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 future expenditure commitments associated with maintaining and improving cemetery facilities within the City. This reserve is now closed. |
| Taxis Licensing Reserve | Created to support future taxi licensing activities. Year-end taxi licensing surpluses are transferred to this reserve that funds future service improvements within the Taxi Licensing area. |
| Town Hall Equipment Reserve | Used to maintain or replace Town Hall equipment. |
| Work of Art Reserve | Created to finance the purchase or restoration of City Council works of art. |
| Shopmobility Reserve | Created to fund the maintenance or replacement of Shopmobility equipment. |
| Employee Cost Reserve | Created to cover the severance and associated payments relating to employees following organisational development reviews. |
| Customer Services Server Replacement Reserve | Created to fund a replacement Customer Services IT server, now expected to be completed in 2011-12. |
| Oxford Business Contributions Reserve | Used to fund contributions to Business Partnership Schemes within Oxford. |
| Salix Energy Projects Reserve | Created from an initial grant made available via Salix. The reserve is used to implement energy efficient schemes within the City. |
| IT Infrastructure Reserve | Used to fund the purchase of new IT Infrastructure equipment across the Council. |
| Reserve for Land Charges Reserve | This is an equalisation reserve in that year-end Land Charges surpluses are used to fund future expenditure and or year-end deficits. |
| Repairs & Maintenance Reserve | The reserve will be used to cover substantive repairs in the Leisure Service and other areas. |
| Business Transformation Projects | At the year-end budgets associated with incomplete transformation projects are transferred to this reserve. At the start of the following year projects are approved to continue and the funds allocated back to the projects. |
| City Council Elections Reserve | Created from the budget surplus/ (deficit) on the City Council Elections activity. City elections are held every 2 years and this reserve is used to fund additional costs in election year. |
| Chief Executive's Award Fund Reserve | The Chief Executive's Award Fund Reserve was set up at the request of Chief Executive to fund future award schemes. This funding was provided through additional undertakings of work by the Chief Executive to a local housing association. |
| Committed Projects Reserve | Created to cover carry-forward requests from service areas. |
| CRM Rollout Reserve | Created to fund the rollout of the Council's Customer Relationship Management (CRM) programme. |
| Grants Reserve | This reserve was initially set up to hold various grant monies received by the City Council and or unused in-year budgetary provision for various community/non-HRA housing based activities. As the utilisation of these grants spreads across several years the release of these resources will be undertaken gradually as well new grant monies being added. |
| Direct Revenue Funding of Capital Reserve | Created to fund future rolling programme capital commitments, including vehicles. |
| Land at Barton Reserve | This is an HCA grant made available to fund expenses related to the project to build houses on land at Barton. |
| Homelessness Reserve | The Council as part of its 2011/12 budget committed to setting aside £300k in support of anticipated increased Homelessness activity during the year. This reserve represents the balance of those resources that will be spent in future years supporting Homelessness activities. |
| HMO Licensing Reserve | Reserve to ensure the ring-fencing of HMO Licensing income to fund future service area expenditure. |
| Organisational Development Reserve | Created to fund the agreed 2011/12 partnership payment. |
| Loan Guarantee Reserve | The Council has provided a loan guarantee for the Arts at the Old Fire Station and the Charities Aid Foundation. The reserve will only be used if the guarantee is called in. |

NOTES TO THE CORE FINANCIAL STATEMENTS

| HRA: Reserve Descriptions | |
|--|--|
| 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. This reserve was fully utilised in 2011/12 and no longer required. |
| Corporate Contingency Reserve | The Corporate Contingency Reserve is now no longer needed. |
| Committed Project Reserve | Created to set aside resources needed to complete and or fund approved carry forward requests made by HRA service areas. |
| IT Project Work Reserve | This reserve was created to fund IT work projects. |
| IT Equipment Reserve | The IT Equipment reserve is used to fund replacement and / or upgrade of the Housing Revenue Account IT systems. |
| Capital and Insurance Funds: Descriptions | |
| Self Insurance Fund - HRA | The Self Insurance Fund Reserve is used to cover claim costs that are below the Council's insurance policy excess limit for HRA service areas. |
| Self Insurance Fund - GF | The Self Insurance Fund Reserve is used to cover claim costs that are below the Council's insurance policy excess limit for GF service areas. |

9. Other Operating Expenditure

| | 2011/12 £000 | 2010/11 £000 |
|--|-----------------|-----------------|
| Parish Council Precepts | 168 | 197 |
| Levies | - | - |
| Payments to the Housing Capital Receipts Pool | 757 | 303 |
| (Gains)/Losses on the Disposal of Non-Current Assets | (5,237) | (1,190) |
| Total | (4,312) | (690) |

10. Financing and Investment Income and Expenditure

| | 2011/12 £000 | 2010/11 £000 |
|---|-----------------|-----------------|
| Interest Payable and Similar Charges | 756 | 551 |
| Pensions Interest Costs and Expected Return on Pensions Assets | 865 | 3,112 |
| Finance Charges | (685) | - |
| Interest Receivable and Similar Income | (394) | (212) |
| Income & Expenditure in Relation to Investment Properties and Changes in their Fair Value | (9,100) | (9,550) |
| Other Investment Income | (2,203) | (449) |
| Total | (10,762) | (6,548) |

11. Taxation and Non Specific Grant Income

| | 2011/12 £000 | 2010/11 £000 |
|----------------------------------|-----------------|-----------------|
| Council Tax Income | (12,521) | (12,555) |
| Non Domestic Rates | (10,231) | (14,643) |
| Non-Ringfenced Government Grants | (3,637) | (2,276) |
| Heritage Assets | (14) | - |
| Capital Grants and Contributions | (3,942) | - |
| Total | (30,345) | (29,474) |

NOTES TO THE CORE FINANCIAL STATEMENTS

12. Property, Plant and Equipment Movements in 2011/12

| | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant & Equipment £000 |
|--|------------------------------|-----------------------------------|--|----------------------------------|-----------------------------|------------------------|--------------------------------------|---|
| Cost of Valuation | | | | | | | | |
| At 1 April 2011 | 465,095 | 113,032 | 11,880 | 207 | 3,681 | 4,600 | 1,816 | 600,311 |
| additions | 8,509 | 5,321 | 2,278 | - | 17 | - | 3,005 | 19,130 |
| created assets | - | - | 322 | - | - | - | - | 322 |
| donations | - | - | - | - | - | - | - | - |
| revaluation increases/ (decreases) recognised in the Revaluation Reserve | (767) | 663 | - | - | - | 229 | - | 125 |
| revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | (2,234) | 90 | - | - | - | - | - | (2,144) |
| derecognition - disposals | - | (40) | (314) | - | - | - | - | (354) |
| derecognition - other | (875) | - | - | - | - | - | - | (875) |
| assets reclassified (to)/from Held for Sale | (336) | (716) | - | - | - | (391) | - | (1,443) |
| other movements in cost or valuation | - | 956 | - | - | (3,403) | 522 | (1,540) | (3,465) |
| At 31 March 2012 | 469,392 | 119,308 | 14,166 | 207 | 295 | 4,960 | 3,281 | 611,607 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2011 | (5,116) | (10,345) | (5,350) | (64) | (0) | (34) | - | (20,909) |
| depreciation charge | (5,380) | (4,397) | (1,139) | (15) | (0) | (84) | - | (11,015) |
| depreciation written out to the Revaluation Reserve | 2,417 | (41) | - | - | - | - | - | 2,376 |
| depreciation written out to the Surplus/Deficit on the Provision of Services | 927 | (176) | - | - | - | (0) | - | 751 |
| impairment (losses)/reversals recognised in the Revaluation Reserve | - | - | - | - | - | - | - | - |
| impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services | - | (3,419) | - | - | (1) | - | (2,362) | (5,782) |
| derecognition - disposals | - | 2 | 279 | - | - | - | - | 281 |
| derecognition - other | - | - | - | - | - | - | - | - |
| other movements in depreciation and impairment | 13 | 92 | - | - | 1 | 17 | - | 123 |
| At 31 March 2012 | (7,139) | (18,284) | (6,210) | (79) | (0) | (101) | (2,362) | (34,175) |
| Net Book Value | | | | | | | | |
| At 31 March 2012 | 462,253 | 101,024 | 7,956 | 128 | 295 | 4,859 | 919 | 577,432 |
| At 31 March 2011 | 459,979 | 102,687 | 6,530 | 143 | 3,681 | 4,566 | 1,816 | 579,402 |
| Variation | 2,274 | (1,663) | 1,426 | (15) | (3,386) | 293 | (897) | (1,970) |
| Net Book Value Restated for Heritage Assets | | | | | | | | |
| At 31 March 2011 | 459,979 | 102,686 | 6,530 | 143 | 280 | 4,566 | 1,816 | 576,000 |

NOTES TO THE CORE FINANCIAL STATEMENTS

12. Property, Plant and Equipment cont. - Comparative Movements in 2010-11

| | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant & Equipment £000 |
|--|---------------------------|--------------------------------|-------------------------------------|-------------------------------|--------------------------|------------------------|-----------------------------------|---|
| 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 |
| created assets | - | - | - | - | - | - | - | - |
| 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 | 102,687 | 6,530 | 143 | 3,681 | 4,566 | 1,816 | 579,402 |
| At 31 March 2010 | 556,317 | 94,413 | 5,760 | 158 | 3,552 | 4,595 | 3,300 | 668,095 |
| Variation | (96,338) | 8,274 | 770 | (15) | 129 | (29) | (1,484) | (88,693) |
| Net Book Value Restated for Heritage Assets | | | | | | | | |
| At 31 March 2011 | 459,979 | 102,687 | 6,530 | 143 | 280 | 4,566 | 1,816 | 576,001 |
| Carried at Historical Cost | | | 7,956 | | 139 | | | 8,096 |
| Valued at fair value as at: | | | | | | | | 0 |
| 31 March 2012 | 462,253 | 2,882 | | | | 579 | 356 | 466,070 |
| 31 March 2011 | | 48,322 | | | | 3,055 | 562 | 51,939 |
| 31 March 2010 | | 4,393 | | | | 1,142 | | 5,536 |
| 31 March 2009 | | 13,770 | | | 55 | | | 13,825 |
| 31 March 2008 | | 11,556 | | 44 | | | | 11,600 |
| 31 March 2007 | | 19,760 | | | | 83 | | 19,843 |
| 31 March 2006 | | | | 78 | | | | 78 |
| De-minimis | | 341 | | 5 | 100 | | | 446 |
| Total Cost or Valuation | 462,253 | 101,024 | 7,956 | 128 | 294 | 4,859 | 918 | 577,432 |

NOTES TO THE CORE FINANCIAL STATEMENTS

a) Capital Commitments

At 31 March 2012, the Authority had entered into a number of contracts for the construction of or enhancement to Property, Plant and Equipment for completion in 2012/13 and future years, budgeted at £1.4 million. Similar commitments at 31 March 2011 were £7.1 million. The major commitments are:

| | | 31 March 2012 £000 | 31 March 2011 £000 |
|---|----------------------------|-----------------------|-----------------------|
| Window Replacement Programme | Nationwide | 615 | 20 |
| City Centre Offices | Paragon Management | 461 | 3,087 |
| The Old Fire Station Refurbishment | Kingerlee | 273 | 1,920 |
| Disabled Adaptations - Extensions | GSR Contracting | 29 | - |
| Disabled Adaptations - Extensions | SCM Builders | 13 | - |
| Insulation Works to Timber Framed Housing | Home Heating | 11 | - |
| Playground Refurbishment | Ground Works | - | 559 |
| New Build Competition Pool | Mace | - | 73 |
| Labourne Road & Cardinal House | Oxfordshire County Council | - | 224 |
| Construction Costs Cardinal House | Leadbitter Group | - | 600 |
| Construction Costs Lambourn Road | Lovells | - | 403 |
| Controlled Entry Systems | West Midland Services Ltd | - | 180 |
| | | 1,402 | 7,066 |

b) Revaluations

The Valuation report for 2011/12 was prepared by Richard Hawkes MRICS (Registered Valuer), Corporate Asset Manager, Corporate Assets, Oxford City Council.

External valuation

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

- Investment Property

A desktop review of all investment assets was undertaken by Mark Gill MRICS Kemp and Kemp Desk, this exercise identified 29 properties with a probability of a significant change in value during 2010-11. These properties were then valued by Darren Pape MRICS Cluttons, Styles and Whitlock.

- Council Dwellings

A total of 11 council dwellings were re-valued by Suzanne Irving, Julian Fieldhouse, C C S Smalley surveyors from Countrywide Surveyors Ltd (albeit two for the purpose of being AHFS). This exercise ensured that all Beacons were valued either as at 31 March 2011, or as at 01 April 2011.

- Other Land and Buildings

Based on the existing five year cycle, a total of four Property, Plant & Equipment assets were re-valued by Savills c/o Tom Lindley MRICS

- Surplus Assets

Asset that was held by the Council as surplus at 1 April 2011 was valued by Savills c/o Tom Lindley MRICS. And Carter Jonas c/o Robin Marfleet MRICS .

NOTES TO THE CORE FINANCIAL STATEMENTS

- **Heritage Assets**

One of Property, Plant & Equipment Assets, buildings/structures, has been classified as heritage assets. This valuation was undertaken by Savills c/o Tom Lindley MRICS.

All other non Property, Plant & Equipment “tangible heritage assets” have been valued by Coram James c/o Robert James MRICS as part of a five year cycle.

Internal valuation

All external valuations were subject to a desktop review process by Corporate Property, other than the valuation of Westhill Farmhouse, which was commissioned in connection with an insurance claim.

Two surplus assets were valued internally by Corporate Property at 1 April 2011.

Seven AHFS assets were re-valued or reviewed by Corporate Property at 1 April 2011.

Rent To Mortgage were valued internally by Corporate Property at 1 April 2011.

These internal valuations were signed off by Richard Hawkes MRICS

The significant assumptions applied in estimating the fair values are:

Existing Use Value (EUUV) is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing. The parties are taken to have acted knowledgeably, prudently and without compulsion.

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

Market Value (MV)

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

13. Heritage Assets

a) Valuations at Market Value

The Market Value of the following assets was provided by the external valuers Coram James Ltd specialist Art and Antique valuers. Values were obtained as at 1 April 2010 and the 1 April 2011. Robert James BA, MRICS, MNAVA undertook the valuation work.

The revaluation undertaken as at 1 April 2011, revealed an upward change in value of £40,000 with a reduction on other assets of £1,000, therefore very little movement in value during 2010/11.

i. The Great Mace and Plate

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

NOTES TO THE CORE FINANCIAL STATEMENTS

ii. Furniture

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

iii. Civic Regalia and Chains of Office

The Chains of Office include the Lord Mayor's, and Mayoress', the Sheriff's and Sheriff's lady, and Deputy Lord Mayor's. These are very ornate and valuable items mainly of Gold and enamel. In addition the Council owns the first number Plate issued in Oxford FC1, and this is the Mayor's Car number plate. The Willis Organ has also been included in this category.

iv. Firearms

The Firearms date back to the 17th Century, and include a collection of English Lock Muskets.

v. Pictures and Drawings

The Art Collection includes paintings (both oil and watercolour) and sketches.

b) Memorials Gardens and City Walls

A number of memorials and walls of historic importance were identified.

The Authority does not consider that reliable cost or valuation information can be obtained for these assets. This is because of the diverse nature of the assets held and lack of comparable market values.

The following memorials, gardens and walls were held as Heritage Assets but not included in the Balance Sheet:

- St Giles War Memorial and garden
- Marston Road War Memorial
- The Former City Wall sited inside New College
- The Bastion and part of the City Wall, off New Inn Hall Street
- Rewley Road Wall which is part of Rewley Abbey

c) Heritage Non Operational Property

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

The Plain Clock / Fountain is however, non operational, comprising an ornate stone fountain covered by an octagonal plate roofed open sided structure with stone columns. A clock with four faces is sited on top of the roof with a decorative metal weather vane installed above.

This asset is valued on the depreciated replacement cost method at £0.2 million.

d) Additional Heritage Assets

During 2011/12 an additional Heritage Asset has been recognised. It is the Littlemore Statue a recently completed Public artwork, considered to be of cultural significance.

The Asset has been recognised at cost (£14,000), and was donated to the Council. The asset is included at cost because the expense required to value the asset is greater than any benefit derived.

NOTES TO THE CORE FINANCIAL STATEMENTS

| Reconciliation of the Carrying Value of Heritage Assets Held by the Authority | The Great Mace | Furniture | Civic Regalia | Fire Arms | Pictures and Drawings | Non Operational Property Fountain & Sculpture | Total |
|--|-------------------|-----------|------------------|-----------|-----------------------------|---|--------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation: | | | | | | | |
| 1 April 2010 | 1,412 | 13 | 361 | 38 | 420 | 200 | 2,444 |
| Additions | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - |
| Revaluations | - | - | - | - | - | - | - |
| Impairment Losses/(Reversals) recognised in the Revaluation Reserve | - | - | - | - | - | - | - |
| Impairment Losses/(Reversals) recognised in Surplus or Deficit on the Provision of Services | - | - | - | - | - | - | - |
| Depreciation | - | - | - | - | - | - | - |
| 31 March 2011 | 1,412 | 13 | 361 | 38 | 420 | 200 | 2,444 |
| Cost or valuation: | | | | | | | |
| 1 April 2011 | 1,412 | 13 | 361 | 38 | 420 | 200 | 2,444 |
| Additions | - | - | - | - | - | 14 | 14 |
| Disposals | - | - | - | - | - | - | - |
| Revaluations | - | 34 | 2 | - | 3 | - | 39 |
| Impairment Losses/(Reversals) recognised in the Revaluation Reserve | (1) | - | - | - | - | - | (1) |
| Impairment Losses/(Reversals) recognised in Surplus or Deficit on the Provision of Services | - | - | - | - | - | - | - |
| Depreciation | - | - | - | - | - | - | - |
| 31 March 2012 | 1,411 | 47 | 363 | 38 | 423 | 214 | 2,496 |

NOTES TO THE CORE FINANCIAL STATEMENTS

14. 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.

| | 2011/12 £000 | 2010/11 £000 |
|--|-----------------|-----------------|
| Rental Income from Investment Property | (5,770) | (5,788) |
| Direct operating expenses arising from Investment Property | 599 | 299 |
| Net Gain/(Loss) | (5,171) | (5,489) |

Investment property valuations were reviewed to identify assets that could have experienced a significant change in value. All such assets identified were valued as at 31 March 2012.

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:

| | 2011/12 £000 | 2010/11 £000 |
|---|-----------------|-----------------|
| Balance at start of the year | 82,432 | 78,669 |
| Additions: | | |
| Purchases | - | - |
| Construction | - | - |
| Subsequent expenditure | 69 | 1 |
| Less: | | |
| Disposals | - | - |
| Net gain/(loss) from fair value adjustments | 82,501 | 78,670 |
| Transfers: | | |
| To/from Property Plant and Equipment | - | - |
| (To)/from Assets Held for Sale | (1,518) | - |
| Other Changes (net revaluation) | 5,120 | 3,762 |
| Balance at the end of the year | 86,103 | 82,432 |

15. 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The average amortisation period is 5 years.

| | 2011/12 £000 | 2010/11 £000 |
|---|-----------------|-----------------|
| Balance at 1 April | | |
| - Gross carrying amounts | 561 | 543 |
| - Accumulated amortisation | (99) | |
| | 0 | 0 |
| Net Carrying Amount at Start of Year | 462 | 543 |
| Additions: | | |
| - Internal development | 0 | 0 |
| - Purchases | 0 | 18 |
| - Acquired through Business Combinations | 0 | 0 |
| Amortisation for the period | (102) | (99) |
| Other Changes | 0 | 0 |
| Balance at 31 March | 360 | 462 |
| Comprising: | | |
| - Gross Carrying Amounts | 561 | 561 |
| - Accumulated Amortisation | (201) | (99) |
| | 360 | 462 |

The amortisation of £0.1 million is shown in net cost of services under Non-Distributed Cost.

