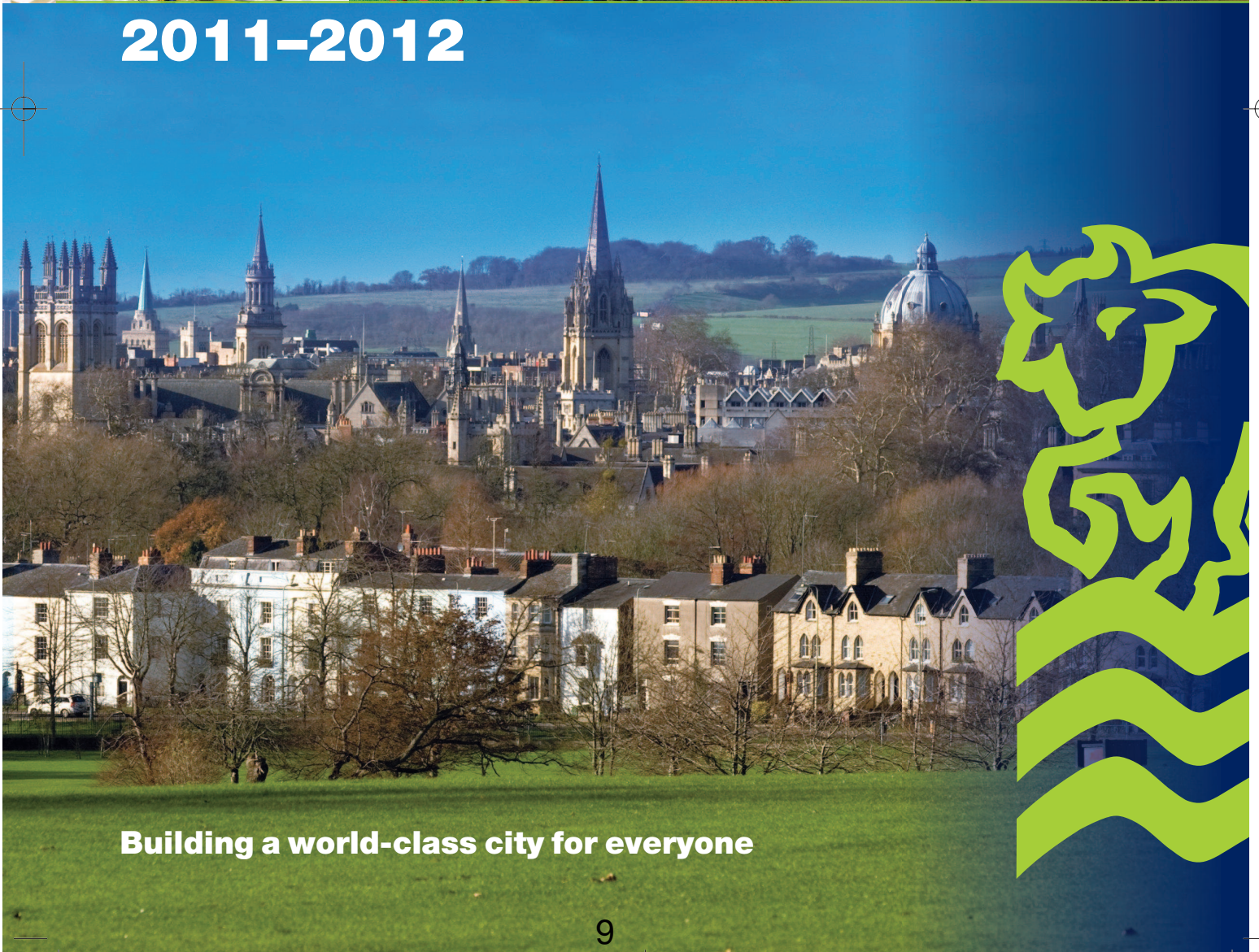


# Statement of Accounts



**2011-2012**



**Building a world-class city for everyone**



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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](mailto: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.