NOTES TO THE CORE FINANCIAL STATEMENTS

16. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet (page 25).

| Categories of Financial Instruments | Long-term | | Current | |
|---|------------------|-----------------|-----------------|-----------------|
| | 2011/12 | 2010/11 | 2011/12 | 2010/11 |
| | £000 | £000 | £000 | £000 |
| Investments | | | | |
| Loans and Receivables | 32 | 32 | 28,543 | 24,055 |
| Total Investments | 32 | 32 | 28,543 | 24,055 |
| Debtors | | | | |
| Loans and Receivables | 23,368 | 21,704 | 16,795 | 16,247 |
| Total Debtors | 23,368 | 21,704 | 16,795 | 16,247 |
| Borrowings | | | | |
| Financial Liabilities at Amortised Cost | (201,354) | (3,641) | (816) | (995) |
| Total Borrowings | (201,354) | (3,641) | (816) | (995) |
| Other Long Term Liabilities | | | | |
| Deferred Liabilities | (1,330) | (1,992) | - | - |
| Finance Lease Liability | (2,019) | (2,006) | - | - |
| Liability for Defined Benefit Pension Scheme | (97,922) | (53,200) | - | - |
| Total Other Long Term Liabilities | (101,271) | (57,198) | - | - |
| Creditors | | | | |
| Financial Liabilities at Amortised Cost Amounts | - | - | (18,906) | (22,246) |
| Total Creditors | - | - | (18,906) | (22,246) |

17. Inventories

| | Consumable Stores | | Maintenance | | Total | |
|---|-------------------|-----------|-------------|------------|------------|------------|
| | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance Outstanding at Start of Year | 39 | 41 | 746 | 635 | 785 | 676 |
| Purchases | 29 | 147 | 3,172 | 3,054 | 3,201 | 3,201 |
| Recognised as an Expense in the Year | (54) | (142) | (3,165) | (2,943) | (3,219) | (3,085) |
| Written-off Balances | (0) | (7) | 1 | - | 1 | (7) |
| Reversals of Write-offs in Previous Years | - | - | - | - | - | - |
| Balance Outstanding at Year End | 14 | 39 | 754 | 746 | 768 | 785 |

Maintenance Inventories

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

Consumable Inventories

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

NOTES TO THE CORE FINANCIAL STATEMENTS

18. Debtors

The table below shows the amount that the Council was owed at 31 March 2012 by third parties, together with amounts paid by the Council in advance of receipt of goods or services.

| | 2011/12 £000 | 2010/11 £000 |
|--------------------------------------|-----------------|-----------------|
| Central Government Bodies | 2,568 | 4,494 |
| Other Local Authorities | 603 | 5,812 |
| NHS Bodies | - | - |
| Public Corporation and Trading Funds | - | - |
| Other Entities and Individuals | 13,624 | 5,941 |
| Total | 16,795 | 16,247 |

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

19. Cash and Cash Equivalents

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

| | 2011/12 £000 | 2010/11 £000 |
|---|-----------------|-----------------|
| Cash Held by the Authority | 8,355 | 13,000 |
| Bank Current Accounts | (3,457) | (739) |
| Short-term Deposits with Building Societies | - | - |
| Total Cash and Cash Equivalents | 4,898 | 12,261 |

20. Assets Held for Sale

| | Current | | Non Current | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 |
| Balance Outstanding as Start of Year | 3,862 | 1,419 | - | - |
| Assets newly classified as Held for Sale: | | | | |
| Property Plant and Equipment | 1,101 | 4,604 | - | - |
| Council Dwellings | 336 | - | - | - |
| Investment Property | 1,552 | - | - | - |
| Revaluation Losses | - | - | - | - |
| Revaluation Gains | - | - | - | - |
| Impairment losses | (71) | (64) | - | - |
| Assets declassified as Held for Sale: | | | | |
| Council Dwellings | - | - | - | - |
| Assets sold | (5,772) | (2,097) | - | - |
| Balance Outstanding as Year End | 1,008 | 3,862 | - | - |

NOTES TO THE CORE FINANCIAL STATEMENTS

21. Creditors

The table below shows the amount that the Council owed as at 31 March 2012 to third parties, together with amounts received by the Council in advance of supply of goods or services.

| | 2011/12 £000 | 2010/11 £000 |
|---------------------------------------|-----------------|-----------------|
| Central Government Bodies | (679) | (1,567) |
| Other Local Authorities | (5,450) | (7,756) |
| NHS Bodies | | - |
| Public Corporations and Trading Funds | | - |
| Other Entities and Individuals | (12,777) | (12,872) |
| Total | (18,906) | (22,195) |

The Creditors figure on the main Balance Sheet (page 25) also includes £51,000 for 2010/11 in relation to Finance Lease Liabilities outstanding.

22. Provisions

Provisions for doubtful debts are separately disclosed against debtors on the Balance Sheet. The total value of Provisions held as at 31 March 2012 are:

| | Outstanding Legal | | Injury and Damage | | Other Provisions | | Total |
|---|-------------------|---------|-------------------|------|------------------|---------|---------|
| | Current | Non | Current | Non | Current | Non | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| 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 | - | - | - | - | - | - | - |
| Balance at 1 April 2011 | - | (1,337) | - | - | - | (4,701) | (6,038) |
| Additional Provisions Made in Year | - | - | - | - | - | (714) | (714) |
| Amounts Used in Year | - | - | - | - | - | 454 | 454 |
| Unused Amounts Reversed in Year | - | - | - | - | - | - | - |
| Unwinding of Discounting in Year | - | - | - | - | - | - | - |
| Total Provisions as at 31 March 2012 | - | (1,337) | - | - | - | (4,961) | (6,298) |

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

23. Usable Reserves

Movements in the Authority's Usable Reserves are detailed in the Movement of Reserves Statement (page 23) and Note 7 (page 50).

24. Unusable Reserves

| | 2011/12 | restated | |
|---|------------------|------------------|------------------|
| | £000 | 2010/11 | 2010/11 |
| | | £000 | £000 |
| Revaluation Reserve | (34,696) | (34,778) | (34,314) |
| Available for Sale Financial Instruments Reserve | - | | - |
| Capital Adjustment Account | (413,597) | (606,257) | (607,679) |
| Financial Instruments Adjustment Account | - | | - |
| Deferred Capital Receipts Reserve | (19,280) | (17,851) | (17,851) |
| Pensions Reserve | 97,923 | 53,200 | 53,200 |
| Collection Fund Adjustment Account | 6 | (29) | (29) |
| Accumulated Absences Account and Employee Reserve | 1,902 | 1,575 | 1,575 |
| Total Unusable Reserves | (367,742) | (604,140) | (605,098) |

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 | 2011/12 £000 | restated 2010/11 £000 | 2010/11 £000 |
|--|-----------------|-----------------------------|-----------------|
| Balance at 1 April | (34,778) | (58,550) | (58,550) |
| Prior year adjustments | | | |
| Upward revaluation of assets | (4,393) | (21,082) | (21,082) |
| Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services | 1,829 | 39,106 | 39,570 |
| Surplus or deficit on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services | (37,342) | (40,526) | (40,062) |
| Difference between fair value depreciation and historical cost depreciation | 2,646 | 5,524 | 5,524 |
| Accumulated gains on assets sold or scrapped | - | 206 | 206 |
| Amount written off to the Capital Adjustment Account | - | 18 | 18 |
| Balance at 31 March | (34,696) | (34,778) | (34,314) |

b) Capital Adjustment Account

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

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

Note 7 (page 50) 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

| | 2011/12 | | restated 2010/11 | | 2010/11 | |
|---|---------|-----------|---------------------|-----------|----------|-----------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Capital Adjustment Account | | | | | | |
| Balance at 1 April | | (606,257) | | (673,894) | | (673,894) |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non-current assets | 16,562 | | 155,718 | | 154,296 | |
| Revaluation losses on Property, Plant and Equipment | (30) | | (68,852) | | (68,852) | |
| Amortisation of Intangible Assets | 102 | | 99 | | 99 | |
| Revenue expenditure funded from capital under statute | 1,813 | | 1,335 | | 1,335 | |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to Comprehensive Income and Expenditure | 5,770 | | 1,944 | | 1,944 | |
| | | 24,217 | | 90,244 | | 88,822 |
| Adjusting amounts written out of the Revaluation Reserve | | (2,203) | | (5,656) | | (5,656) |
| Net written out amount of the cost of non-current assets consumed in the year | | 22,014 | | 84,588 | | 83,166 |
| Capital financing applied in the year: | | | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (6,394) | | (1,497) | | (1,497) | |
| Use of the Major Repairs Reserve to finance new capital expenditure | (5,491) | | (5,367) | | (5,367) | |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (3,943) | | - | | - | |
| Application of grants to capital financing from the Capital Grants Unapplied Account | - | | (5,530) | | (5,530) | |
| Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | 198,221 | | (293) | | (293) | |
| Capital expenditure charged against the General Fund and HRA balances | (6,582) | | (4,264) | | (4,264) | |
| | | 175,811 | | (16,951) | | (16,951) |
| Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement | | (5,151) | | | | |
| Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement | | (14) | | - | | - |
| Balance at 31 March | | (413,597) | | (606,257) | | (607,679) |

c) Deferred Capital Receipts Reserve

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

| | 2010/11 £000 | 2010/11 £000 |
|--|-----------------|-----------------|
| Balance at 1 April | (17,851) | (17,872) |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (1,695) | 7 |
| Transfer to the Capital Receipts Reserve upon receipt of cash | 266 | 14 |
| Balance at 31 March | (19,280) | (17,851) |

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

| | 2011/12 £000 | 2010/11 £000 |
|---|-----------------|-----------------|
| Balance at 1 April | 53,200 | 145,622 |
| Actuarial gains or losses on pensions assets and liabilities | 45,160 | (72,962) |
| 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 | (6,027) | (13,205) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 5,590 | (6,255) |
| Balance at 31 March | 97,923 | 53,200 |

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.

| | 2011/12 £000 | 2010/11 £000 |
|--|-----------------|-----------------|
| Balance at 1 April | (29) | (125) |
| 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 | 35 | 96 |
| Balance at 31 March | 6 | (29) |

f) Accumulated Absences Account and Employment Reserve Account

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

The Employment Reserve accounts for the Termination Payments that have been accrued but not paid as at 31 March 2012. These accruals are reversed and therefore mitigated through the Movement in Reserves Statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

| | 2011/12 £000 | 2010/11 £000 |
|---|-----------------|-----------------|
| Accumulated Absences Account | | |
| Balance at 1 April | 1,575 | 2,142 |
| Settlement or cancellation of accrual made at the end of the preceding year | (815) | (1,504) |
| Additional accrual during the year | 1,142 | 937 |
| 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 | 327 | (567) |
| Balance at 31 March | 1,902 | 1,575 |

25 Operating Activities

Operating activities within the Cashflow Statement include the following cashflows relating to Interest

| | 2011/12 £000 | 2010/11 £000 |
|------------------------|-----------------|-----------------|
| Cash Interest Received | 233 | 479 |
| Cash Interest Paid | (477) | (562) |
| Total | (244) | (83) |

26. Investing Activities

| | 2011/12 £000 | 2010/11 £000 |
|--|-----------------|-----------------|
| Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets | 21,012 | 25,493 |
| Purchase of short-term and long-term investments | 11,850 | 2,541 |
| Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets | (11,227) | (3,372) |
| Other capital cash receipts in advance | (2,335) | (604) |

| | | |
|---|---------------|---------------|
| Total Cash Flows from Investing Activities | 19,300 | 19,651 |
|---|---------------|---------------|

27. Financing Activities

| | 2011/12 £000 | 2010/11 £000 |
|---|-----------------|-----------------|
| Repayment of Long Term Borrowing | 995 | 923 |
| Cash receipts of Short and Long-Term Borrowing | (198,528) | 72 |
| Other receipts from Financing Activities | - | (36) |
| Payments for the reduction of a Finance Lease Liability | - | (2) |

| | | |
|---|------------------|------------|
| Total Cash Flows from Financing Activities | (197,533) | 957 |
|---|------------------|------------|

NOTES TO THE CORE FINANCIAL STATEMENTS

28. 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 Cost of Services £000 |
|---|-------------------------|---------------------------|-----------------------|------------------------------|--------------------------------|
| 2011/12 | | | | | |
| Fees, Charges and other Service Income | (6,778) | (49,810) | (48,291) | (7,263) | (112,142) |
| Government Grants | (126) | (405) | (73,484) | (466) | (74,481) |
| Total Income | (6,904) | (50,215) | (121,775) | (7,729) | (186,623) |
| Employee expenses | 4,854 | 8,960 | 26,427 | 3,669 | 43,910 |
| Other service expenses | 1,181 | 230,978 | 98,737 | 3,226 | 334,122 |
| Support service recharges | 1,976 | 9,381 | 5,624 | 4,338 | 21,319 |
| Depreciation, Amortisation and Impairment | 2 | 13,905 | 3,869 | 274 | 18,050 |
| Total Expenditure | 8,013 | 263,224 | 134,657 | 11,507 | 417,401 |
| Net Expenditure | 1,109 | 213,009 | 12,882 | 3,778 | 230,778 |

| | Chief Executive £000 | City Regeneration £000 | City Services £000 | Finance & Efficiency £000 | Total Cost of Services £000 |
|---|-------------------------|---------------------------|-----------------------|------------------------------|--------------------------------|
| Restated 2010/11 Comparative Figures | | | | | |
| Fees, Charges and other Service Income | (3,519) | (13,293) | (79,712) | (6,133) | (102,657) |
| Government Grants | (10) | (935) | (70,430) | (3,222) | (74,597) |
| Total Income | (3,529) | (14,228) | (150,142) | (9,355) | (177,254) |
| Employee Expenses | 3,769 | 9,718 | 30,614 | (19,397) | 24,704 |
| Other Service Expenses | 632 | 14,827 | 114,070 | 6,637 | 136,166 |
| Support Service Recharges | 549 | 4,363 | 7,191 | 4,549 | 16,652 |
| Depreciation, Amortisation and Impairment | 37 | (5,653) | 91,744 | 248 | 86,376 |
| Total Expenditure | 4,987 | 23,255 | 243,619 | (7,963) | 263,898 |
| Net Expenditure | 1,458 | 9,027 | 93,477 | (17,318) | 86,644 |

| | Chief Executive £000 | City Regeneration £000 | City Services £000 | Finance & Efficiency £000 | Total Cost of Services £000 |
|---|-------------------------|---------------------------|-----------------------|------------------------------|--------------------------------|
| 2010/11 Comparative Figures | | | | | |
| Fees, Charges and Other Service Income | (3,519) | (13,293) | (79,712) | (6,133) | (102,657) |
| Government Grants | (10) | (935) | (70,430) | (3,222) | (74,597) |
| Total Income | (3,529) | (14,228) | (150,142) | (9,355) | (177,254) |
| Employee Expenses | 3,769 | 9,718 | 30,614 | (19,397) | 24,704 |
| Other Service Expenses | 632 | 13,405 | 114,070 | 6,637 | 134,744 |
| Support Service Recharges | 549 | 4,363 | 7,191 | 4,549 | 16,652 |
| Depreciation, Amortisation and Impairment | 37 | (5,653) | 91,744 | 248 | 86,376 |
| Total Expenditure | 4,987 | 21,833 | 243,619 | (7,963) | 262,476 |
| Net Expenditure | 1,458 | 7,605 | 93,477 | (17,318) | 85,222 |

□ Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a substantive analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement (page 24).

NOTES TO THE CORE FINANCIAL STATEMENTS

| 2011/12 | Cost of Services | Corporate Amounts | Total (Surplus)/Deficit on the Provision of Services |
|---|-----------------------------|------------------------------|---|
| | £000 | £000 | £000 |
| Fees, Charges and Other Service Income | (112,142) | (9,100) | (121,242) |
| (Surplus)/deficit on Associates and Joint Ventures | - | - | - |
| Interest and Investment Income | - | (3,282) | (3,282) |
| Income from Council Tax | - | (12,521) | (12,521) |
| Government Grants and Contributions | (74,481) | (17,823) | (92,304) |
| Total Income | (186,623) | (42,726) | (229,349) |
| Employee Expenses | 43,910 | - | 43,910 |
| Other Service Expenses | 334,122 | - | 334,122 |
| Support Service Recharges | 21,319 | - | 21,319 |
| Depreciation, Amortisation and Impairment | 18,050 | - | 18,050 |
| Interest Payments | - | 1,619 | 1,619 |
| Precepts & Levies | - | 168 | 168 |
| Payments to Housing Capital Receipts Pool | - | 757 | 757 |
| (Gain)/ Loss on Disposal of Fixed Assets | - | (5,237) | (5,237) |
| Total expenditure | 417,401 | (2,693) | 414,708 |
| (Surplus)/Deficit on the Provision of Services | 230,778 | (45,419) | 185,359 |
| | Cost of Services | Corporate Amounts | Total (Surplus)/Deficit on the Provision of Services |
| | £000 | £000 | £000 |
| Restated 2010/11 | | | |
| Fees, Charges and Other Service Income | (102,657) | (9,550) | (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 | (177,254) | (39,535) | (216,789) |
| Employee Expenses | 24,704 | - | 24,704 |
| Other Service Expenses | 136,166 | - | 136,166 |
| Support Service Recharges | 16,652 | - | 16,652 |
| Depreciation, Amortisation and Impairment | 86,376 | - | 86,376 |
| Interest Payments | - | 3,513 | 3,513 |
| 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 | 263,898 | 2,823 | 266,721 |
| (Surplus)/Deficit on the Provision of Services | 86,644 | (36,712) | 49,932 |
| | Cost of Services | Corporate Amounts | Total (Surplus)/Deficit on the Provision of Services |
| | £000 | £000 | £000 |
| 2010/11 | | | |
| Fees, Charges and Other Service Income | (102,657) | (9,550) | (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 | (177,254) | (39,535) | (216,789) |
| Employee Expenses | 24,704 | - | 24,704 |
| Other Service Expenses | 134,744 | - | 134,744 |
| Support Service Recharges | 16,652 | - | 16,652 |
| Depreciation, Amortisation and Impairment | 86,376 | - | 86,376 |
| Interest Payments | - | 3,513 | 3,513 |
| 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 | 262,476 | 2,823 | 265,299 |
| (Surplus)/Deficit on the Provision of Services | 85,222 | (36,712) | 48,510 |

NOTES TO THE CORE FINANCIAL STATEMENTS

29. Trading Operations

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

| | | 2011/12 £000 | 2010/11 £000 |
|--|--------------------------|-----------------|-----------------|
| Building Control Charging Account | Turnover | (544) | (607) |
| | Expenditure | 499 | 552 |
| | (Surplus)/Deficit | (45) | (55) |
| Trade Refuse & Recycling | Turnover | (2,284) | (1,771) |
| | Expenditure | 1,377 | 973 |
| | (Surplus)/Deficit | (907) | (798) |
| Estates | Turnover | - | (229) |
| | Expenditure | - | 247 |
| | (Surplus)/Deficit | - | 18 |
| Net Surplus on Trading Operations | | (952) | (835) |

30. Agency Services

The Council carried out certain works on behalf of Oxfordshire County Council during the year for which it was fully reimbursed. These costs are shown below:

| | 2011/12 £000 | 2010/11 £000 |
|--|-----------------|-----------------|
| Routine Maintenance Expenditure | 1,335 | 1,273 |
| Administrative Costs | 107 | 93 |
| Net Expenditure recharged to Oxfordshire County Council arising from the Agency Arrangement | 1,442 | 1,366 |

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

31. Members' Allowances

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

| | 2011/12 £000 | 2010/11 £000 |
|----------------------------|-----------------|-----------------|
| Members' Allowances | | |
| Allowances | 336 | 342 |
| Expenses | 3 | 4 |
| Total Payments | 339 | 346 |

32. 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 | 2011/12 | 140,000 | 28,280 | 168,280 |
| | 2010/11 | 140,000 | 28,280 | 168,280 |
| Director, City Regeneration | 2011/12 | 109,500 | 22,119 | 131,619 |
| | 2010/11 | 109,080 | 22,034 | 131,114 |
| Director, City Services | 2011/12 | 109,080 | 22,034 | 131,114 |
| | 2010/11 | 107,907 | 21,797 | 129,704 |
| Director of Finance and Efficiency | 2011/12 | 99,000 | 19,998 | 118,998 |
| | 2010/11 | 90,395 | 18,223 | 108,618 |
| Monitoring Officer | 2011/12 | 77,770 | 16,159 | 93,929 |
| | 2010/11 | 77,770 | 15,709 | 93,479 |

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 2011/12 | Number of employees 2010/11 |
|---|--------------------------------|--------------------------------|
| £50,000 - £54,999 | 9 | 9 |
| £55,000 - £59,999 | 4 | 4 |
| £60,000 - £64,999 | 3 | 5 |
| £65,000 - £69,999 | 2 | 2 |
| £70,000 - £74,999 | 4 | 6 |
| £75,000 - £79,999 | 1 | 1 |
| £80,000 - £84,999 | 2 | 2 |
| £85,000 - £89,999 | 2 | 0 |
| £90,000 - £94,999 | 1 | 1 |
| Total Number of Employees | 28 | 30 |

NOTES TO THE CORE FINANCIAL STATEMENTS

Exit Package cost band including special payments:

| | Number of compulsory redundancies | | Number of other agreed departures | | Total number of packages | | Total cost of exit packages | |
|--------------------|-----------------------------------|----------|-----------------------------------|-----------|--------------------------|-----------|-----------------------------|-----------------|
| | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 £000 | 2010/11 £000 |
| £0- £20,000 | - | - | 16 | 18 | 16 | 18 | 162 | 131 |
| £20,001- £40,000 | - | - | 12 | 13 | 12 | 13 | 314 | 382 |
| £40,001- £60,000 | - | - | 5 | 3 | 5 | 3 | 255 | 145 |
| £60,001- £80,000 | - | - | 4 | 2 | 4 | 2 | 265 | 143 |
| £80,001- £100,000 | - | - | 1 | - | 1 | - | 97 | - |
| £100,001- £150,000 | - | - | - | - | - | - | - | - |
| Total | 0 | 0 | 38 | 36 | 38 | 36 | 1,093 | 801 |

33. 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:

| | 2011/12 £000 | 2010/11 £000 |
|---|-----------------|-----------------|
| External Audit Statutory Inspection | 212 | 192 |
| Certification of Grant Claims & Returns | 75 | 91 |
| Total | 287 | 283 |