#### • Heritage Assets

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 the 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.

#### • 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.

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

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

## 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).

### • 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.

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.

### • 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
<b>Directorates</b>			
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)
<b>Total Ex' SLAs &amp; Capital Charges</b>	<b>23,792</b>	<b>18,658</b>	<b>(5,134)</b>
SLAs And Capital Charges	(1,640)	(1,642)	(2)
Corporate Below the Line Budgets	2,810	2,404	(406)
<b>Net General Fund</b>	<b>24,962</b>	<b>19,420</b>	<b>(5,542)</b>
Net transfer to reserves	-	5,542	5,542
(Use of)/ transfer to Balances	816	816	-
<b>Net Budget Requirement</b>	<b>25,778</b>	<b>25,778</b>	<b>-</b>
External Funding	13,399	13,399	-
Council Tax	12,355	12,355	-
Collection Fund surplus	24	24	-
<b>Total Funding Available</b>	<b>25,778</b>	<b>25,778</b>	<b>-</b>

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

## EXPLANATORY FOREWORD

- 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**

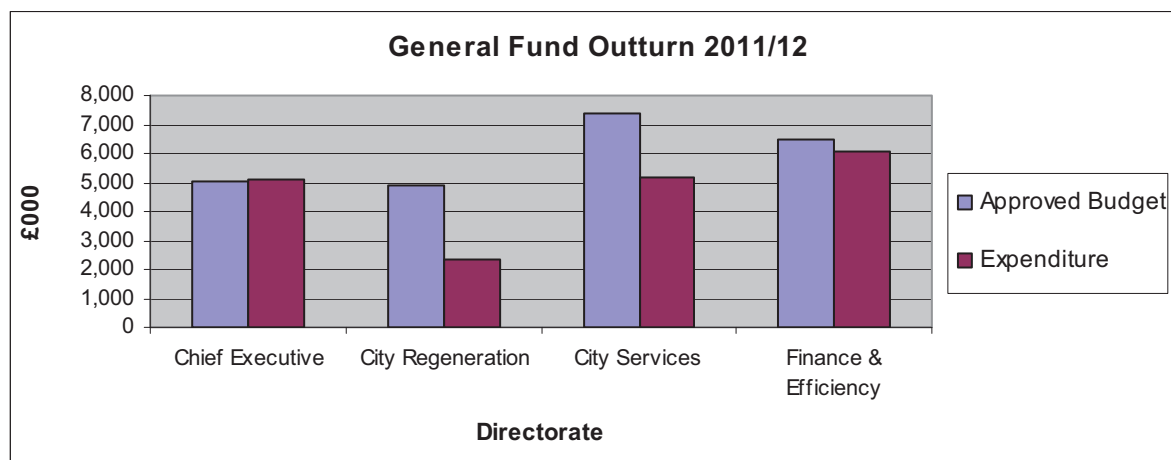
- Reduced interest charged to HRA on cash balances due to lower interest rates and lower cash balances - £0.1 million
- Interest paid on outstanding debt higher than budgeted £0.1 million
- Additional revenue funding for capital projects £0.7 million and increased vehicle funding of £0.5 million
- Increase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



## EXPLANATORY FOREWORD

- **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	688,905	683,074	5,831
Cash, Investments, AHFS and Stocks	30,319	28,702	1,617
Money Oxford owes	(332,833)	(95,660)	(237,173)
Money Oxford is owed	14,831	13,949	882
<b>Net Worth of Council at 31 March</b>	<b>401,222</b>	<b>630,065</b>	<b>(228,843)</b>

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)
<b>Deficit/(Surplus)</b>	<b>(500)</b>	<b>(620)</b>	<b>(120)</b>

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
<b>Total</b>	<b>27</b>	<b>171</b>

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

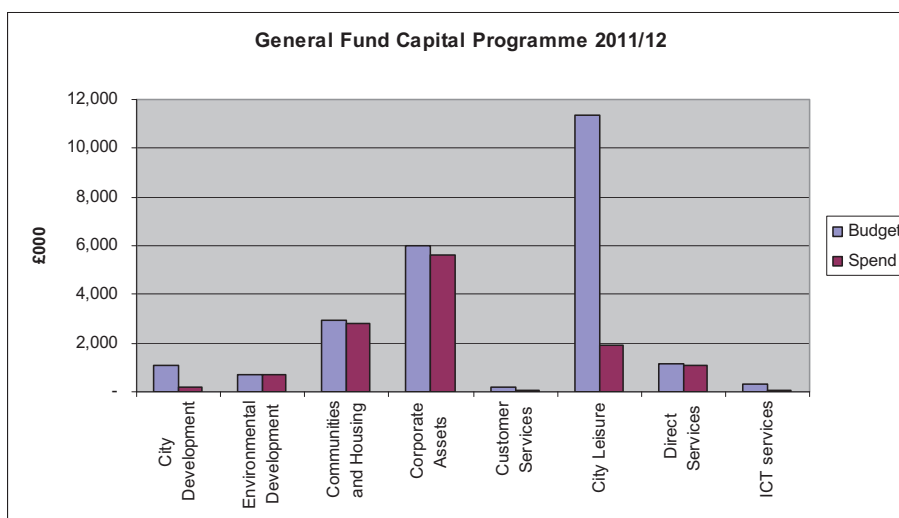
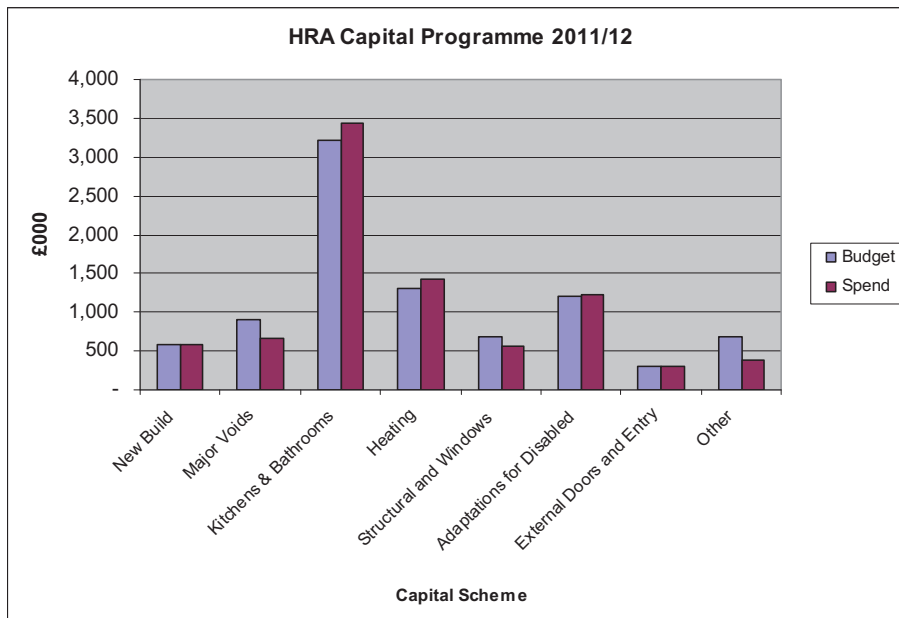
- Increase in council tax exemptions