34. Grant Income

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

NOTES TO THE CORE FINANCIAL STATEMENTS

| | 2011/12 £000 | 2010/11 £000 |
|--|-----------------|-----------------|
| Grants Credited to Taxation and Non Specific Grant Income | | |
| Revenue Support Grant | 3,164 | 2,126 |
| New Homes Bonus | 473 | - |
| Area Based Grant | - | 150 |
| National Non-Domestic Rates | 10,231 | 14,643 |
| Donated Assets | 14 | - |
| Developer Contributions | 607 | - |
| HCA funding for Old Fire Station | 2,410 | - |
| Environment Agency Funding | 74 | - |
| Disabled Facilities Grant | 445 | - |
| Barton Adventure Play Park | 306 | - |
| HCA Funding | 100 | - |
| Total | 17,824 | 16,919 |
| Grants Credited to Services | | |
| Benefits Grant | 72,984 | 69,842 |
| Homelessness Main Grant | 521 | 641 |
| Local Services Support Grant | 561 | - |
| Local Housing Allowance Changes | 4 | - |
| Small Business Rate Relief | 2 | - |
| Council Tax Freeze Grant | 309 | - |
| Sports England - Sports Grants | 415 | 332 |
| Carbon Framework Grant | - | 253 |
| Homelessness Revenue Grant | - | 170 |
| Barton Project Grant | - | 168 |
| Growth Fund Grant | - | 246 |
| Discretionary Housing Payments Grant | 111 | 92 |
| Co-Location Grant | - | 79 |
| Flood Prevention Grant | 77 | 57 |
| Free Swim Grant | - | 44 |
| Homelessness Add On Grant | 6 | 40 |
| Local Area Agreement Award Grant- Tourism | - | 100 |
| Enhanced Housing Options Grant | - | 51 |
| Go Active Grant | - | 43 |
| Habitats Climate Change Grant | - | 34 |
| Connecting Communities Grant | - | 75 |
| Air Quality Grant | 35 | 22 |
| Positive Futures Grant | 21 | 20 |
| Behavioural Change Local Fund Grant | - | 20 |
| Landscape and Play Grant | - | 13 |
| Recession Impact And Repossession Prevention Grants | 48 | 11 |
| New Burdens Grant | 34 | - |
| Procurement Hub Contribution | 40 | 101 |
| Tourism Contribution | - | 67 |
| Big Dance Contribution | - | 29 |
| Oxford Heritage Asset Register | 21 | - |
| Oxford Urban Archaeology | 10 | - |
| Home Improvements (Supporting People) | 49 | - |
| Mortgage Rescue | 42 | - |
| Housing Fraud Investigation | 80 | - |
| Commercial Regulations (FSA grant) | 8 | - |
| Local Strategic Partnership | 32 | - |
| Local Area Agreement Award Grant | 23 | - |
| Community Safety | 810 | - |
| Carbon Management | 20 | - |
| School Sport | 7 | - |
| Oxford Story | 22 | - |
| Total | 76,292 | 72,550 |

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

| | 2011/12 £000 | 2010/11 £000 |
|---|-----------------|-----------------|
| Additional Funding for Council Tax leaflet | 11 | 11 |
| Free Swims | 45 | 45 |
| Barton Adventure Play Park | 439 | 744 |
| West End Partnership | 399 | 399 |
| Old Fire Station | - | 2,311 |
| Housing Delivery (New Growth Points) Allocation | 683 | 683 |
| HCA Growth Fund Grant | 734 | 734 |
| Healthy Living Initiatives | 77 | 77 |
| Funding for Housing improvements | 150 | - |
| Environment Agency Funding | 16 | - |
| Bury Knowle House | 41 | - |
| Disabled Facilities Grants | 30 | - |
| Developer Contributions | 3,527 | 2,836 |
| Total | 6,152 | 7,840 |

Revenue Grants

| | 2011/12 £000 | 2010/11 £000 |
|-------------------------------------|-----------------|-----------------|
| Lambourne Road | 100 | 100 |
| Cardinal House | 150 | 150 |
| Lottery Funding | 6 | 6 |
| Connecting Communities Funding | 45 | 45 |
| Preventing Homelessness (HOWD) | 208 | 120 |
| Housing Delivery New Growth Points | 192 | 130 |
| Sport England funding | 7 | 7 |
| LAA Reward Grant Visit Economy | 103 | 58 |
| Enhanced Housing Project Funding | 13 | 13 |
| OSP Sport England | 486 | - |
| Housing Needs Projects | 43 | - |
| Mortgage Repossession Fund | 42 | - |
| Home Choice DAAT Fund | 25 | - |
| Housing Need - Single Homeless Team | 222 | - |
| Home Choice Singles Fund | 6 | - |
| Enhanced Housing Options Project | 3 | - |
| Connecting Communities Grant | 44 | - |
| Community Safety | 429 | - |
| Wood Farm Community Centre | 57 | - |
| DCLG Tenancy Investigations | 15 | - |
| EA Flood Prevention Grant | 101 | - |
| DEFRA Air Quality Grant | 61 | - |
| DEFRA CL Grant | 19 | - |
| HIA Supporting People Grant | 32 | - |
| DECC Low Carbon Framework Grant | 64 | - |
| Oxford Story Museum Grant | 12 | - |
| Total | 2,485 | 629 |

NOTES TO THE CORE FINANCIAL STATEMENTS

35. Related Parties

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

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.

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

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

- Central Government – Central Government provide a number of grants to local authorities.
- Housing Associations – the Council is a partner with various Housing Associations for the purpose of providing Social Housing.
- Oxfordshire County Council – the Council undertakes agency work on behalf of the County Council. The County Council administers the Council's local government pension scheme. The County Council provides computing services and support with a partnership agreement running from 1 April 2009 for a period of 7 years ending 31 March 2016.
- Fusion Lifestyle - The Council has a contract with Fusion Lifestyle a social enterprise with charitable status to manage and develop the Council's seven public leisure facilities.
- Barton Oxford LLP – an arms length company set up between the Council and Grosvenor Estates to facilitate new housing in Barton.
- Local Boards and Trusts – Officers and Members represent the Council on various organisations, there are no material transactions.

36. Capital Expenditure and Capital Financing

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

The Council is required to make a 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 1 April 2011 the Council had a negative non-housing CFR and therefore no provision is required in 2011/12. A voluntary revenue provision was made towards the repayment of the debt outstanding with South Oxfordshire District Council.

NOTES TO THE CORE FINANCIAL STATEMENTS

| | 2011/12 £000 | Restated 2010/11 £000 | 2010/11 £000 |
|--|------------------|-----------------------------|-----------------|
| Opening Capital Financing Requirement | 26,044 | 14,219 | 14,219 |
| Capital Investment | | | |
| Property Plant and Equipment | 19,130 | 23,530 | 23,530 |
| Investment Properties | 69 | - | - |
| Intangible Assets | - | 17 | 17 |
| Revenue Expenditure Funded from Capital under Statute | 1,813 | 1,335 | 1,335 |
| Total Capital Spend | 21,012 | 24,882 | 24,882 |
| Sources of Finance | | | |
| Capital Receipts | 6,395 | 1,497 | 1,497 |
| Government Grants and other Contributions | 9,433 | 12,292 | 12,292 |
| Sums Set Aside from Revenue | 4,533 | 2,455 | 2,455 |
| Prudential Borrowing | - | - | - |
| Finance Leases | - | (3,431) | - |
| MRP/Loans fund principal | (194,512) | 244 | 244 |
| Sources of Finance Total | (174,151) | 13,057 | 16,488 |
| Closing Capital Financing Requirement | 221,207 | 26,044 | 22,613 |
| Explanation of Movements in Year | | | |
| Increase in Underlying Need to Borrow (supported by Government Financial Assistance) | - | - | - |
| Increase in Underlying Need to Borrow (unsupported by Government Financial Assistance) | 651 | 8,394 | 8,394 |
| Increase in Underlying Need to Borrow | 198,528 | - | - |
| (Decrease) in Underlying Need to Borrow | (4,016) | - | - |
| Assets Acquired under Finance Leases | - | 3,431 | - |
| Assets Acquired under PFI/PPP Contracts | - | - | - |
| Increase/(Decrease) in Capital Financing Requirement | 195,163 | 11,825 | 8,394 |

37. Leases

a) Authority as Lessee

FINANCE LEASE

Finance Leases

| | 31 Mar 2012 £000 | 31 Mar 2011 £000 |
|--|---------------------|---------------------|
| Other Land and Buildings | 1,964 | 2,041 |
| Vehicles, Plant, Furniture and Equipment | 221 | 7 |
| Total | 2,185 | 2,048 |

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

| | 31 Mar 2012 £000 | 31 Mar 2011 £000 |
|--|---------------------|---------------------|
| Finance lease liabilities (net present value of minimum lease payments) | | |
| - Current | 175 | 51 |
| - Non Current | 2,037 | 2,006 |
| Finance Costs Payable in Future Years | 1,030 | 1,121 |
| Minimum Lease Payments | 3,242 | 3,178 |

The minimum lease payments are payable over the following periods:

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|------------------|------------------------|---------------------|---------------------------|---------------------|
| | 31 Mar 2012 £000 | 31 Mar 2011 £000 | 31 Mar 2012 £000 | 31 Mar 2011 £000 |
| Within 12 Months | 253 | 131 | 175 | 51 |
| 1-5 Years | 581 | 516 | 316 | 224 |
| Over 5 Years | 2,408 | 2,531 | 1,721 | 1,782 |
| Total | 3,242 | 3,178 | 2,212 | 2,057 |

OPERATIONAL LEASE

The Council no longer has operating leases for vehicles.

| Operating Leases | 31 Mar 2012 £000 | 31 Mar 2011 £000 |
|------------------|---------------------|---------------------|
| Within 12 Months | - | 5 |
| 1-5 Years | - | - |
| Over 5 Years | - | - |
| Total | - | 5 |

The above Operating Leases were all in the secondary rental period, and therefore no split between capital and interest was required in 2010/11. The above payments were charged to Service Accounts. The leases have now completed the secondary period and no further payments will be made.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2012 £000 | 31 Mar 2011 £000 |
|---|---------------------|---------------------|
| Finance Lease debtor (net present value of minimum lease payments) | | |
| - Current | 7 | 8 |
| - Non Current | 13,450 | 13,456 |
| Unearned Finance Income | - | - |
| Unguaranteed Residual Value of Property | - | - |
| Gross Investment in the Lease | 13,457 | 13,464 |

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 2012 £000 | 31 Mar 2011 £000 | 31 Mar 2012 £000 | 31 Mar 2011 £000 |
| Within 12 Months | 7 | 8 | 7 | 8 |
| 1-5 Years | 33 | 36 | 33 | 36 |
| Over 5 Years | 13,417 | 13,420 | 13,417 | 13,420 |
| Total | 13,457 | 13,464 | 13,457 | 13,464 |

OPERATIONAL LEASE

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

| Operating Leases | 31 Mar 2012 £000 | Restated 31 Mar 2011 £000 | 31 Mar 2011 £000 |
|------------------|---------------------|---------------------------------|---------------------|
| | Within 12 Months | 4,702 | 4,031 |
| 1-5 Years | 17,284 | 14,298 | 12,970 |
| Over 5 Years | 58,089 | 54,172 | 18,136 |
| Total | 80,075 | 72,501 | 35,356 |

The minimum lease payments do not include contingent rents.

In 2011/12 £1.3 million contingent rents were received by the Authority (£1.3 million in 2010/11).

38. Impairment Losses

Impairment losses during 2011/12 are included in Note 12.

39. 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 2011/12 there were no new termination costs to be recognized. Payments in respect of previously recognized termination costs amounted to £0.3 million. These payments were initially charged in past cost of services in the Comprehensive Income and Expenditure account and were removed to avoid double counting, these costs were then reinstated via the Movement in Reserves Statement to allow a burden to fall on the General Fund in line with the minimum required charge.

The Termination costs accumulated as part of the Employment Reserve as at the 1 April 2011 amounted to £0.8 million, and has now fallen by £0.3 million to £0.5 million as at 31 March 2012. The Employment Reserve is matched by an accrual of an equal amount.

40. Defined Benefit Pension Scheme

a) Participation in the Pension Scheme

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

b) Transactions Relating to Post Employment Benefits

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

| Transaction Relating to Post Employment Benefits | Local Government Pension Scheme | |
|--|---------------------------------|-----------------|
| | 2011/12 £000 | 2010/11 £000 |
| Cost of Services | | |
| Current Service Cost | 4,798 | 6,277 |
| Past Service Costs | (460) | (22,702) |
| Settlements and Curtailments | 386 | 108 |
| Financing and Investment Income and Expenditure | | |
| Interest Cost | 11,211 | 12,541 |
| Expected Return on Scheme Assets | (10,345) | (9,429) |
| Total Post Employment Benefit Charged to the Surplus/(Deficit) on the Provision of Services | 5,590 | (13,205) |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | | |
| Actuarial (Gains) and Losses | 45,160 | (72,962) |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | 50,750 | (86,167) |
| 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 | (5,590) | 13,205 |
| Actual amount charges against the General Fund Balance for pensions in the year | | |
| Employers' Contributions Payable to Scheme | 6,027 | 6,255 |

The Cumulative amount of actuarial loss recognised in the Comprehensive Income and Expenditure Account at 31 March 2012 is £35.6 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 2012 is set out below.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Principal Assumptions Used by the Actuary are:

Long-term Expected Rate of Return on Assets in the Scheme:

| | 2011/12 | 2010/11 |
|--------------------|---------|---------|
| Equity Investments | 6.30% | 7.40% |
| Bonds | 4.60% | 5.50% |
| Average All | 5.70% | 6.80% |

Mortality Assumptions:

Longevity at 65 for Current Pensioners

| | 2011/12 | 2010/11 |
|-------|------------|------------|
| Men | 19 years | 21.5 years |
| Women | 23.1 years | 24.1 years |

Longevity at 65 for Future Pensioners

| | 2011/12 | 2010/11 |
|-------|----------|------------|
| Men | 21 years | 23.4 years |
| Women | 25 years | 25.9 years |

Rate of Inflation

| | 2011/12 | 2010/11 |
|---|---------|---------|
| RPI | 3.30% | 3.50% |
| CPI | 2.50% | 2.70% |
| Rate of increase in Salaries | 4.30% | 4.50% |
| Rate of Increase in Pensions | 2.50% | 2.70% |
| Rate for Discounting Scheme Liabilities | 4.60% | 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

| | 2011/12 % | 2010/11 % |
|--------------------|--------------|--------------|
| Equity Investments | 70 | 72 |
| Debt Instruments | 16 | 14 |
| Other Assets | 14 | 14 |
| Total | 100 | 100 |

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

| History of Gains and Losses | 2007/08 % | 2008/09 % | 2009/10 % | 2010/11 % | 2011/12 % |
|---|--------------|--------------|--------------|--------------|--------------|
| Difference between Expected and Actual Return on Assets | -14.1 | -40.4 | 22.2 | 1 | -5.6 |
| Actual Gains and Losses on Liabilities | -0.3 | -0.3 | 0 | 17 | -0.1 |

NOTES TO THE CORE FINANCIAL STATEMENTS

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

| | 2011/12 £000 | 2010/11 £000 |
|--------------------------------------|-----------------|-----------------|
| Opening Balance 1 April | 204,085 | 284,790 |
| Current Service Cost | 4,798 | 6,277 |
| Interest Cost | 11,211 | 12,541 |
| Contributions by Scheme Participants | 1,899 | 1,959 |
| Actuarial (Gain)/Loss | 36,621 | (71,430) |
| Benefits Paid | (7,335) | (7,458) |
| Past Service Cost | (460) | (22,702) |
| Curtailments | 386 | 108 |
| Closing Balance 31 March | 251,205 | 204,085 |

Reconciliation of Fair Value of the Schemes Assets

| | 2011/12 £000 | 2010/11 £000 |
|--------------------------------------|-----------------|-----------------|
| Opening Balance 1 April | 150,885 | 139,168 |
| Expected Rate of Return | 10,345 | 9,429 |
| Actuarial (Gain)/Loss | (8,539) | 1,532 |
| Employers Contributions | 6,487 | 6,709 |
| Contributions by Scheme Participants | 1,899 | 1,959 |
| Benefit Paid | (7,795) | (7,912) |
| Settlements | - | - |
| Closing Balance 31 March | 153,282 | 150,885 |

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 £1.8 million (2010/11: £11.6 million).

e) Scheme History

| | 2007/08 £000 | 2008/09 £000 | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Present Value of Liabilities | | | | | |
| Local Government Scheme | 190,200 | 203,700 | 284,790 | 204,085 | 251,205 |
| Fair Value of Assets in the Local Government Pension Scheme | 129,850 | 100,710 | 139,168 | 150,885 | 153,282 |
| Surplus/(Deficit) in the Scheme | (60,350) | (102,990) | (145,622) | (53,200) | (97,923) |

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £251.2 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 £97.9 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2013 is £5.7 million.

41. Contingent Liabilities

Competition Swimming Pool

The Council is defending a Judicial Review in relation to Temple Cowley Pool and the building of the new pool at Blackbird Leys around the decision taken at CEB in July 2011. No sum of money is claimed against the Council in the proceedings but there is the potential for either a significant saving to the Council of allocated capital resources, if the outcome of the case is that the new pool at Blackbird Leys should not be built, or a significant amount of expenditure in repairs and maintenance and ongoing running costs, if the outcome is that Temple Cowley Pool should remain open. At this stage it is impossible to put figures against these potential outcomes.

42. Contingent Assets

a) Westhill Farm

In May 2011 one of the Council's properties at Westhill Farm was subject to substantial fire damage. The property has been valued for insurance purposes before the fire at £0.6 million and after the fire at around £0.2 million. Loss adjusters are currently involved and negotiations are ongoing; the outcome at present is unknown.

b) Old Fire Station Bond Claim

During 2011/12 the Council undertook a scheme for the refurbishment of one of its' property assets at the 'Old Fire Station' at a cost of around £3 million. During the course of the works the lead contractor ROK filed for liquidation. Appointing an alternative contractor incurred additional costs to the Council in the order of £0.2 million which it is currently attempting to recover from the contract bond.

43. 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. Over the last few years we have received a substantial amount of these deposits back and now have £1.2 million remaining as outstanding, and this is expected to be received almost in its entirety over the next few months.

NOTES TO THE CORE FINANCIAL STATEMENTS

b) Liquidity Risk

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

c) Refinancing and Maturity Risk

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

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

The Council 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

| | 2011/12 £000 | 2010/11 £000 |
|------------------------|-----------------|-----------------|
| Upto 1 year | 816 | 995 |
| Between 1 and 5 years | 2,826 | 816 |
| Between 5 and 10 years | 20,000 | 2,825 |
| Over 10 years | 178,528 | - |
| | 202,170 | 4,636 |

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

d) Analysis of Financial Liabilities

The analysis of financial liabilities is included in the table below. The amortised cost is an accumulation of the principal and accrued interest. The fair value is as per the notification received from the Public Works Loan Board (PWLB). The fair value of the liabilities is higher than the amortised cost due to the premiums that would become payable if the loans were to be repaid.

This debt relates to the HRA, and the previously outstanding debt now stands at £3.7 million, with a further £198.5 million new debt taken out in March 2012 as part of the HRA self financing regime.

Analysis of Financial Liabilities

| | 2010/11 £000 | 2010/11 £000 |
|---|-----------------|-----------------|
| Short Term Borrowing - Public Works Loan Board | 816 | 739 |
| Short Term Borrowing - South Oxfordshire District Council | 269 | 256 |
| Long Term Borrowing - Public Works Loan Board | 201,350 | 3,638 |
| Deferred Liability - South Oxfordshire District Council | 889 | 1,158 |
| Local Bonds | 4 | 4 |
| | 203,328 | 5,795 |
| Interest | - | - |
| Amortised Cost | 203,328 | 5,795 |
| Fair Value | 211,963 | 5,600 |

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.

Analysis of Financial Assets

| | 2010/11 £000 | 2010/11 £000 |
|------------------------|-----------------|-----------------|
| Short Term Investments | 32,000 | 24,794 |
| Long Term Investments | 32 | 32 |
| Cash | (3,532) | (995) |
| | 28,500 | 23,831 |
| Interest | - | - |
| Amortised Cost | 28,500 | 23,831 |

NOTES TO THE CORE FINANCIAL STATEMENTS

All trade and other payables are due to be paid in less than one year. Trade debtors of £15.7 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:

- 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 at 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 does not partake in any financial assets or liabilities denominated in foreign currencies, however the Council has suffered a loss due to foreign exchange. The money originally deposited with Glitnir bank has been repaid to us in a number of foreign currencies and this has led to a loss of £45,000, this loss is shown in the Comprehensive Income and Expenditure Statement.

g) Financial Instruments Gains and Losses

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

NOTES TO THE CORE FINANCIAL STATEMENTS

h) Fair value of Assets and Liabilities carried at Amortised Cost

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

- For loans from the Public Works Loan Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- 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 Carrying amount | | 2010/11 Carrying amount | |
|------------------------------------|-------------------------------|--------------------|-------------------------------|--------------------|
| | £000 | Fair Value £000 | £000 | Fair Value £000 |
| PWLB Debt | 202,166 | 211,963 | 4,376 | 5,600 |
| Non - PWLB Debt | 1,162 | 1,162 | 1,417 | 1,417 |
| Total Debt | 203,328 | 213,125 | 5,793 | 7,017 |
| Trade Creditors | 12,777 | 12,777 | 12,871 | 12,871 |
| Total Financial Liabilities | 216,105 | 225,902 | 18,664 | 19,888 |
| Money Market Loans < 1year | 32,000 | 32,000 | 24,794 | 24,794 |
| Money Market Loans > 1year | - | - | - | - |
| Bonds | - | - | - | - |
| Long Term Debtors | 23,368 | 23,368 | 21,704 | 21,704 |
| Trade Debtors | 13,699 | 13,699 | 5,941 | 5,941 |
| Total Loans and Receivables | 69,067 | 69,067 | 52,439 | 52,439 |

44. Heritage Assets Five Year Summary of Transactions

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

45. Effect of Heritage Assets on Opening Balance Sheet 1 April 2010

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Authority.