### 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:

## EXPLANATORY FOREWORD

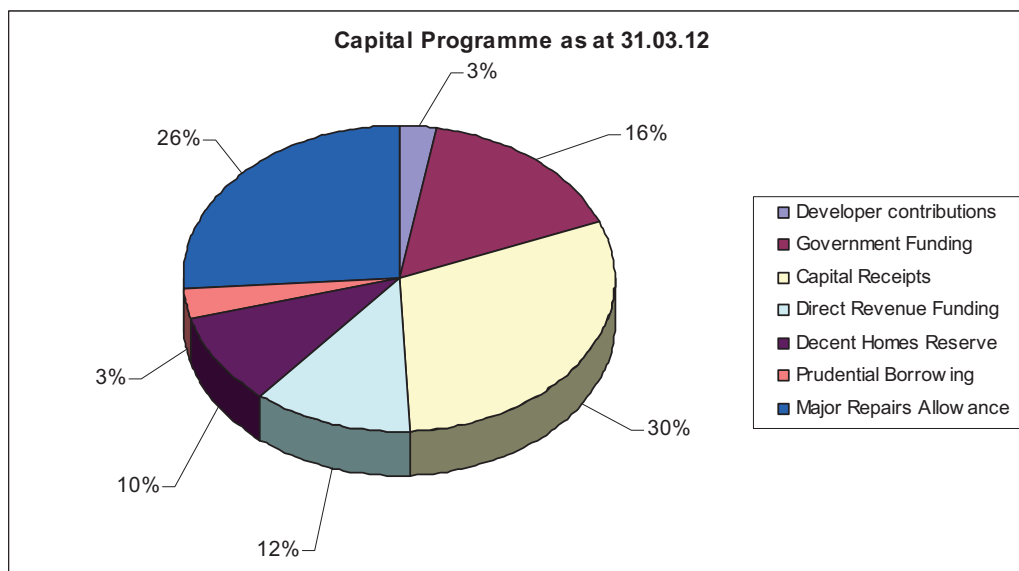
- slippage on the construction of the Competition Swimming Pool at Blackbird Leys of £7.8 million due to a Judicial Review on the Council's decision to progress the project
- £3 million of variations on HRA related schemes including:
  - £1 million underspend on construction of Cardinal House and Lambourne 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



## EXPLANATORY FOREWORD

### 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](http://www.oxford.gov.uk)
- send an e-mail to either:  
Head of Finance (Nigel Kennedy at [nkennedy@oxford.gov.uk](mailto:nkennedy@oxford.gov.uk)) or  
Financial Accounting Manager (Anna Winship at [awinship@oxford.gov.uk](mailto:awinship@oxford.gov.uk))
- write to us at:  
Oxford City Council  
2nd Floor, Town Hall, St Aldates  
Oxford OX1 1BX
- or, contact our auditors via [a-witty@audit-commission.gov.uk](mailto: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
<b>Balance as at 31 March 2010 carried forward</b>	3,140	5,365	2,000	3,390	8,065	369	22,329	602,687	625,018
<b>Movement in Reserves during 2010/11</b>									
Surplus/(Deficit) on the Provision of Services	32,718	-	(81,228)	-	-	-	(48,510)	-	(48,510)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	54,577	54,577
<b>Total Comprehensive Income and Expenditure</b>	<b>32,718</b>	<b>-</b>	<b>(81,228)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(48,510)</b>	<b>54,577</b>	<b>6,067</b>
Adjustments between Accounting Basis & Funding Basis under Regulations	(29,947)	-	80,464	-	1,587	-	52,104	(52,166)	(62)
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>2,771</b>	<b>-</b>	<b>(764)</b>	<b>-</b>	<b>1,587</b>	<b>-</b>	<b>3,594</b>	<b>2,411</b>	<b>6,005</b>
Transfers (to)/from Earmarked Reserves	(1,484)	1,484	764	(764)	-	-	-	-	-
<b>Increase/(Decrease) in 2010/11</b>	<b>1,287</b>	<b>1,484</b>	<b>0</b>	<b>(764)</b>	<b>1,587</b>	<b>-</b>	<b>3,594</b>	<b>2,411</b>	<b>6,005</b>
<b>Balance at 31st March 2011 carried forward</b>	<b>4,429</b>	<b>6,849</b>	<b>2,000</b>	<b>2,627</b>	<b>9,651</b>	<b>369</b>	<b>25,925</b>	<b>605,098</b>	<b>631,023</b>
<b>Restated Movement in Reserves during 2010/11</b>									
Surplus/(Deficit) on the Provision of Services	31,296	-	(81,228)	-	-	-	(49,932)	-	(49,932)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	55,042	55,042
<b>Total Comprehensive Income and Expenditure</b>	<b>31,296</b>	<b>-</b>	<b>(81,228)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(49,932)</b>	<b>55,042</b>	<b>5,110</b>
Adjustments between Accounting Basis & Funding Basis under Regulations	(28,525)	-	80,464	-	1,587	-	53,526	(53,589)	(63)
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>2,771</b>	<b>-</b>	<b>(764)</b>	<b>-</b>	<b>1,587</b>	<b>-</b>	<b>3,594</b>	<b>1,453</b>	<b>5,047</b>
Transfers (to)/from Earmarked Reserves	(1,484)	1,484	764	(764)	-	-	-	-	-
<b>Increase/(Decrease) in 2010/11</b>	<b>1,287</b>	<b>1,484</b>	<b>0</b>	<b>(764)</b>	<b>1,587</b>	<b>-</b>	<b>3,594</b>	<b>1,453</b>	<b>5,047</b>
<b>Balance at 31st March 2011 carried forward</b>	<b>4,429</b>	<b>6,849</b>	<b>2,000</b>	<b>2,627</b>	<b>9,651</b>	<b>369</b>	<b>25,925</b>	<b>604,140</b>	<b>630,065</b>
<b>Movement in Reserves during 2011/12</b>									
Surplus/(Deficit) on the Provision of Services	10,419	-	(196,767)	-	-	-	(186,347)	-	(186,347)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(42,493)	(42,493)
<b>Total Comprehensive Income and Expenditure</b>	<b>10,419</b>	<b>-</b>	<b>(196,767)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(186,347)</b>	<b>(42,493)</b>	<b>(228,840)</b>
Adjustments between Accounting Basis & Funding Basis under Regulations	(4,062)	-	195,548	-	3,302	-	194,788	(194,790)	(2)
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>6,357</b>	<b>-</b>	<b>(1,218)</b>	<b>-</b>	<b>3,302</b>	<b>-</b>	<b>8,441</b>	<b>(237,284)</b>	<b>(228,843)</b>
Transfers (to)/from Earmarked Reserves	(5,541)	5,541	1,838	(1,838)	-	-	-	-	-
<b>Increase/(Decrease) in 2011/12</b>	<b>816</b>	<b>5,541</b>	<b>620</b>	<b>(1,838)</b>	<b>3,302</b>	<b>-</b>	<b>8,441</b>	<b>(237,284)</b>	<b>(228,843)</b>
<b>Balance at 31st March 2012 carried forward</b>	<b>5,245</b>	<b>12,390</b>	<b>2,620</b>	<b>789</b>	<b>12,953</b>	<b>369</b>	<b>34,366</b>	<b>366,856</b>	<b>401,222</b>

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	
	Gross Expenditure £000	Gross Income £000	Gross Expenditure £000	Gross Income £000	Gross Expenditure £000	Gross Income £000
Central Services to the Public	4,465	(1,353)	3,772	(1,101)	3,772	(1,101)
Cultural Services	12,538	(4,660)	5,919	(4,248)	5,919	(4,248)
Environment and Regulatory Services	19,772	(11,028)	16,326	(3,315)	16,326	(3,315)
Planning Services	7,128	(4,257)	2,660	(87)	2,660	(87)
Highways and Transport Services	7,155	(10,693)	8,588	(10,097)	8,588	(10,097)
Local Authority Housing (HRA)	235,344	(37,343)	115,138	(34,850)	115,138	(34,850)
Other Housing Services	104,862	(97,425)	84,385	(77,728)	84,385	(77,728)
Corporate and Democratic Core	4,348	(137)	5,688	(162)	4,266	(162)
Non Distributed Costs	4,015	(964)	(183)	(24,061)	(183)	(24,061)
<b>Cost of Services</b>			<b>231,766</b>		<b>86,644</b>	
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)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>186,347</b>		<b>49,932</b>	
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)
<b>Other Comprehensive Income and Expenditure</b>			<b>42,493</b>		<b>(55,040)</b>	
<b>Total Comprehensive Income and Expenditure</b>			<b>228,840</b>		<b>(5,108)</b>	

On 28th March 2012 the Council paid the Department of Communities and Local Government £198.5 million, this is an exceptional item, 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.