As set out in our summary of significant accounting policies, the Authority now requires heritage assets to be carried in the balance sheet at valuation.

NOTES TO THE CORE FINANCIAL STATEMENTS

Heritage Assets

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were recognised as community assets (at insurance value) in the property, plant and equipment classification in the Balance Sheet whilst others were not recognised in the Balance Sheet as it was not possible to obtain information on these assets.

The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies (see Note 1.14 on page 35).

In applying the new accounting policy, the Authority has identified that the assets that were previously held as community assets within property, plant and equipment at £3.4 million, should now be recognised as heritage assets and measured at £2.4 million with a corresponding impairment passed through the Comprehensive Income and Expenditure Account for some of these assets at a value of £1.4 million while others have been revalued and the revaluation reserve credited with £0.464 million.

These assets relate to a proportion of the Council's Civic Regalia, Pictures and drawing, fire arms, furniture and silverware including the Great Mace.

The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation of £2.4 million. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £3.4 million. The revaluation reserve has increased by £0.5 million, and the Capital Adjustment account reduced by £1.4 million
- The fully restated 1 April 2010 Balance Sheet is provided on page 25. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

| | Opening Balances as at 1 April 2010 | Restatement | Restatement required to opening balances as at 1 April 2010 |
|-----------------------------|---|----------------|---|
| | £000 | £000 | £000 |
| Property, Plant & Equipment | 668,094 | 664,692 | (3,402) |
| Heritage Assets | - | 2,444 | 2,444 |
| Long-Term Assets | 766,475 | 765,517 | (958) |
| Net Assets | 625,016 | 624,058 | (958) |
| Unusable Reserves | 602,677 | 601,719 | (958) |
| Total Reserves | 625,016 | 624,058 | (958) |

NOTES TO THE CORE FINANCIAL STATEMENTS

46. Movement in Reserves Statement Unusable Reserves 2010/11

During 2010/11, an impairment of £1.422 million was recognised in the Community assets, as a result of a revised valuation the Comprehensive Income and Expenditure Statement has been restated.

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, following the application of this new accounting policy are presented in the table below.

| | As Previously Stated 31 March 2011 £000 | As Restated 31 March 2011 £000 | Restatement 2011 £000 |
|---|--|--------------------------------------|-----------------------------|
| Balance as at the end of the previous reporting period – 31 March 2010 | 602,688 | 602,688 | - |
| Surplus or Deficit on the Provision of Services | - | - | - |
| Other Comprehensive Income and Expenditure | 54,577 | 55,041 | 464 |
| Adjustments between the accounting basis and the funding basis under regulations | 52,167 | 53,589 | 1,422 |
| Increase/(Decrease) in the Year | 2,410 | 1,452 | 958 |
| Balance at the end of the current reporting period 31 March 2011 | 605,098 | 604,140 | (958) |

47. Effect on Balance Sheet 31 March 2011

The resulting restated Balance Sheet for 31 March 2011 is provided on page 25. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts is as follows:

| | As Previously Stated 31 March 2011 £000 | As Restated 31 March 2011 £000 | Restatement 2011 £000 |
|-----------------------------|--|--------------------------------------|-----------------------------|
| Property, Plant & Equipment | 579,402 | 576,000 | (3,402) |
| Heritage Assets | - | 2,444 | 2,444 |
| Long-Term Assets | 684,032 | 683,074 | (958) |
| Net Assets | 631,023 | 630,065 | (958) |
| Unusable Reserves | 605,098 | 604,140 | (958) |
| Total Reserves | 631,023 | 630,065 | (958) |

NOTES TO THE CORE FINANCIAL STATEMENTS

The effect of the change in accounting policy in 2010/11 has been that Heritage Assets are recognised at £2.4 million on the Balance Sheet resulting in some asset being increased in value by a total of £0.5 million and being credited to the Revaluation Reserve, while other assets have reduced in value by £1.4 million resulting in a charge to the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment being restated by a reduction of the amount of £3.4 million to £576 million.

48. Heritage Assets: Further Information on the Museum's Collections

The Great Mace and Plate Room Silver Plaques and Cutlery

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

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

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

Furniture

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

Civic Regalia and Chains of Office

The Chains of Office include those belonging to the Lord Mayor, and Mayoress, the Sheriff and Sheriff's lady, and Deputy Lord Mayor. These are very ornate and valuable items mainly of gold and enamel.

The Lord Mayor chain dates back to 1883, and includes a badge relief decorated and enameled with the City Arms.

Firearms

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

Pictures and Drawings

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Memorial Gardens and City Walls

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

Heritage Non Operational Property

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

Oxford City First Registration number Plate

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

The Willis Organ

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

SUPPLEMENTARY FINANCIAL STATEMENTS

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HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

H1.1 Housing Revenue Account Income and Expenditure Statement

| | Notes | 2011/12 £000 | 2010/11 £000 |
|--|-------|-----------------|-----------------|
| Expenditure | | | |
| Repairs & Maintenance | | 9,163 | 5,918 |
| Supervision & Management | | 7,285 | 6,190 |
| Rents, Rates, Taxes & Other Charges | | 168 | 322 |
| Negative HRA Subsidy Payable | | 13,084 | 11,833 |
| Depreciation and Impairment of Non-Current Assets | | 8,133 | 90,482 |
| Debt Management Costs | | - | - |
| Movement in the Allowance for Bad Debts (not specified by the Code) | | 166 | 146 |
| Sums directed by the Secretary of State that are expenditure in accordance with the Code | 2.12 | 198,528 | - |
| Total Expenditure | | 236,527 | 114,891 |
| Income | | | |
| Dwelling Rents (Gross) | | (33,864) | (31,406) |
| Non Dwelling Rents (Gross) | | (1,528) | (1,457) |
| Charges for Services & Facilities | | (1,903) | (1,759) |
| Total Income | | (37,295) | (34,622) |
| Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement | | 199,232 | 80,269 |
| HRA Services' share of Corporate and Democratic Core Trading Account | 2.10 | 202 | 274 |
| | | - | 18 |
| Net Expenditure for HRA Services | | 199,434 | 80,561 |
| HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement: | | | |
| (Gain)/Loss on Sale of HRA Fixed Assets | | (3,470) | - |
| Interest Payable and Similar Charges | | 753 | 710 |
| Interest and Investment Income | 2.7 | (36) | (43) |
| (Surplus)/Deficit for the year on HRA Services | | 196,681 | 81,228 |

HRA Self Financing

On 28th March 2012 the Council paid the Department of Communities and Local Government £198.5 million in relation to the Housing Revenue Account (HRA) self financing reforms. The accounting entries show this amount in the HRA cost of services, they are removed through the Housing Movement in Reserves Statement in order not to affect the bottom line in accordance with Proper Accounting Practice.

This entry is an exceptional item, and the accounting treatment follows the accounting policy established in accordance with Local Authority Accounting Bulletin 92.

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

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

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

- the difference between the depreciation on HRA assets and the 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 below summarises the differences between the outturn on the Income and Expenditure Account and the Housing Revenue Account Balance.

MOVEMENT ON THE HRA STATEMENT

| | 2011/12 £000 | 2010/11 £000 |
|--|-----------------|-----------------|
| Balance on the HRA at the end of the Previous Year | (2,000) | (2,000) |
| (Surplus)/Deficit for the Year on the HRA Income and Expenditure Account | 196,681 | 81,228 |
| Adjustments between Accounting Basis and Funding Basis Under Statute | (195,463) | (80,464) |
| Net (Increase)/Decrease before Transfers (to) or from Reserves | 1,218 | 764 |
| Transfer (to) and from Reserves | (1,838) | (764) |
| (Increase)/Decrease in Year on the HRA | (620) | 0 |
| Balance on the HRA at the end of the Current Year | (2,620) | (2,000) |

NOTES TO THE HOUSING REVENUE ACCOUNT

H2.1 Housing Stock Numbers

Housing stock numbers reported as part of the 2010-11 Statement of Accounts have not been adjusted for the Westgate development, therefore the note below provides the details of those restated figures for 2010/11.

The Westgate development involves the transfer of a number of properties in Abbey Place to the developer, and these were completed before the 31 March 2011. The overall effect of the restatement reduces the Council stock held as at 31 March 2011 from 7,855 to 7,847. A full analysis of the Property types and size is given below:

| | 2011/12 | 2010/11 Restated | 2010/11 |
|--------------------------------|--------------|---------------------|--------------|
| Houses | | | |
| 1 bedroom | 278 | 278 | 278 |
| 2 bedrooms | 848 | 848 | 848 |
| 3 bedrooms | 2,906 | 2,916 | 2,916 |
| more than 3 bedrooms | 274 | 274 | 275 |
| Flats | | | |
| 1 bedroom | 1,610 | 1,610 | 1,612 |
| 2 bedrooms | 1,755 | 1,756 | 1,761 |
| 3 bedrooms | 153 | 153 | 153 |
| more than 3 bedrooms | 4 | 4 | 4 |
| Non Dwelling Properties | | | |
| Hostels | 8 | 8 | 8 |
| Overall Total | 7,836 | 7,847 | 7,855 |

| | 2011/12 | 2010/11 Restated | 2010/11 |
|------------------------------------|--------------|---------------------|--------------|
| Summary of Changes in Stock | | | |
| Stock at 1 April 2011 | 7,847 | 7,779 | 7,779 |
| Adjustment Prior Year | 0 | (1) | (1) |
| Less Sales | (6) | (4) | (4) |
| Other Disposals | (5) | (20) | (12) |
| Additions | | 93 | 93 |
| Stock at 31 March 2012 | 7,836 | 7,847 | 7,855 |

| | 2011/12 | 2010/11 Restated | 2010/11 |
|-----------------------------------|--------------|---------------------|--------------|
| Garages and Parking Spaces | | | |
| Garages In Block | 2,280 | 2,280 | 2,280 |
| Garges Within Curtilage | 272 | 272 | 275 |
| Parking Spaces | 50 | 50 | 50 |
| Overall Total | 2,602 | 2,602 | 2,605 |

| | 2011/12 | 2010/11 Restated | 2010/11 |
|---|--------------|---------------------|--------------|
| Summary of Changes in Garages & Parking Spaces | | | |
| Stock at 1 April 2011 | 2,602 | 2,608 | 2,608 |
| Overstated Demolished from Prior Year | - | - | - |
| Demolished/ Disposed | - | (3) | (3) |
| Non Residential Parking Included in Prior Year | - | - | - |
| Garages within Curtilage Overstated in Prior Year | - | (3) | - |
| Stock at 31 March 2012 | 2,602 | 2,602 | 2,605 |

NOTES TO THE HOUSING REVENUE ACCOUNT

The vacant possession of the Council's Housing stock as at 1 April 2011 amounted to £1,437 million the social housing factor reduction of 32% reduced the value to an Existing Use Value - Social Housing of £459.9 million.

The table below shows the HRA property values as at 1 April 2011 and 31 March 2012.

| | 2011/12 £000 | 2010/11 £000 |
|--|-----------------|-----------------|
| Council Dwellings | 462,253 | 459,980 |
| Other Property | | |
| Other Land and Buildings | 18,234 | 18,681 |
| Vehicles, Plant, Furniture and Equipment | - | - |
| Infrastructure and Community Assets | 69 | 68 |
| Assets Under Construction | - | - |
| Surplus Assets not Held for Sale | 596 | 303 |
| Investment Properties | 113 | 162 |
| Assets Held for Sale | 419 | 1,957 |
| As at 31 March | 481,684 | 481,151 |

H2.2 Movement on the Major Repairs Reserve

| | 2011/12 £000 | 2010/11 £000 |
|--|-----------------|-----------------|
| Opening Balance | - | - |
| Transfer from Capital Financing Reserve | (6,758) | (5,423) |
| Excess of Depreciation on Dwellings over Major Repairs Allowance | 1,267 | 55 |
| Financing of Capital Expenditure (MRA Applied) | 5,491 | 5,368 |
| Closing Balance | - | - |

NOTES TO THE HOUSING REVENUE ACCOUNT

H2.3 Capital Expenditure and Financing

| | 2011/12 £000 | 2010/11 £000 |
|---|-----------------|-----------------|
| Buildings | 8,577 | 14,930 |
| Other Assets | - | - |
| Deferred Charges | - | - |
| Total Spend | 8,577 | 14,930 |
| Sources of Finance | | |
| Supported Borrowing | - | 546 |
| Government Grants & Other Contributions | - | 3,566 |
| Prudential Borrowing | - | 4,054 |
| Major Repairs Allowance | 5,491 | 5,367 |
| Decent Homes Reserve | 2,017 | 1,397 |
| Capital Receipts | 1,069 | - |
| Total Spend | 8,577 | 14,930 |

H2.4 Capital Receipts Received

| | 2011/12 £000 | 2010/11 £000 |
|--------------|-----------------|-----------------|
| Buildings | (6,362) | (404) |
| Total | (6,362) | (404) |

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 2011/12

| | 2011/12 £000 | 2010/11 £000 |
|--------------------------------------|-----------------|-----------------|
| Management and Maintenance | 14,189 | 14,175 |
| Major Repairs Allowance | 5,491 | 5,367 |
| Charges for Capital | 821 | 1,053 |
| Less: | | |
| Interest on Receipts | (7) | (9) |
| Guideline Rent Income | (33,674) | (32,395) |
| Rent Constraint Allowance | - | - |
| Housing Subsidy Payable | (13,180) | (11,809) |
| Adjustment to Subsidy for Prior Year | 24 | (24) |
| Adjustment to Final Year Subsidy | 179 | - |
| Total | (12,977) | (11,833) |

NOTES TO THE HOUSING REVENUE ACCOUNT

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 2011/12 these charges were £65,000, in 2010/11 they equated to £0.2 million.

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.

| | 2011/12 £000 | 2010/11 £000 |
|----------------------------------|-----------------|-----------------|
| Interest on Cash Balances | (30) | (34) |
| Interest on Loans to Individuals | (6) | (9) |
| Total | (36) | (43) |

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

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

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

H2.9 Rent Arrears

| | 2011/12 | | 2010/11 | |
|--------------------------------|---------------|-------------------------|---------------|-------------------------|
| | £000 | % of total rents due | £000 | % of total rents due |
| Arrears Details | | | | |
| Current Tenants | 902 | 2.58 | 611 | 1.86 |
| Former Tenants | 100 | 0.29 | 92 | 0.28 |
| Overall | 1,002 | 2.87 | 703 | 2.14 |
| Total Rents due in Year | 35,005 | | 32,797 | |

| | 2011/12 £000 | 2010/11 £000 |
|--------------------------------|-----------------|-----------------|
| Doubtful Debt provision | | |
| Opening Balance | 227 | 307 |
| Write-offs in Year | (145) | (154) |
| Additional Provision | 147 | 74 |
| Closing Balance | 229 | 227 |

A review of the debt provision was undertaken at year end in line with previous years. The methodology adopted suggests that an additional contribution of £147,000 is required to bring the overall provision up to £229,000, which is deemed to be sufficient.

NOTES TO THE HOUSING REVENUE ACCOUNT

H2.10 Trading Operations

Trading Operations relate to work undertaken by the Housing Repairs Workforce. This is no longer a Trading Operation in 2011/12 due to a reorganisation of services.

| | Expenditure | Income | Net (Surplus)/ Deficit | Net (Surplus)/ Deficit |
|---------------------------------|-----------------|-----------------|------------------------------|------------------------------|
| | 2011/12 £000 | 2011/12 £000 | 2011/12 £000 | 2010/11 £000 |
| Estates | - | - | - | 18 |
| Total Trading Operations | - | - | - | 18 |

H2.11 Capital Commitments

| <u>Description</u> | <u>Contractor</u> | 2011/12 £000 | 2010/11 £000 |
|---|----------------------------|-----------------|-----------------|
| Window Replacement Programme | Nationwide | 615 | 20 |
| Lambourne Road & Cardinal House | Oxfordshire County Council | - | 224 |
| Construction Cardinal House | Leadbitter Group | - | 600 |
| Construction Lambourn Road | Lovells | - | 403 |
| Controlled Entry Systems | West Midland Services Ltd | - | 180 |
| Insulation Works to Timber Framed Housing | Home Heating | 11 | - |
| External Extension Works | GSR Contracting | 29 | - |
| Internal Disabled Adaptions | SCM Builders | 13 | - |
| Total Capital Commitments HRA | | 668 | 1,427 |

H2.12 Sums Directed by the Secretary of State to be Debited or Credited to the HRA

The Government's new HRA self-financing regime, effective from 1 April 2012, required authorities who wished to procure their settlement payment from the Public Works Loans Board (PWLB), to undertake the borrowing in the 2011/12 financial year, namely 28 March 2012. For Oxford City Council the amount of PWLB debt procured was £198.5 million. Authorities were compensated for the additional in-year interest incurred via the existing subsidy mechanism. That said, the borrowing transactions need to be reflected on the 2011/12 HRA statement and they are detailed below.

| | 2011/12 £000 | 2010/11 £000 |
|--|-----------------|-----------------|
| Sums directed by the Secretary of State that are expenditure in accordance with the Code | 198,528 | - |
| Adjustments between accounting basis and funding basis under statute (extract) | (198,528) | - |
| | - | - |

COLLECTION FUND

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

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

| | 2011/12 £000's | 2010/11 £000's |
|---|-------------------|-------------------|
| Income | | |
| Council Tax | (63,911) | (63,457) |
| Business ratepayers | (79,239) | (75,650) |
| Transfers from General Fund | | |
| Council Tax Benefit | (10,328) | (10,318) |
| Discretionary Rate Relief | (9) | (20) |
| Sub Total | (153,487) | (149,445) |
| Expenditure Precepts | 74,359 | 73,878 |
| Business Rates: | | |
| Payment to National Pool | 79,031 | 75,448 |
| Cost of Collection Allowance | 217 | 222 |
| Provision for Bad and Doubtful Debts | (118) | (193) |
| Contributions towards previous year's estimated Collection Fund surplus | 142 | 656 |
| Sub Total | 153,631 | 150,011 |
| (Surplus)/Deficit | 144 | 566 |

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 2011/12 our contribution to the national pool was £79 million, and our entitlement £10.2 million.

The local rateable value (2010 Rating List) as at 31st March 2012 was £230.8 million (£230 million at 31st March 2011). The multiplier for 2011/12 was set at 43.3 pence in the pound (41.4 pence for 2010/11).

COLLECTION FUND

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 2011/12 Council Tax including precepts was set at £266.64 for a band D property (2010/11 £266.63).

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 | 2,231 | 1,530 | 6/9 | 1,020 |
| B | 8,941 | 6,941 | 7/9 | 5,398 |
| C | 18,702 | 15,745 | 8/9 | 13,996 |
| D | 15,685 | 12,634 | 1 | 12,634 |
| E | 6,598 | 5,193 | 11/9 | 6,347 |
| F | 2,778 | 2,349 | 13/9 | 3,393 |
| G | 3,166 | 2,704 | 15/9 | 4,507 |
| H | 570 | 324 | 18/9 | 648 |
| | 58,671 | 47,420 | | 47,943 |
| Crown Properties | | | | 0 |
| Allowance of 2% for non-collection | | | | (959) |
| Total | | | | 46,984 |

GROUP ACCOUNTS BARTON OXFORD LLP

On 23 September 2011 the Council entered into a partnership with Grosvenor Developments Limited to form Barton Oxford LLP, a joint venture vehicle to develop social and affordable housing, on land owned by the Council, at Barton. The Council has a 50% interest in the Company and shares profits and losses and therefore is required to prepare group accounts for the first time. The Council received £0.5 million as part payment of its costs of establishing the company in 2011/12 and transferred the land with a value of £0.8 million to the LLP on 31 October 2011. The value will be repaid with interest by January 2019. As at the 31 March 2012 the company had net liabilities of £8,363 50% of which have been incorporated into the Council's Group Accounts (page 113).

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

The Group Accounts consist of the following:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow.