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	576,546	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
<b>Long Term Assets</b>		<b>688,905</b>	<b>683,074</b>	<b>684,032</b>
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	14,831	13,949	16,247
Cash and Cash Equivalents	16 & 19	4,898	12,261	12,261
<b>Current Assets</b>		<b>45,150</b>	<b>42,651</b>	<b>44,949</b>
Short Term Borrowing	16	(816)	(995)	(995)
Short Term Creditors	16 & 21	(17,211)	(20,204)	(22,246)
Provisions	22	-	-	-
<b>Current Liabilities</b>		<b>(18,027)</b>	<b>(21,199)</b>	<b>(23,241)</b>
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	(101,002)	(56,942)	(57,198)
Capital Grants Receipts in Advance	34	(6,152)	(7,840)	(7,840)
<b>Long Term Liabilities</b>		<b>(314,806)</b>	<b>(74,461)</b>	<b>(74,717)</b>
<b>Net Assets</b>		<b>401,222</b>	<b>630,065</b>	<b>631,023</b>
Usable Reserves	MIRS	(34,366)	(25,925)	(25,925)
Unusable Reserves	24	(366,856)	(604,140)	(605,098)
<b>Total Reserves</b>		<b>(401,222)</b>	<b>(630,065)</b>	<b>(631,023)</b>

## 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		186,347	48,510
Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements		(1,037)	(65,287)
Adjustments for Items Included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities		-	-
<b>Net Cash Flows from Operating Activities</b>		<b>185,310</b>	<b>(16,777)</b>
Investing Activities	26	19,300	19,651
Financing Activities	27	(197,248)	957
<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>		<b>7,362</b>	<b>3,831</b>
Cash and Cash Equivalents at the Beginning of the Reporting Period		(12,261)	(16,092)
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	19	<b>(4,898)</b>	<b>(12,261)</b>

# **NOTES TO THE CORE FINANCIAL STATEMENTS**

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## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Accounting Policies

#### 1.1 General Principles

The Statement of Accounts summarises the Council's financial transactions for the 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 of the revised future cash flows discounted at the asset's original effective interest rate. Any gains

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

##### 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



## NOTES TO THE CORE FINANCIAL STATEMENTS

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 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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-

## NOTES TO THE CORE FINANCIAL STATEMENTS

end, but as a minimum they are revalued every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

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

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

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

### **Impairment**

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following basis:

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

#### **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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 £1.2 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability of changes in individual assumptions cannot be measured accurately. The assumptions interact in complex ways. During 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.</p>
Arrears	<p>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.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional 1% or £0.2 million to be set aside as an allowance.</p>

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

General Fund				Collection Fund Council			Court Costs	
Housing Benefit		Sundry Debtors		Year Debt Raised	Provision	NNDR	Year Debt	
Age of Debt	Provision	Age of Debt	Provision				Raised	Provision
<1 Year	50%	<1 Year	60%	2011/12	<b>0.75%</b>	<b>42%</b>	2011/12	25%
<2 Years	80%	<2 Years	60%	2010/11	25%	54%	2010/11	45%
<3 Years	80%	<3 Years	80%	2009/10	45%	63%	2009/10	70%
<4 Years	90%	<4 Years	100%	2008/09	70%	68%	2008/09	75%
<5 Years	90%	<5 Years	100%	2007/08	75%	90%	2007/08	90%
<6 Years	90%	<6 Years	100%	2006/07	90%	98%	2006/07	90%
>6 Years+	90%	>6 Years+	100%	2005/06	90%	98%	2005/06	90%
				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
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of Non-Current Assets	(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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
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
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(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
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	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	-	-	-	-	-	-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve (England and wales):</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7	-	15	-	-	(21)
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	(5,367)	-	5,367
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(15,113)	124	-	-	-	14,989
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,470)	-	-	-	-	4,470
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	-	-	-	-	-	(96)
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(569)	-	-	-	-	569
Other transfer adjustments	34	55	-	(56)	-	-
<b>Total Adjustments</b>	<b>(29,948)</b>	<b>80,466</b>	<b>1,587</b>	<b>-</b>	<b>-</b>	<b>(52,166)</b>