**GROUP ACCOUNTS: MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED
31 MARCH 2012**

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

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

| | Total Authority Reserves | Group Movements | Authorities share of Reserves Joint Venture Barton Oxford LLP |
|--|-----------------------------|--------------------|--|
| | £000 | £000 | £000 |
| Balance at 31st March 2011 carried forward | 630,065 | | 630,065 |
| Movement in Reserves during 2011/12 | | | |
| Surplus/(Deficit) on the Provision of Services | (185,359) | (4) | (185,363) |
| Other Comprehensive Income and Expenditure | (42,596) | | (42,596) |
| Total Comprehensive Income and Expenditure | (227,955) | | (227,959) |
| Adjustments between Accounting Basis & Funding Basis under Regulations | (2) | | (2) |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | (227,957) | (4) | (227,961) |
| Transfers (to)/from Earmarked Reserves | - | | - |
| Increase/(Decrease) in 2011/12 | (227,957) | | (227,961) |
| | - | | - |
| Balance at 31st March 2012 carried forward | 402,108 | (4) | 402,104 |

GROUP ACCOUNTS: COMPREHENSIVE INCOME & EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

This statement shows the accounting cost in year, of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement on page 23.

| | 2011/12 Oxford City Council | | | 2011/12 Group CI&E | | | |
|--|--------------------------------|--------------|-----------------|--------------------|-------------------|--------------|-----------------|
| | Gross Expenditure | Gross Income | Net Expenditure | Group Movements | Gross Expenditure | Gross Income | Net Expenditure |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Central Services to the Public | 3,220 | (997) | 2,223 | | 3,220 | (997) | 2,223 |
| Cultural and related Services | 12,024 | (4,612) | 7,411 | | 12,024 | (4,612) | 7,411 |
| Environment and Regulatory Services | 19,063 | (10,980) | 8,083 | | 19,063 | (10,980) | 8,083 |
| Planning Services | 6,009 | (3,510) | 2,500 | | 6,009 | (3,510) | 2,500 |
| Highways and Transport Services | 7,064 | (10,645) | (3,581) | | 7,064 | (10,645) | (3,581) |
| Local Authority Housing (HRA) | 235,221 | (37,295) | 197,926 | | 235,221 | (37,295) | 197,926 |
| Other Housing Services | 105,281 | (97,377) | 7,904 | 4 | 105,285 | (97,377) | 7,908 |
| Corporate and Democratic Core | 4,073 | (103) | 3,970 | | 4,073 | (103) | 3,970 |
| Non Distributed Costs | 6,683 | (2,341) | 4,342 | | 6,683 | (2,341) | 4,342 |
| Cost of Services | | | 230,778 | | | | 230,782 |
| Other Operating Expenditure | | | (4,312) | | | | (4,312) |
| Financing and Investment Income and Expenditure | | | (10,762) | | | | (10,762) |
| (Surplus)/Deficit on Discontinued Operations | | | - | | | | - |
| Taxation and Non-Specific Grant Income | | | (30,345) | | | | (30,345) |
| (Surplus)/Deficit on Provision of Services | | | 185,359 | | | | 185,363 |
| (Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets | | | (2,563) | | | | (2,563) |
| Actuarial (Gains)/Losses on Pension Assets and Liabilities | | | 45,159 | | | | 45,159 |
| Other Comprehensive Income and Expenditure | | | 42,596 | | | | 42,596 |
| Total Comprehensive Income and Expenditure | | | 227,955 | | | | 227,959 |

On 28th March 2012 the Council paid the Department of Communities and Local Government £198.5 million in relation to the Housing Revenue Account (HRA) self financing reforms. The accounting entries show this amount in the Local Authority Housing (HRA) cost of service and are removed through the Movement in Reserves Statement, so as not to affect the bottom line in accordance with Proper Accounting Practice.

This entry is an exceptional item, and the accounting treatment follows the accounting policy set out in line with Local Authority Accounting Bulletin 92.

GROUP ACCOUNTS: BALANCE SHEET AS AT 31 MARCH 2012

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

| | Note | Oxford City Council 2011/12 £000 | Group 2011/12 £000 | Group Movement 2011/12 £000 |
|------------------------------------|------|---|--------------------------|-----------------------------------|
| Property, Plant & Equipment | 1 | 577,432 | 578,101 | 669 |
| Heritage assets | | 2,496 | 2,496 | |
| Investment Properties | | 86,103 | 86,103 | - |
| Intangible Assets | | 360 | 360 | - |
| Long Term Investments | | 32 | 32 | - |
| Long Term Debtors | | 23,368 | 23,368 | - |
| Long Term Assets | | 689,791 | 690,460 | 669 |
| Short Term Investments | | 23,645 | 23,645 | - |
| Assets Held for Sale | | 1,008 | 1,008 | - |
| Inventories | | 768 | 768 | - |
| Short Term Debtors | 2 | 16,795 | 16,844 | 49 |
| Cash and Cash Equivalents | 3 | 4,898 | 5,138 | 240 |
| Current Assets | | 47,114 | 47,403 | 289 |
| Short Term Borrowing | | (816) | (816) | - |
| Short Term Creditors | 4 | (18,906) | (19,068) | (162) |
| Provisions | | - | - | - |
| Current Liabilities | | (19,722) | (19,884) | (163) |
| Long Term Creditors | | - | - | - |
| Provisions | | (6,298) | (6,298) | - |
| Long Term Borrowing | 5 | (201,354) | (202,154) | (800) |
| Other Long Term Liabilities | | (101,271) | (101,271) | - |
| Capital Grants Receipts in Advance | | (6,152) | (6,152) | - |
| Long Term Liabilities | | (315,075) | (315,875) | (800) |
| Net Assets | | 402,108 | 402,104 | (4) |
| Usable Reserves | 6 | (34,366) | (34,362) | (4) |
| Unusable Reserves | | (367,742) | (367,742) | - |
| Total Reserves | | (402,108) | (402,104) | (4) |

1. Development costs including the cost of acquisition, professional fees and construction costs
2. Short Term Debtors
3. Cash held in the bank
4. Short Term Creditors
5. Longer Term borrowing
6. Useable Reserves £4,000 net expenditure including audit fee charged to Comprehensive Income & Expenditure Account

GROUP ACCOUNTS: CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

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

| | Oxford City Council 2011/12 £000 | Group 2011/12 £000 | Group Movement 2011/12 £000 |
|--|---|--------------------------|--------------------------------------|
| Net (Surplus)/Deficit on the Provision of Services | 185,359 | 185,363 | 4 |
| Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements | 237 | 124 | (113) |
| Adjustments for Items Included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities | - | - | - |
| Net Cash Flows from Operating Activities | 185,596 | 185,487 | (109) |
| Investing Activities | 19,300 | 19,969 | 669 |
| Financing Activities | (197,533) | (198,333) | (800) |
| Net (Increase)/Decrease in Cash and Cash Equivalents | 7,363 | 7,123 | (240) |
| Cash and Cash Equivalents at the Beginning of the Reporting Period | (12,261) | (12,261) | - |
| Cash and Cash Equivalents at the End of the Reporting Period | (4,898) | (5,138) | (240) |
| Investing Activities | | | |
| | Oxford City Council 2011/12 £000 | Group 2011/12 £000 | Group Movement 2011/12 £000 |
| Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets | 21,012 | 21,681 | 669 |
| Purchase of Short-Term and Long-Term Investments | 11,850 | 11,850 | - |
| Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets | (11,227) | (11,227) | - |
| Other Capital Cash receipts in Advance | (2,335) | (2,335) | - |
| Total Cash Flows from Investing Activities | 19,300 | 19,969 | 669 |
| Financing Activities | | | |
| | Oxford City Council 2011/12 £000 | Group 2011/12 £000 | Group Movement 2011/12 £000 |
| Repayment of Long Term Borrowing | 995 | 995 | - |
| Cash Receipts of Short and Long-Term Borrowing | (198,528) | (199,328) | (800) |
| Total Cash Flows from Financing Activities | (197,533) | (198,333) | (800) |
| Cash and Cash Equivalents | | | |
| | Oxford City Council 2011/12 £000 | Group 2011/12 £000 | Group Movement 2011/12 £000 |
| Cash Investments - regarded as Cash Equivalents | 8,355 | 8,595 | 240 |
| Bank Overdraft | (3,457) | (3,457) | - |
| Total Cash and Cash Equivalents | 4,898 | 5,138 | 240 |

GLOSSARY OF TERMS AND ABBREVIATIONS

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GLOSSARY OF TERMS AND ABBREVIATIONS

Accounting Period

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

Accruals

Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payment has not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

Amortisation

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

Asset Held for Sale

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

Beacon Dwelling

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

Billing Authority

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

Capital Expenditure

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

Capital Adjustment Account

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Collection Fund

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

GLOSSARY OF TERMS AND ABBREVIATIONS

Collection Fund Adjustment Account

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

Contingent Assets/Liabilities

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

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

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

GLOSSARY OF TERMS AND ABBREVIATIONS

Heritage Assets

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

Housing Subsidy

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

International Financial Reporting Standard (IFRS)

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

Impairment

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

Investments

Deposits for less than one year with approved institutions

Infrastructure Assets

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

Investment Property

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

Joint Venture

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

Long Term Debtors

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

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.

GLOSSARY OF TERMS AND ABBREVIATIONS

Operational Asset

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

Operating Lease

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

Pension Fund

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

Pooling of Housing Capital Receipts

Pooling is the term given to the requirement to pay to the Government a proportion of certain types of capital receipt. From 1 April 2004 Right To Buy receipts are subject to a payment into a government pool at the rate of 75%. 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.

Precept

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

Profit on the sale of Fixed Assets

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

Provisions

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

PWLB

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

Revenue

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

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.

GLOSSARY OF TERMS AND ABBREVIATIONS

Statement of Recommended Practice (CODE)

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

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

Statement of Standard Accounting Practice (SSAP)

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

Surplus Asset

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

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INDEPENDENT AUDITORS REPORT AND CERTIFICATE

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Statement of Accounts 2011/12

BACK PAGE

To: Audit & Governance Committee

Date:

Item No:

Report of: Head of Law and Governance

Title of Report: 2011/12 Annual Governance Statement

Summary and Recommendations

Purpose of report: To present the 2011/12 Annual Governance Statement for approval

Report Approved by: Councillor Bob Price

Finance: Jacqueline Yates

Legal: Jeremy Thomas

Policy Framework: None

Recommendation(s): That the 2011/12 Annual Governance Statement be approved

Introduction

1. The Authority is required by the Accounts and Audit Regulations 2011 to review, annually, its internal controls environment and produce an Annual Governance Statement ("the Statement"). The Committee is required to consider and, if satisfied, approve the Statement. The Statement forms part of the Council's statement of accounts.

Recommendation

2. That the 2011/12 Annual Governance Statement be approved.

Name and contact details of author

Jeremy Thomas

Head of Law and Governance
Town Hall, Oxford OX1 1BX
Tel: 01865 252224 email: jjthomas@oxford.gov.uk

Background and papers: Service Assurance Checklists

Annual Governance Statement – 2011/12 Financial Year

1. Oxford City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Oxford City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
3. This statement explains how Oxford City Council meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

4. The governance framework comprises the systems and processes and cultures and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Oxford City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
6. The governance framework has been in place at Oxford City Council for the year ended 31st March 2012 and up to the date of the approval of the accounts.

The Governance Framework

7. The Corporate Plan 2012-2016 reaffirms the City Council's ambitions to make Oxford a world-class city for everyone. This ambition was developed with partners across the city, including business, community organisations, the health and education sectors and the County Council. It

also sets out the Council's plans for transforming the way that the Council performs. The aspiration is to be a world-class council, delivering high quality services and providing excellent value for money. This Corporate Plan sets out the changed policy and financial contexts in which the Council is working and the City Council's response to this changed environment. This Corporate Plan was adopted by Council in February 2012. Prior to that the 11-15 plan was in place.

8. The City Council's priorities for the next four years are:

- A vibrant and sustainable economy
- Meeting housing needs
- Strong, active communities
- A cleaner, greener city
- An efficient and effective council

Council has also adopted and published targets for the Corporate Plan measures.

9. The Council has now embedded its use of Corvu as a tool for the recording, reporting and analysis of performance and risk. The Council has also undertaken preparatory work to use Corvu for financial reporting and this will be rolled out during the 12/13 financial year.

10. A number of Programme Boards were in place throughout 11/12 and provided effective oversight of the large number of projects underway. The Council continued to use a Prince 2 approach to programme and project management.

11. In the last year the Council:

- Entered into a joint venture with Grosvenor Estates to build up to 1000 new homes in Barton, and contracted with Green Square to build 100 new homes and two new community centres in Northway and Cowley
- Completed the refurbishment of over 50 play areas as part of a £2.5m investment in improving all the city's play facilities
- Progressed plans to build a new, competition standard pool in Blackbird Leys
- Opened the Old Fire Station as a combined Crisis Skylight and Arts Centre in cultural and arts activities alongside training and support for employment in the creative and hospitality industries
- Reduced the city centre office and carbon footprint by transforming St Aldate's Chambers into a modern, flexible working space which can accommodate most of the Council's

staff and selling our Blue Boar Street offices; the Ramsay House office space is also on the market

- Improved the quality of our website to offer most of our services – including payments – on-line
- Created a corporate call centre service with one number for all Council services
- Opened a new, state-of-the-art customer services centre in St Aldate's Chambers where customers can receive answers to queries about all Council services
- Invested further in information technology through our customer relationship management and performance management systems. Investment is critical in developing more efficient and timely service delivery.
- Achieved Investors in People accreditation for the whole Council in May 2011
- Achieved accreditation in the Equalities Framework for Local Government
- Improved employee attendance and reduced sickness absence by 25%

12. Clear schemes for delegation for Council, the City Executive Board and officers are set out in the Council's constitution. The role, purpose and terms of reference for scrutiny Committees and Audit and Governance Committee are also set out in the constitution as are protocols for effective communication and access to and use of information.

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

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

15. The Council has established an Audit and Governance Committee with terms of reference that comply with CIPFA's guide. The Committee

receives regular internal and external audit reports, is effective and is contributing to improving the internal control environment of the Council. The members of the Committee have received special training in order to promote their independent questioning skills.

16. The Council has a coherent accounting and budgeting framework which includes the monthly monitoring and publication of spend against budget. The Medium Term Financial Plan and budget setting is underpinned by the constitution, prioritisation and savings action plans which are regularly reviewed and updated by the Executive.
17. The Monitoring Officer and Chief Finance Officer have had no cause to issue reports in exercise of their statutory powers in the 2011/12 financial year. The Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
18. The Council has adopted a Whistleblowing Policy. The Policy is published within the Council's Constitution and is periodically reviewed by the Standards Committee. The Council also operates a corporate complaints system. The Council has sought to integrate the corporate complaints process with its CRM system so as to ensure the consistent capturing and reporting of complaints across the Authority. The Standards Committee kept under review the operation of that system and publicly received any Ombudsman reports in relation to maladministration. There were no formal reports issued by the Local Government Ombudsman against the Council in this year. The Audit and Governance Committee receive quarterly reports on all allegations of fraud or corruption.
19. The Council has set out in its Corporate Plan the importance of partnership working and identified its key strategic partnerships. Political and managerial leadership is communicated and where appropriate co-ordinated between the public bodies serving the residents of the city. The Authority has adopted and published a consultation framework.

Review of Effectiveness

20. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.
21. In preparing this statement each service area has completed and each Head of Service has signed an assurance checklist. The checklist covers the following areas:-

Risk Management

Business Performance
Projects and project management
Financial management
Fraud
Procurement and contract management
Human resources
Equality and Diversity
Data quality and security
Health and safety
External accreditations
Review and documentation of business critical processes

22. The checklist asked each Head of Service to draw attention to any matters in respect of which internal controls were not working well and required a positive assurance that apart from those areas which were identified for improvement that the controls within the service had been, and are, working well. Each service gave a positive assurance.
23. A key area for improvement last year was the documentation of key processes and procedures. A sample check by Internal Audit in 10/11 revealed several as missing or not up to date. In response Internal Audit were requested, in 11/12, to revisit that piece of work and validate that all of those procedure notes were, at the time of that review, in place and up to date. A positive assurance was received. In addition, the Council have undertaken a project to centralise the holding of "standard Operating Procedures". The project has established a central repository which will enable documents to be retrieved easily and perhaps more importantly will facilitate regular reviews of documentation through each document having a review by date, named owner and reminder prompts prior to the review date.

Significant Governance Issues

24. The control framework described above facilitates the identification of any areas of the Council's activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk. Overall, it concluded that controls are operationally sound.
25. Areas where weaknesses have been identified by the Council's internal auditors are listed below, together with a brief summary of the action being taken to make the necessary improvements.

The remediation of these issues will be tracked through the regular reporting of the Audit Recommendation Tracker to the Audit Committee.

| Area of Concern | Action Planned | | | | | | | | | | | | | | | |
|---|---|---------------------------|---------------------------|---------------------------|---------------------------|-------------|-----|-----|-----|-------------|------|-----|-----|-----|-------------|---|
| <p><u>Collection Fund</u></p> <p>The Council has large debt balances over 1 year old for both Council Tax and Business Rates. Efforts should be made to review this debt to ensure it is recoverable and the need for write offs should be considered. At the time of audit, the aged debt position of the Collection Fund was as follows:</p> <table border="1" data-bbox="161 707 786 1043"> <thead> <tr> <th>Levy</th> <th>Total Debt (£m)</th> <th>Debt over 1 year old (£m)</th> <th>% of debt over 1 year old</th> <th>Movement since prior year</th> </tr> </thead> <tbody> <tr> <td>Council Tax</td> <td>4.5</td> <td>3.2</td> <td>71%</td> <td>-0.1million</td> </tr> <tr> <td>NNDR</td> <td>3.6</td> <td>1.8</td> <td>50%</td> <td>+0.5million</td> </tr> </tbody> </table> <p>It should be noted that of the total debt, £0.5million of Council Tax and £0.1million of NNDR debt are currently under charging orders/instalments and therefore will be recovered.</p> | Levy | Total Debt (£m) | Debt over 1 year old (£m) | % of debt over 1 year old | Movement since prior year | Council Tax | 4.5 | 3.2 | 71% | -0.1million | NNDR | 3.6 | 1.8 | 50% | +0.5million | <p>The Revenues Manager will liaise with the Head of Finance to agree the most appropriate approach to managing existing debt. Arrangements will be implemented to improve the position by 31st July 2012.</p> <p>The Head of Finance will review and refresh the Council's Corporate Debt Management Policy by 30th Sept 2012 to ensure it is fit for purpose.</p> |
| Levy | Total Debt (£m) | Debt over 1 year old (£m) | % of debt over 1 year old | Movement since prior year | | | | | | | | | | | | |
| Council Tax | 4.5 | 3.2 | 71% | -0.1million | | | | | | | | | | | | |
| NNDR | 3.6 | 1.8 | 50% | +0.5million | | | | | | | | | | | | |
| <p><u>Commercial Property</u></p> <p>80% of commercial property invoices for new and amended properties that Internal Audit tested were raised late, increasing recovery risk.</p> <p>The reconciliation of assets on Uniform, the property system, to the Fixed Asset Register had lapsed because of a change in staff.</p> | <p>A new procedure note has been put in place detailing when and how change forms should be issued and bills raised</p> <p>A new capital accountant has now been appointed and going forward the fixed asset register and Uniform will be reconciled on a quarterly basis. This process will be in place for the first quarter of 2012/13. The year end accounts will include a reconciliation for 2011/12.</p> | | | | | | | | | | | | | | | |
| <p><u>IT Patching</u></p> <p>IT support services (including patching support) have been outsourced to</p> | <p>The SLA with the County does not currently cover this issue. The Head of Service will</p> | | | | | | | | | | | | | | | |

| | |
|---|---|
| <p>Oxfordshire County Council. The County Internal Auditors have reviewed the patching of the operating system, including key risk areas such as governance and change management thoroughly, but patching of key applications and databases has not been covered to the same extent. The City Council does not currently receive findings from County internal audit reviews to ensure City Council risks are appropriately mitigated.</p> | <p>arrange for this to be corrected under change control of the SLA. New reporting of issues that affect the City will be included in the quarterly ICT Governance meeting with the County.</p> |
| <p><u>Payments and Income</u></p> <p>Despite the centralisation of the creditors and debtors department, there continues to be differences in the procedures for both areas across different departments. The use of CAATs by Internal Audit to perform work on expenditure transactions identified a number of potential duplicates that may have arisen across the Fleetplan, Agresso and Sevitor systems. In the areas of income, there continues to be separate processes for raising sundry income in addition to trade waste, car parking and commercial property. This has led to instances of income being raised late in these areas.</p> | <p>The information from the CAAT's audit has been checked and whilst most payments were found to be bona fide. There were however a small number of duplicate payments which the payments team were aware of and had already recovered.</p> <p>On the processing of debts, guidance notes have been sent out to improve processes generally and training is routinely offered to staff involved in the process. The team have a target of turning around debtor invoices within 5 days of receipt although last year, specifically relating to commercial property invoices as the internal audit highlighted this was not being achieved. The introduction of a procedure note as discussed in the commercial property section above should improve matters in this area</p> |
| <p><u>Contract Management</u></p> <p>Internal Audit's review of a number of the Council's contracts identified that more work is required to ensure that contracts are robustly set up, managed and monitored. They noted that improvements could be made in these respects for the Council's ICT, Building Maintenance, Ground works and Leisure contracts.</p> | <p>A Contract Management Framework is being finalised to provide guidance to managers on the processes and practices they need to put in place to effectively manage a contract throughout its life. An implementation plan and training for key contract managers will be put in place during the second quarter of 2012/13</p> |

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Audit Commission Progress Report

Oxford City Council
Date **June 2012**



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Introduction

1 My principal objective as the Council's appointed auditor is to carry out an audit which meets the Audit Commission's Code of Audit Practice. This report sets out the progress I have made in delivering my work.

2 My audit plan sets our work based on the Audit Commission's risk-based approach to audit planning. It reflects:

- Audit and inspection work specified by the Audit Commission;
- Current national risks relevant to your local circumstances; and
- Your local risks and improvement priorities.

3 In carrying out my audit work, I comply with the statutory requirements governing it, in particular the:

- Audit Commission Act 1998; and
- Code of Audit Practice (the Code).

2011/12 audit work

4 My work in 2011/12 will consist of an audit of financial statements, an assessment of your arrangements for economy, efficiency and effectiveness in your use of resources and testing of your Whole of Government Accounts return in line with NAO guidance. My planned outputs are set out in Appendix 1.

5 I have completed my interim work and no internal control issues have been identified which I need to bring to your attention. I have summarised my controls testing in Appendix 2. Overall I have identified improvements in the operation of your controls and this represents an improving trend as I found more controls working as intended this year. However there are some areas where the operation of controls in the systems needs to be improved.

6 Regular meetings are held with the Council's Finance Team to discuss progress in preparing financial statements and emerging issues such as the need for Group Accounts and lease disclosures.

7 I have sought to undertake early testing in a number of areas including:

- Substantive testing of property plan and equipment disposals
- Checked transactions relating to the HRA new self financing arrangements
- Undertaken a review of the Council's approach to heritage assets and tested for completeness
- Reviewed assets held for sale in 2010/11 for movement in 2011/12
- Agreed NNDR payments to supporting information
- Agreed housing benefit subsidy received to supporting information

- Checked that last year's closing balances have been brought forward correctly.

8 I am pleased that I have been able to start my testing early and discuss the emerging issues as they arise. It this should help to reduce the workload of both the Council's staff and my team as we both work towards meeting statutory deadlines.

Audit Commission updates

The Commission produces regular updates of issues for auditors to bring to the attention of those charged with governance. These focus on specific developments that could have an impact on the Council's activities and so the following are areas that may be of interest to Committee members.

No recent updates - the next version not due until Thursday 14 June at the earliest. I'll remove this section if not received by then.

DRAFT

Appendix 1 Planned outputs

| Audit Plan | Work carried out | Lead officer | Status | Start date | Draft report date | Final report date |
|---|--|---|---|---------------|-------------------|-------------------|
| 2011/12 Audit | | | | | | |
| Audit Fee Letter | Sets out audit fee. | Chief Executive | Complete | March 2011 | March 2011 | 26 April 2011 |
| Audit Opinion Plan | Provides detail of our opinion work. | Chief Executive and Corporate Director Finance & Efficiency | Presented to February 2012 Audit and Governance Committee meeting | December 2011 | January 2012 | January 2012 |
| Opinion on accounts and VFM conclusion: <ul style="list-style-type: none"> interim visit IFRS restatement final accounts vfm conclusion | Audit of financial statements leading to audit opinion and vfm conclusion. | Corporate Director Finance & Efficiency | | January 2012 | September 2012 | |
| Whole of Government accounts | Audit of WGA data returns | Head of Finance | | July 2012 | September 2012 | |

| Audit Plan | Work carried out | Lead officer | Status | Start date | Draft report date | Final report date |
|-----------------------------|-------------------------|---|---------------|-------------------|--------------------------|--------------------------|
| Annual Audit Letter 2011/12 | Summary of the audit. | Chief Executive and Corporate Director Finance & Efficiency | | September 2012 | October 2012 | |

| Grant claims 2011/12 | | | | | | | |
|-----------------------------|-------------------------------------|--------------------|---------------------------|-------------------------------------|------------------------------|-----------------------------------|---------------------------|
| Grant claim | Details | Key contact | Progress | Council deadline provisional | Received from Council | Audit deadline provisional | Certified by Audit |
| BEN01 | Housing and Council Tax benefits | Pauline Hull | Work started 12 June 2012 | 31 May 2012 | 27 April 2012 | 30 November 2012 | |
| HOU01 | Housing Subsidy | Jane Rees | | 30 September 2012 | | 31 December 2012 | |
| LA01 | NNDR | Adrian Wood | | June 2012 | | 28 September 2012 | |
| CFB06 | Pooling of Housing Capital Receipts | Debbie Williams | | June 2012 | | 30 September 2012 | |

Appendix 2 Interim update

The following table summarises our work on controls within material financial systems.

| System | Audit Assertions | | | | | | | | | | Comments/further action |
|------------------|--|--|--|----------|---|-----------|------------------------|------------------------|-----|-----|------------------------------------|
| | Completeness | Cut off | Classification | Accuracy | Occurrence | Existence | Valuation & allocation | Rights and obligations | | | |
| Payroll | YES | YES | YES | YES | YES | n/a | n/a | n/a | n/a | n/a | Reliance can be placed on controls |
| Accounts Payable | Need to test year end reconciliation to General Ledger | Need to test year end reconciliation to General Ledger | YES | YES | YES | YES | YES | YES | YES | YES | Test year end reconciliation |
| Housing Benefit | NO - weekly reconciliation not reviewed | Test year end accrual | NO - weekly reconciliation not reviewed | YES | YES | n/a | n/a | n/a | n/a | n/a | Test year end accrual |
| Council tax | Need to test year end reconciliation to General Ledger | Need to test year end reconciliation to General Ledger | Need to test year end reconciliation to General Ledger | YES | Need to test year end reconciliation to Valuation Officer reports | n/a | n/a | n/a | n/a | n/a | Test year end reconciliation |
| Business Rates | YES | Need to test year end reconciliation to General | Need to test year end reconciliation to General | YES | YES | n/a | n/a | n/a | n/a | n/a | Test year end reconciliation |

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*Internal Audit
Annual Report
2011/2012*

Oxford City Council
May 2012

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|--------------------------------|
| S151 Officer |
| Chief Executive |
| Corporate Management Team |
| Audit and Governance Committee |

This document has been prepared only for Oxford City Council and solely for the purpose and on the terms agreed with Oxford City Council.

1. *Executive summary*

Background

CIPFA's Audit Code of Practice requires that the Head of Internal Audit provides a written report to the Audit and Governance Committee, timed to inform the organisation's Annual Governance Statement. As such, the purpose of this report is to present our view on the adequacy and effectiveness of Oxford City Council's system of governance, risk management and control.

Whilst this report is a key element of the framework designed to inform the Annual Governance Statement, there are also a number of other important sources to which the Audit and Governance Committee and statutory officers should look to gain assurance. This report does not supplant the Audit and Governance's responsibility for forming their own view on governance, risk management and control.

This report covers the period to the year ended 31st March 2012.

Scope

Our findings are based on the results of the internal audit work performed as set out in the 2011/12 Internal Audit Plan and subsequent amendments approved by the Audit and Governance Committee. All changes have been outlined in our update reports taken to Audit and Governance Committee during the year.

Our opinion is subject to the inherent limitations of internal audit (covering both the control environment and the assurance over controls) as set out in Appendix 1.

Our internal audit was performed in accordance with CIPFA's Audit Code of Practice. CIPFA's Audit Code of Practice is not designed or intended to conform to the International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board. As a consequence our work was not designed to comply with the International Standards on Assurance Engagements. Our work was designed to comply with CIPFA's Audit Code of Practice which must be followed for internal audit in local government.

Opinion

Our opinion is based solely on our assessment of whether the controls in place support the achievement of management's objectives as set out in our 2011/12 Internal Audit Plan.

We have completed the program of internal audit work for the year ended 31st March 2012 with the exception of the following reviews:

- Year end support (ongoing)
- IT Patching (draft report)
- LAGAN review (draft report)
- Project governance (deferred to 2012/13)
- Repairs and maintenance (deferred to 2012/13)

Our opinion is based on our assessment of whether the controls in place support the achievement of management's objectives as set out in our Annual Internal Audit Plan.

We have completed the program of internal audit work for the year ended 31st March 2012 with the exception of the reviews identified above. Our work identified 4 high, 30 medium and 36 low rated findings. Taken together, based on the work we have completed, we believe that there is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and / or effectiveness of governance, risk management and internal control.

The key factors that contributed to our opinion are summarised as follows:

Commercial property

- 80% of commercial property invoices for new and amended properties that we tested were raised late, increasing recovery risk; and
- The reconciliation of assets on Uniform, the property system, to the Fixed Asset Register had lapsed because of a change in staff.

Collection Fund

- The Council continues to have large debt balances over 1 year old for both Council Tax and Business Rates. Efforts should be made to review this debt to ensure it is recoverable and the need for write offs should be considered.

Patching review

- IT support services (including support over patching) has been outsourced to Oxfordshire County Council. A number of reviews over patching have been conducted by the County Council's Internal Audit function. We noted that the focus of these reviews has predominantly been over patching with regards to the operating system. The reviews have covered key risk areas such as governance and change management thoroughly; however they have not included other areas of patching such as key applications and databases. In addition we noted that management at the City Council do not currently have a mechanism in place to receive findings of the reviews in order to formulate responses to areas of risk the City Council may be exposed to.

Our reviews also identified the following issues that should be considered by management:

- Despite the centralisation of the creditors and debtors department, there continues to be differences in the procedures for both areas across different departments. Our use of CAATs to perform work on expenditure transactions identified a number of potential duplicates that may have arisen across the Fleetplan, Agresso and Servitor systems. In the areas of income, there continues to be separate processes for raising sundry income in addition to trade waste, car parking and commercial property. This has led to instances of income being raised late in these areas.
- Our review of a number of the Council's contracts identified that more work is required to ensure that contracts are robustly set up, managed and monitored. We noted that improvements could be made in these respects for the Council's ICT, Building Maintenance, Groundworks and Leisure contracts.

A summary of the key findings are described in further detail on pages 3-4.

On pages 6 and 7 we show the direction of travel for both individual review areas and for the number of audit recommendations in each risk category (critical, high, medium and low). Both show very positive signs on the overall control environment at the City Council.

For all areas reviewed in the year, the rating this year was either better or the same as last year. The number of internal audit findings and recommendations has reduced considerably with a total number of 70 findings in 2011/12 compared to 162 in the previous year. Although the mix and focus of our internal audit work have differed between years and therefore results may not be directly comparable, the significant reduction in findings, particularly in the high rated findings from 17 to 4, should be source of considerable comfort.

Acknowledgement

We would like to take this opportunity to thank all audit sponsors, heads of service and members of the Audit and Governance Committee for their co-operation and assistance provided during the year.

2. Summary of findings

Our annual internal audit report is timed to inform the organisation's Annual Governance Statement.

A summary of key findings from our programme of internal audit work for the year work is recorded in the table below:

| Description | Detail | | | | | | | | | | | | | | | |
|--|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------------|-----|-----|-----|-------------|------|-----|-----|-----|-------------|
| <p>Overview</p> <p>We completed 24 internal audit reviews. This resulted in the identification of 0 critical, 4 high, 30 medium and 36 low risk findings to improve weaknesses in the design of controls and / or operating effectiveness.</p> | <ul style="list-style-type: none"> • Our audit plan was scoped to address the Council's key risks and strategic objectives. We mapped each review to these areas in our 2011/12 Internal Audit plan • We have completed our internal audit plan in line with the set timescales and have supported the Council with their year-end close down procedures and in their assessment of fraud. We have delivered training on fraud awareness in year. • Our plan included seven "value enhancement" reviews and we have mobilised specialists in the areas of ICT, housing and project management. | | | | | | | | | | | | | | | |
| <p>Internal Control Issues</p> <p>During the course of our work we identified four high risk issues which have been outlined in the next cell. Given the materiality of these systems (Collection Fund and Commercial Property) to the Council, you should consider inclusion of these areas in your Annual Governance Statement.</p> | <p>The following high risk areas have been raised in 2011/12:</p> <ul style="list-style-type: none"> • <u>Collection Fund</u> <p>The Council continues to have large debt balances over 1 year old for both Council Tax and Business Rates. Efforts should be made to review this debt to ensure it is recoverable and the need for write offs should be considered. At the time of audit, the aged debt position of the Collection Fund was as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Levy</th> <th style="text-align: center;">Total debt (£m)</th> <th style="text-align: center;">Debt over 1 year old (£m)</th> <th style="text-align: center;">% of debt over 1 year old</th> <th style="text-align: center;">Movement since prior year</th> </tr> </thead> <tbody> <tr> <td>Council Tax</td> <td style="text-align: center;">4.5</td> <td style="text-align: center;">3.2</td> <td style="text-align: center;">71%</td> <td style="text-align: center;">-0.1million</td> </tr> <tr> <td>NNDR</td> <td style="text-align: center;">3.6</td> <td style="text-align: center;">1.8</td> <td style="text-align: center;">50%</td> <td style="text-align: center;">+0.5million</td> </tr> </tbody> </table> <p>It should be noted that of the total debt, £0.5million of Council Tax and £0.1million of NNDR debt are currently under charging orders/instalments and therefore will be recovered.</p> <ul style="list-style-type: none"> • <u>Commercial Property</u> <p>80% of commercial property invoices for new and amended properties that we tested were raised late, increasing recovery risk; and</p> <p>The reconciliation of assets on Uniform, the property system, to the Fixed Asset Register had lapsed because of a change in staff.</p> | Levy | Total debt (£m) | Debt over 1 year old (£m) | % of debt over 1 year old | Movement since prior year | Council Tax | 4.5 | 3.2 | 71% | -0.1million | NNDR | 3.6 | 1.8 | 50% | +0.5million |
| Levy | Total debt (£m) | Debt over 1 year old (£m) | % of debt over 1 year old | Movement since prior year | | | | | | | | | | | | |
| Council Tax | 4.5 | 3.2 | 71% | -0.1million | | | | | | | | | | | | |
| NNDR | 3.6 | 1.8 | 50% | +0.5million | | | | | | | | | | | | |

| | |
|---|--|
| | <ul style="list-style-type: none"> • IT Patching <p>IT support services (including support over patching) has been outsourced to Oxfordshire County Council. A number of reviews over patching have been conducted by the County Council's Internal Audit function. We noted that the focus of these reviews has predominantly been over patching with regards to the operating system. The reviews have covered key risk areas such as governance and change management thoroughly; however they have not included other areas of patching such as key applications and databases. In addition we noted that management at the City Council do not currently have a mechanism in place to receive findings of the reviews in order to formulate responses to areas of risk the City Council may be exposed to.</p> |
| <p>Other issues</p> <p>Other issues were identified within the organisation's governance, risk management and internal control, which relate to consistent application of procedures, potential for duplicates and contract management and monitoring.</p> | <p>Our reviews identified the following issues that should be considered by management:</p> <ul style="list-style-type: none"> • Despite the centralisation of the creditors and debtors department, there continues to be differences in the procedures for both areas across different departments. Our use of CAATs to perform work on expenditure transactions identified a number of potential duplicates that may have arisen across the Fleetplan, Agresso and Sevitor systems. In the areas of income, there continues to be separate processes for raising sundry income in addition to trade waste, car parking and commercial property. This has led to instances of income being raised late in these areas. • Our review of a number of the Council's contracts identified that more work is required to ensure that contracts are robustly set up, managed and monitored. We noted that improvements could be made in these respects for the Council's ICT, Building Maintenance, Groundworks and Leisure contracts. |
| <p>Good practice</p> <p>We also identified a number of areas where few weaknesses and / or areas of good practice were identified.</p> | <p>The following reviews were classified as low risk for 2011/12:</p> <ul style="list-style-type: none"> • Debtors; • Payroll; • Housing Benefits; • Housing Rents; • Risk Management; • Performance Improvement; and • Financial Planning |

3. Internal Audit work conducted

Introduction

Our internal audit work was conducted in accordance with our letter of engagement, CIPFA's Audit Code of Practice and the 2011/12 Internal Audit Plan.

The table below sets out the results of our internal audit work and implications for next year's plan. The direction of travel is also analysed so management can consider whether they should take action to reverse a trend or address stagnation.

We also include a comparison between planned internal audit activity and actual activity, to assist with budgeting and forward planning.






Results of individual assignments

| Audit unit | Report status | Direction of Travel | Report classification | Number of findings | | | |
|---------------------------------|---------------|------------------------------|-----------------------|--------------------|----------|-----------|-----------|
| | | | | Critical | High | Medium | Low |
| General Ledger | Final | ↔ | Medium Risk | 0 | 0 | 2 | 3 |
| Debtors | Final | ↑ | Low Risk | 0 | 0 | 1 | 2 |
| Creditors | Final | ↔ | Medium Risk | 0 | 0 | 4 | 2 |
| Payroll | Final | ↑ | Low Risk | 0 | 0 | 0 | 2 |
| Collection Fund | Final | ↑ | Medium Risk | 0 | 1 | 0 | 3 |
| Cash Collection & Establishment | Final | ↔ | Medium Risk | 0 | 0 | 3 | 3 |
| Treasury Management | Final | ↑ | Low Risk | 0 | 0 | 1 | 3 |
| Housing Benefit | Final | ↑ | Low Risk | 0 | 0 | 1 | 2 |
| Housing Rents | Final | ↔ | Low Risk | 0 | 0 | 1 | 2 |
| Risk Management | Final | ↑ | Low Risk | 0 | 0 | 1 | 2 |
| Performance Improvement | Final | No previous review performed | Low Risk | 0 | 0 | 1 | 0 |
| Car Parking | Final | ↑ | Medium Risk | 0 | 0 | 6 | 2 |
| Financial Planning | Final | No previous review performed | Low Risk | 0 | 0 | 1 | 2 |
| Commercial Property | Final | No previous review performed | High Risk | 0 | 2 | 1 | 2 |
| Trade Waste | Final | ↑ | Medium Risk | 0 | 0 | 3 | 5 |
| Homelessness | Final | No previous review performed | Medium Risk | 0 | 0 | 2 | 1 |
| IT Patching | Draft | No previous review performed | Low Risk | 0 | 1 | 1 | 0 |
| LAGAN Implementation | Draft | No previous review performed | Low Risk | 0 | 0 | 1 | 0 |
| | | | Total | 0 | 4 | 30 | 36 |

In addition we have carried out the following value enhancement reviews where no risk rating has been provided. No significant issues were noted in these reports for consideration in the Annual Governance Statement:

- Standard Operating Procedures
- Year end support
- Procurement Computer Assisted Audit Techniques
- ICT Contract Review
- Contract Assurance
- Fraud Awareness Training
- HRA Business Plan Review

Direction of control travel

| <i>Finding rating</i> | <i>Trend between current and prior year</i> | <i>Number of findings</i> | | |
|-----------------------|---|---------------------------|----------------|----------------|
| | | <i>2011/12</i> | <i>2010/11</i> | <i>2009/10</i> |
| Critical |  | 0 | 0 | 0 |
| High |  | 4 | 17 | 3 |
| Medium |  | 30 | 93 | 79 |
| Low |  | 36 | 52 | 53 |
| Total |  | 70 | 162 | 135 |

It should be noted that the mix and focus of our internal audit plans have differed between years and therefore these results may not be directly comparable.

Management should look to concentrate on those areas of stagnant performance (e.g. General Ledger and Creditors) to and action to ensure that controls in these areas are improved. Actions may include raising awareness, training, increasing compliance checks or improved escalation processes.

Comparison of planned and actual activity

We have provided a comparison of the planned and actual activity for the 2011/12 plan by review. A total of five additional days were charged to the Council in year because of delays in management providing responses and resource to audits. We will look to revisit our protocol with the Council in 2012/13 in order to minimise additional fees going forward.

Two reviews (repairs and maintenance and project governance) have been deferred from the 2011/12 plan to 2012/13. These are value enhancement reviews and therefore will not impact on our ability to provide a year-end opinion on Internal Control.

| Audit Unit | Audit Type | Budgeted days | Actual days | Reasons for variance | |
|--|-------------------|------------------------------|--------------------|---|--|
| General Ledger | Value protection | 10 | 10 | - | |
| Debtors | | 10 | 10 | - | |
| Creditors | | 10 | 11 | Overrun due to delays in management response | |
| Payroll | | 10 | 10 | - | |
| Collection Fund | | 10 | 10 | - | |
| Cash Collection | | 10 | 10 | - | |
| Treasury Management | | 5 | 5 | - | |
| Housing Benefit | | 10 | 10 | - | |
| Fixed Asset Testing | | 10 | 10 | - | |
| Housing Rents | | 5 | 5 | - | |
| Risk Management and Performance Monitoring | | 15 | 15 | - | |
| Law and Governance | | 5 | 0 | Review removed from 11/12 plan due to change in risk profile | |
| Standard Procedures Review | Value enhancement | 0 | 2 | Review included at request of management during 2011/12 year | |
| Homelessness | Value protection | 5 | 5 | - | |
| Car Parking | | 5 | 5 | - | |
| Trade Waste | | 5 | 5 | - | |
| Commercial Property Income | | 5 | 5 | - | |
| Budgetary Control | | 10 | 10 | - | |
| Year end Support | | 10 | 10 | - | |
| Procurement CAATS | | Specialist/value enhancement | 5 | 7 | Overrun due to delays in management response |
| IT Patching | 7 | | 9 | Overrun due to delays in management response | |
| LAGAN | 10 | | 8 | Reduction in days allocated due to appointment of external consultant | |
| ICT Contract Review | 8 | | 12 | Increase of days required to reflect specialist resource | |
| Contract Assurance | 10 | | 10 | - | |
| Project Governance | 5 | | 0 | Review deferred to 2012/13 | |
| Fraud Awareness | 5 | | 5 | - | |
| HRA Cashflow | 10 | | 7 | - | |
| HRA Repairs and Maintenance | 0 | | 0 | Review included at request of management. Review subsequently deferred to 2012/13 | |
| Follow Up | | | 10 | 10 | - |

| | | | | |
|------------------|--|------------|------------|---|
| Audit Management | | 30 | 30 | - |
| TOTAL | | 250 | 246 | |

4. Follow up work conducted

Introduction

Within the Annual Audit Plan for 2011/12, 10 days were assigned for following up recommendations raised during previous years in order to assess whether agreed actions had been implemented by management. Recommendations raised in previous reports were followed up within the 2011/12 scope. The table below summarises the follow up work performed.

Results of follow up work

| Audit unit | Number of Previous agreed actions | Status of agreed actions | | | |
|---------------------------------|-----------------------------------|--------------------------|-----------------------|-------------|----------------|
| | | Implemented | Partially Implemented | Outstanding | Not applicable |
| General Ledger | 6 | 2 | 0 | 3 | 1 |
| Debtors | 12 | 9 | 0 | 3 | 0 |
| Creditors | 12 | 7 | 0 | 5 | 0 |
| Payroll | 3 | 2 | 0 | 1 | 0 |
| Collection Fund | 8 | 4 | 0 | 4 | 0 |
| Cash Collection & Establishment | 9 | 3 | 0 | 5 | 1 |
| Treasury Management | 10 | 6 | 3 | 1 | 0 |
| Housing Benefit | 2 | 1 | 0 | 1 | 0 |
| Housing Rents | 3 | 1 | 0 | 2 | 0 |
| Risk Management | 8 | 5 | 0 | 3 | 0 |
| Car Parking | 7 | 2 | 4 | 1 | 0 |
| Trade Waste | 12 | 5 | 2 | 5 | 0 |
| TOTAL | 92 | 47 | 9 | 34 | 2 |

We recommend that further work is conducted by Oxford City Council to ensure all previously agreed recommendations are implemented at the earliest opportunity.

Appendices

Appendix 1: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have prepared the Internal Audit Annual Report and undertaken the agreed programme of work as agreed with management and Audit and Governance Committee subject to the limitations outlined below.

Opinion

The opinion is based solely on the work undertaken as part of the agreed 2011/12 Internal Audit Plan, which provided for 250 days. The work addressed the control objectives agreed for each individual internal audit assignments as set out in our individual assignment reports.

There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management and the Audit and Governance Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal control:

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods:

Our assessment of controls relating to Oxford City Council is for the year ended 31st March 2012. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

The specific time period for each individual internal audit is recorded within section 3 of this report.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.





We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Appendix 2: Basis of our classifications

Report classifications

The report classification is determined by allocating points to each of the findings included in the report

| <i>Findings rating</i> | <i>Points</i> |
|------------------------|-----------------------|
| <i>Critical</i> | 40 points per finding |
| <i>High</i> | 10 points per finding |
| <i>Medium</i> | 3 points per finding |
| <i>Low</i> | 1 point per finding |

| <i>Report classification</i> | | <i>Points</i> |
|---|---------------|--------------------|
|  | Critical risk | 40 points and over |
|  | High risk | 16– 39 points |
|  | Medium risk | 7– 15 points |
|  | Low risk | 6 points or less |

Individual finding ratings

Engagement teams should tailor the ‘assessment rationale’ section below based previous discussions with management and the relevant committee e.g. Audit and Governance Committee.

| <i>Finding rating</i> | <i>Assessment rationale</i> |
|-----------------------|---|
| <i>Critical</i> | <p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance (quantify if possible); or • Critical monetary or financial statement impact (quantify if possible = materiality); or • Critical breach in laws and regulations that could result in material fines or consequences (quantify if possible); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability (quantify if possible). |
| <i>High</i> | <p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance (quantify if possible); or • Significant monetary or financial statement impact (quantify if possible); or • Significant breach in laws and regulations resulting in significant fines and consequences (quantify if possible); or • Significant impact on the reputation or brand of the organisation (quantify if possible). |
| <i>Medium</i> | <p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance (quantify if possible); or • Moderate monetary or financial statement impact (quantify if possible); or • Moderate breach in laws and regulations resulting in fines and consequences (quantify if possible); or • Moderate impact on the reputation or brand of the organisation (quantify if possible). |
| <i>Low</i> | <p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation’s operational performance (quantify if possible); or • Minor monetary or financial statement impact (quantify if possible); or • Minor breach in laws and regulations with limited consequences (quantify if possible); or • Minor impact on the reputation of the organisation (quantify if possible). |
| <i>Advisory</i> | <p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p> |



In the event that, pursuant to a request which Oxford City Council has received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), it is required to disclose any information contained in this terms of reference, it will notify PwC promptly and consult with PwC prior to disclosing such information. Oxford City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Act to such information. If, following consultation with PwC, Oxford City Council discloses any such information, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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To: Audit and Governance Committee
City Executive Board

Date: 29th June 2012
4th July 2012

Item No:

Report of: Head of Finance

Title of Report: Risk Management Quarterly Reporting: Quarter 4
2011/2012

Summary and Recommendations

Purpose of report: To update members on both corporate and service risks as at the end of quarter 4, 31st March 2012.

Key decision No

Executive lead member:

Policy Framework: Improving value for money and service performance

Recommendation(s):

Members are requested to note the contents of the report

Appendix A Corporate Risk Register

Appendix B Service Risk Register – Red Risks

Risk Management Strategy

- 1) The Risk Management Strategy was approved at the City Executive Board on 23rd April 2012 with the stated aims of:
 - fully embedding Risk Management into the culture, processes and procedures of the Council, so that threats and opportunities are proactively managed thereby strengthening the Council's ability to deliver its objectives and strategic priorities.
 - providing a clear and consistent approach to the management of risk across the organisation and through organisational boundaries.

- 2) A copy of the updated Strategy can be found on the intranet:

<http://occweb/intranet/riskmanagementstrategy.cfm>

Risk Identification

- 3) **Corporate Risks** – The Corporate Risk Register (CRR) is reviewed by the Corporate Management Team (CMT) on a quarterly basis, any new risks are incorporated into a revised version of the CRR. Risk owners for corporate risks are generally held at Director level.
- 4) **Service Risks** – Service area risks are reviewed periodically by Heads of Service and Service Managers. The Risk Manager will have oversight of all risks and on a quarterly basis will review service risks to determine the need for inclusion in the Corporate Risk Register.
- 5) **Project and Programme Risk** – The Council adopts the principles of Prince2 methodology for managing projects. Incorporated within this methodology is a robust process for the management of risk within a project environment. Programme/project risk registers, including risk registers for Procurement Projects, are created for each new project and are reviewed as part of the project life cycle. These are documented on the Project/Programme Risk Register (PRR).

Quarter 4 Corporate Risk Register

- 6) A review of the Corporate Risks at the end of quarter 4 compared to Quarter 3 has shown no change to the net risk, this is shown in the table below:

| Current Risk | Q3 | Q4 |
|---------------------|-----------|-----------|
| Red | 2 | 2 |
| Amber | 1 | 1 |
| Green | 2 | 2 |
| Closed | 0 | 0 |
| Total risks | 5 | 5 |

- 7) The current Corporate Risk Register (Appendix A) shows two red risks, these are :
- Health & Safety - Existence of operational risks (relating to internal as well as public concerns – property not vehicle)
 - Impact on Homelessness of changes in Housing Benefit - Changes in housing benefit and universal housing benefit increase homelessness
- 8) These were both red risks in Q3, and continued progress has been made on mitigating actions throughout Q4, but this has not led to a reduction of the risk rating.

Quarter 4 Service Risk Register

9) A review of Service risks at the end of Quarter 4 compared to Quarter 3 has shown an overall reduction in the net risk position in the service areas.

| Current Risk | Q3 | Q4 |
|---------------------|------------|-----------|
| Red | 9 | 6 |
| Amber | 49 | 32 |
| Green | 46 | 35 |
| Total risks | 104 | 73 |
| Closed | 15 | 26 |

10) There has been a reduction in Red risks in Quarter 4, and a number of risks have been closed completely. Those risks still remaining at red are shown in Appendix B. All of these risks are continuing to be managed and mitigating actions being monitored.

Financial Implications

11) There are no financial implications directly relevant to this report.

Legal Implications

12) There are no legal implications directly relevant to this report.

Name and contact details of author:-

Name: Nigel Kennedy/Anna Winship

Job title: Head of Finance

Service Area / Department: Finance

Tel: 01865 252708 e-mail: nkennedy@oxford.gov.uk

List of background papers:

Version number:

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| Ref | Risk | | | Current Status | Score | | | Comments | Actions | | |
|---------|--|---|---------------|---|-------|---------|----------|----------|---|---------------|------------|
| | Category | Description | Owner | | Gross | Current | Residual | | Description | Owner | % complete |
| CRR-004 | Delivery of key projects = ability to deliver cross cutting projects | People and the council are not developed sufficiently to make risk based decisions, carry out options appraisals. Decision making can be poor. Innovation is not encouraged, low risk appetite. | Jacqui Yates | Probability: Unlikely (2) Impact: Moderate (3) | 12 | 6 | 6 | | CMT act as mentors within boards to encourage innovation and a culture where decisions are taken based on a robust options appraisal | CMT | 65% |
| | | | | | | | | | Develop clear roles, responsibilities and job descriptions/expectations for managers, heads of, directors | Simon Howick | 50% |
| | | | | | | | | | Development of a business partner model to project management using centre of knowledge within the Project Management office | Jane Lubbock | 100% |
| | | | | | | | | | Development of corporate approach to project management via a corporate project management office. | Jane Lubbock | 100% |
| | | | | | | | | | Development of options appraisal methodology for capital projects | Steve Sprason | 100% |
| CRR-006 | Supplier Management | Ability of the council to manage large contracts and to obtain best value from those contracts | Jacqui Yates | Probability: Unlikely (2) Impact: Moderate (3) | 8 | 6 | 3 | | Corporate contract management framework written and will be rolled out during 2012 | Jane Lubbock | 10% |
| | | | | | | | | | Develop the procurement team as a centre of excellence for relationship management. | Jane Lubbock | 100% |
| | | | | | | | | | Development and approval of procurement strategy. Ensure consistent approach towards supplier management across the organisation. | Jane Lubbock | 100% |
| | | | | | | | | | Implement a mentoring/work shadowing programme where expertise can be shared with new contract managers. | Jane Lubbock | 70% |
| | | | | | | | | | Implement standard contract documentation and approach (based on 4Ps approach to contract management) | Jane Lubbock | 100% |
| CRR-007 | Health & Safety | Existence of operational risks (relating to internal as well as public concerns - property not vehicle) | David Edwards | Probability Possible (3) Impact Major (4) | 12 | 12 | 9 | | Create 'one view' of all corporate assets (issues, status of building, budget, work required, timescales). 'One view' being everything documented in consistent and understandable format which can be shared across organisational boundaries. | Steve Sprason | 50% |
| | | | | | | | | | Develop a corporate approach towards health and safety | Steve Sprason | 100% |
| | | | | | | | | | Establish Corporate Asset Management Group to create a joined up approach towards management of Corporate Assets | Steve Sprason | 50% |
| CRR-012 | Failure to achieve budget reductions over four year period | Inability to achieve savings in budget | Jacqui Yates | Probability: Possible (3) Impact: Moderate (3) | 12 | 9 | 9 | | Effective budget monitoring framework in place | Nigel Kennedy | 85% |
| | | | | | | | | | Proactive management and tracking of major forecast uncertainties | Nigel Kennedy | 90% |
| | | | | | | | | | Robust MTF planning framework in place | Nigel Kennedy | 100% |

| | | | | | | | | | | | |
|---------|--|--|---------------|--|----|----|---|--|--|--------------|-----|
| CRR-013 | Impact on homelessness of changes in Housing Benefit | Changes in housing benefit and universal housing benefit increase homelessness | David Edwards | Probability Possible (3) Impact : Major (4) | 15 | 12 | 9 | | Monitoring and intervention, ensure takeup of benefits | Helen Bishop | 50% |
|---------|--|--|---------------|--|----|----|---|--|--|--------------|-----|

SERVICE RISK REGISTER

| L3desc | Riskcode | Riskdescription | Cause | Riskowner | Current Impact | Current Probability | Total Current | Mitigating Action | Control Due Date | Controlowner | Percentagecomplete |
|-----------------------------------|------------|--|---|----------------|----------------|---------------------|---------------|--|------------------|------------------|--------------------|
| Corporate Property | SRR-009-CA | Costs of development exceed budget availability either through extended brief requirements or expense of tender. Delay to project due to external influences. Lack of staff resourced to adequately manage the project | Lack of effective Project controls/Change control. Disposals risk Planning permission | Ian Gordon | 4 | 3 | 12 | Close control of brief and budget. Agreement with successful contractor regarding tender price. Continual review of risk matrix. Dedicated staff to supervising officer working closely with project manager and cost consultant. Back fill to cover CA role | 31-Mar-2013 | John Bellenger | 50% |
| Housing | SRR-001-HC | Increased costs of provision of temporary accommodation and rent top-up payments | Changes to Housing Benefit and Local Housing Allowance regulations, economic climate leading to more severe problems for customer base. | Dave Scholes | 4 | 4 | 16 | Action plan resulting from CloH Review fo homelessness delivered | | Graham Stratford | 50 |
| Direct Services | SRR-002-DS | Level of charges may be too high to be competitive. | Basis of cost allocation not reflecting service requirement. | Joanne Gardner | 4 | 3 | 12 | Seek to establish effective Service Level Agreements with Corporate Services and other Council Services. | 31-Mar-2012 | Joanne Gardner | 65 |
| Direct Services | SRR-004-DS | Failure to maintain or improve customer satisfaction levels. | Customer expectations increase annually. | Joanne Gardner | 4 | 4 | 16 | Monitor customer involvement and derive the benefits from the CRM system | 31-Mar-2011 | Joanne Gardner | 95 |
| Leisure and Parks | SRR-013-LP | Risk of delay to project beyond May 2012 due to town green application and judicial review | Protesters submitted a town green application for Blackbird Leys Park and aso a judicial review | Hagan Lewisman | 4 | 5 | 20 | Ensure that evidence is collated in regards to potential court case | 30-Apr-2012 | Hagan Lewisman | 100 |
| Business Improvement & Technology | SRR-009-IT | Lack of robust business continuity for the Customer Contact Centre. | The loss of the Customer Contact Cntre for more than 24hrs would have a significant impact on the Concil's operations following the centralisation of Customer Contact onto one site. | David Oakes | 4 | 3 | 12 | Developing a plan to utilise a recovery site a Horspath Road for the Contact Centre. | 31-Dec-2011 | David Oakes | 50 |

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To: Audit & Governance Committee

Date: 28th June 2012

Item No:

Report of: Head of Finance

Title of Report: Progress on Implementation of Audit Recommendations

Summary and Recommendations

Purpose of report: To report progress on the implementation of internal and external audit recommendations.

Policy Framework: Financial Control

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

Background

1. The outcomes of all internal and external audit reports are reported to this Committee. Each report includes recommendations or agreed actions, a summary of those which remain outstanding together with updated management responses are provided in Appendix A.
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 no red recommendations on the external audit recommendation tracker.

- 5 There are 11 external audit recommendations that are being reported as 100% complete and will be removed from the next report. These include: 9 recommendations arising from the audit of the 2010/11 accounts which have been addressed as part of the 2011/12 closedown process, a recommendation relating to the profit centre approach in Corporate Assets which has also been addressed as part of the 2011/12 closedown process; and a recommendation relating to the Certification of Claims audit.
- 6 There are 2 recommendations that are not as yet 100% complete. One is 70% complete and is expected to be completed by its due date and the other recommendation relating to the historic values associated with HRA properties requires further discussion with external audit but is nonetheless 25% complete.

Internal Audit recommendations

- 7 There have been no new internal audit reports finalised since the last meeting, therefore all recommendations on Appendix A are existing recommendations.
- 8 There are 5 recommendations on the internal audit recommendation tracker that are not 100% complete. However, none have breached their implementation date and progress is being made on each to ensure completion.
- 9 There are 4 internal audit recommendations that are being reported as 100% complete and will be removed from the next report.
- 10 Two recommendations have been given revised forecast completion dates these are:
 - IA340 – completion date amended to 30th August 2012 from 31st May 2012, this is because a new post has been created through the fundamental service review but has not yet been filled.
 - IA333 – Completion date amended to 31st July 2012 from 30th June, this is because the Q1 reconciliation can not be completed until after the end of Q1.
- 11 There are no internal audit recommendations that are more than three months over their revised implementation date.

Financial Implications

- 12 Whilst this report is primarily for noting there is the potential that financial implications could arise for the Council if recommendations are not implemented and the internal audit of processes and procedures highlight areas of risk.

Legal Implications

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

Equalities Impact

14 There are no Equalities implications arising from the recommendations in this report.

Climate change/environmental Impact

15 There are no Climate Change implications arising from the recommendations in this report.

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Background papers: None

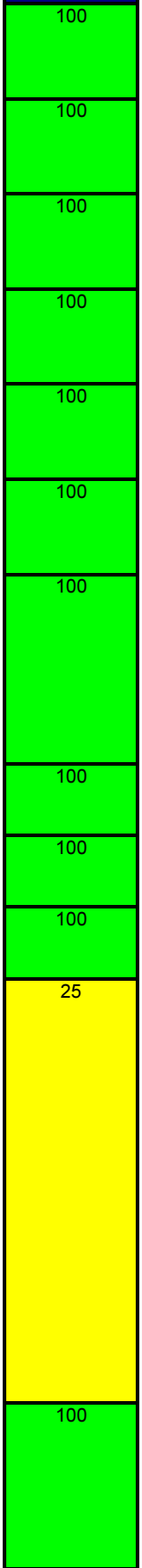
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| Ref | Review | Review Date | Issue Noted | Risk Rating | Recommendation | Updater | Owner | Due Date | Forecast Completion Date | Comments |
|-------|-------------------------------------|-------------|---|-------------|---|----------------|---------------|-------------|--------------------------|---|
| EA043 | Audit Opinion Memo | 1-Oct-2011 | The TB provided was not detailed enough to agree the ledger to the financial statements | Medium | For next year, provide a version of the TB that has code breakdowns and service analysis which allows it to be agreed to the statements | Anna Winship | Nigel Kennedy | 30-Jun-2012 | | This recommendation has been addressed as part of the 11/12 closedown process |
| EA044 | Audit Opinion Memo | 1-Oct-2011 | Some working papers which were out of date and did not agree to the notes in the Accounts e.g. Note 27 segmental analysis. | Medium | Check working papers agree to the notes before handing them to us and are the most recent. | Anna Winship | Nigel Kennedy | 30-Jun-2012 | | This recommendation has been addressed as part of the 11/12 closedown process |
| EA045 | Audit Opinion Memo | 1-Oct-2011 | The Financial Statement did not disclose 2008/09 comparatives for balance sheet items. These were required. | Medium | Ensure all required disclosures are included in the statements. | Anna Winship | Nigel Kennedy | 30-Jun-2012 | | This recommendation has been addressed as part of the 11/12 closedown process |
| EA046 | Audit Opinion Memo | 1-Oct-2011 | There were a few cases where the wrong figure from working papers had been used in the Accounts (e.g. Notes 12 and 23). | Medium | Allow enough time to check the figures. | Anna Winship | Nigel Kennedy | 30-Jun-2012 | | This recommendation has been addressed as part of the 11/12 closedown process |
| EA049 | Audit Opinion Memo | 1-Oct-2011 | Our work on Whole of Government Accounts return found that £5.88m had been disclosed on the wrong line within the CIES. | Medium | Allow enough time next year to check the accounts are accurate | Anna Winship | Nigel Kennedy | 30-Jun-2012 | | This recommendation has been addressed as part of the 11/12 closedown process |
| EA052 | AGS | 30-Sep-2011 | Simplify process for agreeing the ledger to the trial balance and then agreeing this to the financial statements. | Medium | Simplify process for agreeing the ledger to the trial balance and then agreeing this to the financial statements. | Anna Winship | Nigel Kennedy | 30-Jun-2012 | | This recommendation has been addressed as part of the 11/12 closedown process |
| EA053 | AGS | 30-Sep-2011 | Provide a narrative explanation for related spreadsheets to make it easier to follow the thought process of the preparer. Sample check supporting information to the disclosures in the he financial statements to ensure that they agree. Provide an explanation | Medium | Provide an explanation for any variance. | Anna Winship | Nigel Kennedy | 30-Jun-2012 | | This recommendation has been addressed as part of the 11/12 closedown process |
| EA054 | AGS | 30-Sep-2011 | Include all bank accounts in the financial statements. | Medium | Include all bank accounts in the financial statements. | Anna Winship | Nigel Kennedy | 30-Jun-2012 | | This recommendation has been addressed as part of the 11/12 closedown process |
| EA055 | AGS | 30-Sep-2011 | Review cut-off prior to presenting the accounts to audit. | Medium | Review cut-off prior to presenting the accounts to audit. | Anna Winship | Nigel Kennedy | 30-Jun-2012 | | This recommendation has been addressed as part of the 11/12 closedown process |
| EA071 | Certification of Claims and Returns | 30-Dec-2011 | On testing the uncashed cheques on report hb 9882f, some were duplicated | Medium | Ensure that uncashed cheques contained within report hb9883f are only counted once. | Pauline Hull | Helen Bishop | 30-Apr-2012 | | Now complete and uncashed cheques were only counted once |
| EA074 | Certification of claims and returns | 30-Dec-2011 | Property prices held agree to those used to calculate the claim, the council is unable to provide evidence that the prices represent those as at January 1999. | Medium | Review the 24% discount rate for the value of stock used in the Housing Finance base data return | David Watt | Nigel Kennedy | 1-Jul-2012 | | This has been a validation query for several years. It has been decided that as part of the development of the HRA Business Plan that a request for a stock condition survey is undertaken in 2012/13. Part of the brief will be to enhance the Council's current HRA dwelling property valuation information. That said further discussions with external audit are needed to assess the future relevance of this data given the abolishment of the previous subsidy regime, Government affordable rent policy and the drive for increasing HRA stock numbers via new build. |
| EA019 | Asset Management | 27-Apr-2010 | A profit centre approach will be established in respect of discrete property portfolios e.g. City Centre Retail, Agricultural etc so as to be able to allocate expenditure, including costs of management against income. | Medium | A profit centre approach will be established in respect of discrete property portfolios e.g. City Centre Retail, Agricultural etc so as to be able to allocate expenditure, including costs of management against income. | Richard Hawkes | Steve Sprason | 27-Apr-2010 | 30-Jun-2012 | Progress has been made and information is now held and being gathered to identify the expenditure and income, this has been completed as part of the closedown process for 2011/12 |

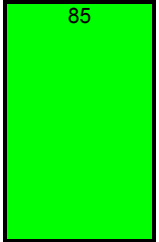
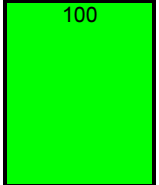
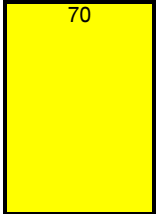
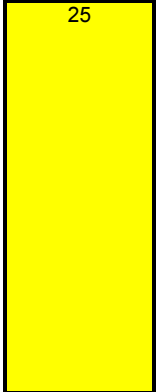
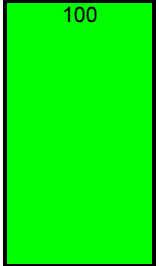
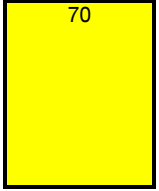
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|-------|-------------------------------------|-------------|---|--------|---|----------------|----------------|-------------|--------------|---|
| EA002 | Certification of Claims and Returns | 23-Mar-2010 | All PC and Laptop Assets recorded with user 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 | David Oakes | Jane Lubbock | 31-Jan-2011 | 30-Aug-2012 | Will be resolved as part of the Windows 7 upgrade project |
| IA349 | Commercial Property | 16-Mar-2012 | Currently no reconciliation is undertaken between Uniform and the fixed asset register to ensure that a complete listing of commercial properties is maintained. This reconciliation was being performed on regular basis until August 2011 but has ceased following the departure of the capital accountant | High | Income is not maximised and property valuations are not accurately stated in the financial accounts. | Anna Winship | Nigel Kennedy | 30-Jun-2012 | 18-May-2012 | The Council has appointed a new Capital Accountant. Going forward the fixed asset register and Uniform will be reconciled on a quarterly basis. A full reconciliation as at 31st March 2012 has now been completed. |
| IA333 | Commercial Property | 16-Mar-2012 | All commercial property income is raised on the Agresso (General Ledger) system. There is currently no reconciliation performed between Agresso and Uniform to ensure that all the rented properties are being billed. It is understood that a full reconciliation of all property income was performed in 2010 and that the Council has plans to produce another reconciliation as part of the 2011/12 close down process. | Medium | Income is not maximised if we are not billing all properties. | Richard Hawkes | Pete Johnson | 30-Jun-2012 | 31-July-2012 | Quarter one reconciliation will be completed early July |
| IA100 | Trade Waste | 1-Jan-2012 | There are currently no procedure notes in place for the White Space system or Trade Waste processes. | Medium | Produce procedure notes and ensure kept up to date | Joanne Gardner | Phil Dunsdon | 31-Jan-2012 | 30-July-2012 | The procedure notes will be completed following Whitespace version 7.5 going live, which is taking place in March 2012 to ensure they are all up to date and relevant to the upgraded software. These should be completed by July 2012. |
| IA327 | Health and safety | 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. | Mark Preston | Simon Howick | 30-Jun-2010 | 30-Apr-2012 | New arrangement in place for H&S reporting to go to CMT on a quarterly basis. Improvement made in management of premises related H&S i.e. risk-based programme in place to give assurance |
| IA342 | ICT | 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 v | 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 | David Oakes | Adrian Orchard | 30-Apr-2010 | 30-Sept-2012 | Will be completed as part of the M drive replacement project |

| | | | | | | | | | | |
|-------|---------------------|------------|---|--------|--|-------------------|----------------|-------------|-------------|---|
| IA339 | Housing Benefits | 19-Mar-12 | The time taken to process changes of circumstances has increased from an average of 9.87 days in 10/11 to 12.31 in 11/12 against a target of 10 days. Also the time taken to process new claims has increased from an average of 16.52 days in 10/11 to 17.95 days in 11/12 against a target of 14 days | Medium | Reduce days taken to process changes and new claims | Paul Wilding | Paul Wilding | 31-Mar-2012 | 30-Jun-2012 | All overpayments where there are no arrangements in place were reviewed before the year end and assessed for write off. With regards to the processing times, there has been a fundamental service review within the Service and the implementation of the recommendations from this review will ensure performance is driven up. |
| IA340 | Housing Benefits | 19-Mar-12 | The Council currently performs 30 spot checks a month on claims processed. All results are recorded on standardised checking forms and any errors logged centrally and amended within 5 days. The following issues were noted when reviewing 25 spot checks. | Low | Issues with processing accuracy may not be identified on a timely basis, increasing the risk that subsidy may be reclaimed from the Council | Anne Harvey-Lynch | Helen Bishop | 31-May-12 | 30-Aug-2012 | The recommendations from the fundamental service review were to create a new post, of which this will be one of their tasks to complete. This post is currently vacant therefore will not be complete until Aug 2012. |
| IA344 | Collection Fund | 1-Jan-2012 | Council tax information may not be accurate and complete resulting in incorrect billing. If reconciliations are not reviewed, errors and omissions may not be identified on a timely basis | Low | The council are aware of the reconciling items and are investigating this with the valuation office. This should be rectified by the 12/13 billing run | Anne Harvey-Lynch | Helen Bishop | 31-Mar-2012 | | Issues have been raised with the Valuation Office and have now been rectified |
| IA345 | Commercial Property | 16-Mar-12 | There are no procedure notes in place to outline the process for agreeing and setting up new tenancies. Whilst there is a process in place, the information requested from tenants differs depending on the nature of the arrangement. | Low | Adequate checks should be performed on tenants before leasing properties. | | Richard Hawkes | 31-Mar-12 | | all procedure notes now complete |

% Complete

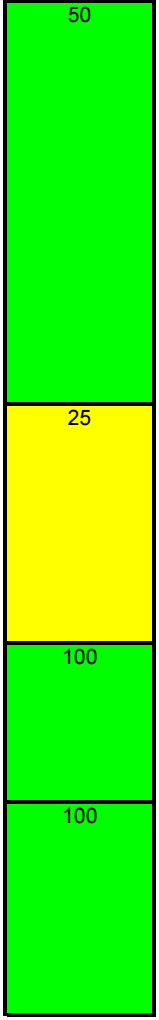


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To: Audit and Governance Committee

Date: 28th June 2011

Item No:

Title of Report: Investigation Team, Finance, Performance 2011/12

Summary and Recommendations

Purpose of report:

1. To report to Members the Investigation Team performance for the period 2011/2012
2. To update Members on Fighting Fraud Locally

Key Decision: No

Board member: Councillor Bob Price

Scrutiny Responsibility: Value & Performance

Ward(s) affected: None

Policy Framework: Financial stability

Recommendation(s): Members are asked to note the report.

1. Outcome of Benefit Investigations for the period 2011/2012.

- 1.1 2011/2012 was a challenging year with heavy case loads, the introduction of the 2 Tenancy Investigation posts, the Audit Commissions National Fraud Initiative (NFI; a 2 yearly data matching exercise) 10/11 matches, the Fraud Investigation upgrade to a Corporate Fraud Investigation System.
- 1.2 The Council received additional funding from The Department for Communities and Local Government for 2012/13; this has enabled the team to employ a second Tenancy Investigation Officer on a temporary contract until June 2013.
- 1.3 The Investigation Team has several performance measures that are reported to the Department for Work and Pension on a quarterly basis. Two of these performance measures are reported and recorded monthly on the Council's performance system CorVu. The team are also part of a

benchmarking group; members of which are from Oxfordshire, Buckinghamshire and Wiltshire.

- 1.4. The targets for 2011/2012 were reduced to reflect the loss of one Benefit Investigation Officer. There has been little variance in the average number of benefit claimants throughout 2011/2012. The year started with an average case load of 12,564 and ended on 12,558.
- 1.5. On average there have been 2.66 FTE Benefit Investigation Officers and 1 FTE Investigation Assistant working on a total of 1606 referrals received through out the year. 462 of these referrals were not investigated as there was no case to answer or the case was referred onto the Job Centre Plus Investigation Team or to the Council Benefit Visiting Officers for further action.
- 1.6 In total 1052 cases were investigated and closed within the year, 275 cases have been carried forward into 2012/2013.
- 1.7. An additional temporary resource (1 FTE for 18 weeks) was employed to process the 2686 NFI benefit, licensing, market traders and payroll data matches. 55 NFI cases remain under further investigation. A high % of these cases are in connection with undeclared student loans and undeclared income from taxi drivers.
- 1.8 As a result of the work done by the team overpaid Housing and Council Benefit has been realised to the value of £690,016. This overpayment figure attracts 40% subsidy from the DWP giving potential revenue to the Council of £276,006
- 1.9 A further sum of £122,262 has been recorded, to date, as savings on the completed NFI data matches. The Council Tax Single Person Discount matches are on hold pending the outcome of a joint Oxfordshire project outsourcing the un-reviewed Single Person Discount Council Tax accounts. (The 2008/09 NFI realised savings of £82,000).
- 1.10. The team have successfully prosecuted, cautioned or administered penalties against 60 claimants who have been found to have committed offences under the Social Security Administration Act. Those who were prosecuted received a general cross section of sentencing, custodial, community punishment, tags, fines and curfews.
- 1.11. The level of overpayments linked to the sanctioned cases totalled £212,921
- 1.12. In addition the team have investigated other Welfare Benefits either on behalf of Job Centre Plus or in partnership with their Fraud Investigation Team and have realised £90,388 overpayments in other Welfare Benefits.

1.13 The key performance indicators for the Investigation Team as reported to the Chief Executive are:

- **Numbers of completed investigations per 1000 live benefit case load.** The target for the year was 58. The performance achieved for this measure for 2011/2012 was 90.19.
- **Number of sanctions per 1000 live benefit case load.** The target was set at 5.2. This performance achieved for this measure for 2011/2012 was 4.73. The main reasons for not meeting this target are the high case load and forced closure of some potential sanction cases due to time delay.

1.14. Housing Tenancy Investigations are now beginning to see results and in the last quarter of 2011/2012, 5 properties were repossessed, realising a saving of £90,000; the cost of temporary accommodation is currently £18,000 a year per family.

1.15 Two of these properties were sublet whilst the absent legal tenant was claiming both Housing and Council Tax Benefit for the property. The investigation also stopped these payments attracting a weekly benefit saving of £196.34 in Housing Benefit and £37.87 in Council Tax Benefit.

2. Fighting Fraud Locally.

2.1 The Council is always at risk of fraud. In light of the current economic position this risk is heightened. The annual fraud loss for Local Authorities as a whole is estimated to be £2.2 billion a year

2.2 All employees are aware of the Councils Avoiding Bribery, Fraud and Corruption and Whistle Blowing Policies. A poster raising awareness is due to be displayed in all Service Areas imminently (see Appendix 2 attached).

2.3 Fighting Fraud Locally is a strategy, published by Government in 2012 and provides a blueprint for a tougher response to tackling fraud. It is a strategy developed in conjunction with local government. The vision for Fighting Fraud Locally is that by 2015 the Council will be better able to protect itself from fraud and will have in place a more effective fraud response by raising the awareness across service areas and building more resilience to the fraud threat. The aim is to be better placed to estimate the level of individual fraud loss and to have a better understanding of where we are at most risk. Once known and/or identified we will be able to use this information to target resources more effectively.

2.4 At present the Investigation Team predominately work on suspected Welfare Benefit Frauds and Housing Tenancy Frauds. In the next 12-18 months the objective is to utilise the investigative resource and skills and to proactively look for potential loss due to fraud in other Service areas.

- 2.5 The Head of Finance, as part of the group formed to consider the implications of the localisation of Council Tax Benefit, is also considering the potential for fraud within the new scheme.
- 2.6 Oxfordshire Councils are currently working together to gather financial data, across their service areas in order to establish the potential fraud loss.
- 2.7 During 2011/2012 three Investigation Officers in the Team attained their professional qualification in investigation skills. All Investigation Officers in the Team are now qualified Counter Fraud Investigation Officers accredited by Portsmouth University. Three Officers have received training in Corporate Fraud Investigations covering; Procurement, Grants, Direct Payments, Insurance, Staff Investigations and Debt Enforcement. Three Officers have received training on Housing Tenancy Fraud. Consequently, the Investigation skills within the team are broader and the team is better equipped to deal with any corporate fraud issues including issues within Council Tax, Business Rates, and Trade Waste for example.

3. The Single Fraud Investigation Service – Update

- 3.1 The Department for Work and Pensions have announced further detail on the proposed operation of the new Single Fraud Investigation Service (SFIS) which will affect the majority of the team.
- 3.2 The new SFIS organisation is due to be in place from 01/04/2013. Between 2013 and 2015 officers working under SFIS will remain employees of Oxford City Council, with no changes to their conditions of employment. The officers will be managed by the Investigation Manager; the allocation of investigation work and the monitoring of performance will be carried out by an SFIS Task Manager; all investigations will be conducted in accordance with SFIS Policies, Procedures and Systems. It has been decided that the delegated powers Local Authorities were due to lose under the Welfare Reform Act will remain, at least until the next staged change which is to take place in 2014/2015. There remains uncertainty at this time in respect of DWP grant/funding to Oxford City Council for 2013/2014 and 2014/2015 supporting the SFIS Officers and investigation administration processes. The finer detail of how the new SFIS service will operate is yet to be announced.

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Fraud

Fraud remains one of the fastest growing areas of crime in modern society.

Any dishonest act reflects badly on both the Authority and the wider public sector.

Bribery and Corruption

Local Government lose an estimated £800 million through fraudulent and corrupt contracts. This includes an employee receiving an award from someone, monetary or otherwise.

The bottom line is that Bribery, Fraud and Corruption is THEFT. We all have a duty to protect public funds.

IF YOU HAVE CONCERNS about bribery, fraud or corruption and want to blow the whistle, talk to your manager or to your Head of Service. Check out the Avoiding Bribery, Fraud and Corruption Policy and the Whistle Blowing Policy to find out more at: <http://occweb/intranet/finance.cfm>

Stamp it out



**Fraud
Bribery
Corruption**



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AUDIT AND GOVERNANCE COMMITTEE

Monday 16 April 2012

COUNCILLORS PRESENT: Councillors Hazell (Chair), Brundin (Vice-Chair), Darke, Mills, Van Nooijen, Williams and Rowley.

OFFICERS PRESENT: Mathew Metcalfe (Democratic and Electoral Services), Lindsay Cane (Law and Governance), Jackie Yates (Corporate Director Finance and Efficiency), Nigel Kennedy (Head of Finance), Anna Winship (Financial Accounting Manager), Steve Sprason (Head of Corporate Assets), Maria Grindley (Audit Commission), Alan Witty (Audit Commission) and Christopher Dickens (Pricewaterhousecoopers (PWC))

60. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Bryan Keen (Councillor Mike Rowley attended as a substitute) and Councillor Matt Morton (Councillor David Williams attended as a substitute).

61. DECLARATIONS OF INTEREST

None declared.

62. AUDIT COMMISSION PROGRESS REPORT

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission which detailed the progress made in delivering the work set out in the 20/10/11 audit plan.

Alan Witty from the Audit Commission introduced the report and informed the Committee that improvements had taken place since the previous year. He said that being able to work with Officers early on areas where issues had been identified had been one of the improvements and he thanked the Finance Team for their help.

In response to questions concerning the future of the Audit Commission, Maria Grindley informed the Committee that on 1st November 2012 the current Team would be TUPE over to Ernst and Young. The Council should not see any major changes with this as the Team etc. wanted to maintain consistency. Jackie Yates added that she and Nigel Kennedy had been invited by Ernst and Young to visit their offices and this would take place on 2nd May 2012.

Councillor Hazell asked if each company undertaking audits would produce their own audit guidance. In response Maria Grindley said that all companies worked to the same audit standards, but each had a different approach.

The Committee agreed to note the report.

63. INTERNAL AUDIT SUMMARY REPORT - 2011/12 PLAN - PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which provided an update of the work undertaken as part of the 2011/12 Audit Plan.

Chris Dickens from Pricewaterhousecoopers (PWC) introduced the report and took the Committee through the various audits and said that the current Plan was close to being completed.

The Committee agreed to note the report.

64. COMMERCIAL PROPERTY - PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which detailed the outcome into the review of Commercial Property.

Chris Dickens from Pricewaterhousecoopers (PWC) introduced the report and said that the commercial property area had been audited following a request from the Council.

Steve Sprason, Head of Asset Management, informed the Committee that work had been conducted to improve the procedures for change notes and the processing time of these had dramatically improved.

In response to questions Chris Dickens confirmed that the recommendations would be monitored to ensure that they had been implemented as part of follow-up work which was always conducted with high risk ratings.

The Committee agreed to note the report.

65. RISK ASSESSMENT AND INTERNAL AUDIT PLAN 2012/13

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which set out the risk assessment and internal audit plan for Oxford City Council.

Chris Dickens from Pricewaterhousecoopers (PWC) introduced the report and said that wide consultation had taken place along with a risk assessment in order to produce the plan. He added that audit risks had now been aligned with the corporate objectives and risks.

Councillor Hazell raised the issue of Members training and felt that it would be good for Members to work with Officer to develop a training programme and also to undertake a skills audit of Members.

The Committee agreed to note the report.

66. RISK MANAGEMENT STRATEGY

The Head of Finance submitted a report (previously circulated, now appended) which presented the updated Risk Management Strategy for consideration.

Nigel Kennedy, Head of Finance introduced the report.

Councillor Hazell asked if any Members had accessed the Corvu system as it was important to ensure that Members could access the information. In response Jackie Yates said that risk reports could be presented at future meetings along with a live presentation of the Corvu information.

Councillor Brundin asked what processes were in place to ensure that when a key member of staff left the Council, the work undertaken by them continued. In response Jackie Yates said that it was the responsibility of the Head of Service to monitor. She added that in Finance, procedure notes had been produced which gave resilience when staff changes took place. She further added that if a number of vacancies occurred at the same time across the Council, then the issue could be reported to the Corporate Management Team.

The Committee agreed:

- (a) To note the report and to support the Committee receiving risk reports and Corvu presentations at future meetings:
- (b) That the definition of “periodically”, in Paragraph 17, for the reporting of training provided on risk is defined as annually; and that it is made clearer that this refers to Risk Management Training.
- (c) That all Members are encouraged to attend training provided on risk.

67. ANNUAL REVIEW OF THE AVOIDING BRIBERY, FRAUD AND CORRUPTION POLICY, THE MONEY LAUNDERING POLICY AND PROCEDURE AND THE WHISTLE BLOWING POLICY

The Head of Finance submitted a report (previously circulated, now appended) which detailed the annual review of the policies and sought endorsement for any changes within the policies.

Carol Quainton from Finance attended the meeting and introduced the report.

The Committee agreed to note the report.

68. PREPARATION FOR THE COMPLETION OF THE STATEMENT OF ACCOUNTS FOR 2011-12

The Head of Finance submitted a report (previously circulated, now appended) which updated the Committee on the preparations being made for the completion of the Statement of Accounts for 2011/12.

The Committee agreed:

- (a) To welcome the early preparation work undertaken by Officers;
- (b) To hold a special meeting of the Audit and Governance Committee on 23rd May 2012 to election the Chair and Vice-Chair for the Council Year 2012/13.

69. PROGRESS ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The Head of Finance submitted a report (previously circulated, now appended) which detailed the progress on the implementation of internal and external audit recommendations.

Anna Winship from Finance introduced the report and in response to questions said that recommendation EA008 (Equality and Diversity) had been completed and was no longer a high risk. Regarding recommendation IA349 (Commercial Property) reconciliations were being carried out as part of the close down process.

Councillor Hazell suggested that it would be useful if the Auditors could give assurances that the recommendations which had been implemented and so no longer on the tracker had not slipped back into being a problem.

The Committee agreed to note the report.

70. MINUTES

The Committee agreed to approve the minutes (previously circulated) of the meeting held on 6th February 2012.

71. DATES OF FUTURE MEETINGS

The Committee agreed:

- (a) To hold a special meeting on 23rd May 2012 to elect Chair and Vice Chair for the Council Year 2012/12:
- (b) To note that the next ordinary meeting would be at 6.00pm on Thursday 28th June 2012.

72. ACKNOWLEDGEMENTS

Councillor Hazell thanked the Committee, Officers and the Auditors, both internal and external for their support during her time as Chair over the past 3 years and wished the Committee well for the future as she would be leaving the Council at the forthcoming local elections.

Councillor Brundin also added his thanks as Vice-Chair as he to would be leaving the Council at the forthcoming local elections. He added that he had thoroughly enjoyed his time on the Committee from its transformation from the

Audit Committee with little responsibility to the current Audit and Governance Committee with a wider remit with greatly increased responsibility.

Councillor Van Nooijen on behalf of the Committee thanked the Chair and Vice-Chair for their work and support and also thanked Councillors Keen and Morton who were also leaving the Council at the forthcoming local elections.

The meeting started at 6.00 pm and ended at 7.15 pm

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AUDIT AND GOVERNANCE COMMITTEE

Wednesday 23 May 2012

COUNCILLORS PRESENT: Councillors Rowley (Chair), Rundle (Vice-Chair), Simmons (Vice-Chair), Brett, Clarkson, Darke and Fry.

OFFICERS PRESENT: Mathew Metcalfe (Democratic and Electoral Services)

1. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

None received.

2. DECLARATIONS OF INTEREST

None declared.

3. ELECTION OF CHAIR FOR THE COUNCIL YEAR 2012/13

The Committee agreed to elect Councillor Mike Rowley as Chair for the Council Year 2012/13.

4. ELECTION OF VICE-CHAIR FOR THE COUNCIL YEAR 2012/13

The Committee agreed to elect Councillors David Rundle and Craig Simmons as Co-Vice-Chairs for the Council Year 2012/13.

5. DATES OF FUTURE MEETINGS

The Committee agreed to note the dates of future meetings as detailed on the agenda pages and that the next meeting of the Committee would take place on Thursday 28th June 2012.

The meeting started at Time Not Specified and ended at Time Not Specified

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