## 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
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of Non-Current Assets	12,093	1,308	-	6,844	-	(20,245)
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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
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
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(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
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	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	-	-	-	-	-	-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7	-	-	-	-	(7)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	259	-	-	(259)
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	(5,491)	-	5,491
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(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
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,893)	(134)	-	-	-	6,027
Employer's pensions contributions and direct payments to pensioners payable in the year	5,466	124	-	-	-	(5,590)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	35	-	-	-	-	(35)
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	535	(208)	-	-	-	(327)
Other transfer adjustments	-	1,353	-	(1,353)	-	-
<b>Total Adjustments</b>	<b>(4,062)</b>	<b>195,548</b>	<b>3,302</b>	<b>-</b>	<b>-</b>	<b>(194,789)</b>

## 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
<b>General Fund:</b>							
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)	-	-	-	-	-
<b>Total General Fund</b>	<b>(10,746)</b>	<b>(7,143)</b>	<b>1,871</b>	<b>(5,475)</b>	<b>(3,673)</b>	<b>2,241</b>	<b>(4,043)</b>
<b>HRA:</b>							
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)
<b>Total HRA</b>	<b>(746)</b>	<b>(701)</b>	<b>2,582</b>	<b>(2,628)</b>	<b>(651)</b>	<b>1,508</b>	<b>(3,484)</b>
<b>Insurance Funds:</b>							
Self Insurance Fund - HRA	(1,363)	(43)	-	(1,321)	(93)	-	(1,227)
Self Insurance Fund - GF	(324)	(300)	29	(52)	(52)	-	-
<b>Total Capital and Insurance Funds</b>	<b>(1,687)</b>	<b>(343)</b>	<b>29</b>	<b>(1,373)</b>	<b>(146)</b>	<b>-</b>	<b>(1,227)</b>
<b>Grand Total</b>	<b>(13,179)</b>	<b>(8,185)</b>	<b>4,482</b>	<b>(9,476)</b>	<b>(4,470)</b>	<b>3,749</b>	<b>(8,756)</b>

## 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

<b>HRA: Reserve Descriptions</b>	
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.
<b>Capital and Insurance Funds: Descriptions</b>	
Self Insurance Fund - HRA	The Self Insurance Fund Reserve is used to cover claim costs that are below the Council's insurance policy excess limit for HRA service areas.
Self Insurance Fund - GF	The Self Insurance Fund Reserve is used to cover claim costs that are below the Council's insurance policy excess limit for GF service areas.

### 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)
<b>Total</b>	<b>(4,312)</b>	<b>(690)</b>

### 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)
<b>Total</b>	<b>(10,762)</b>	<b>(6,548)</b>

### 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)	-
<b>Total</b>	<b>(30,345)</b>	<b>(29,474)</b>

## 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
<b>Cost or Valuation</b>								
<b>At 1 April 2011</b>	465,095	113,032	11,880	207	3,681	4,600	1,816	600,311
additions	8,509	5,249	2,350	-	17	-	3,005	19,130
assets acquired under finance lease	-	-	322	-	-	-	-	322
donations	-	-	-	-	-	-	-	-
revaluation increases/ (decreases) recognised in the Revaluation Reserve	(767)	847	-	-	-	229	-	309
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,402)	(820)	-	-	-	-	-	(3,222)
derecognition - disposals	-	(40)	(314)	-	-	-	-	(354)
derecognition - other assets reclassified (to)/from Held for Sale	(875)	-	-	-	-	-	-	(875)
other movements in cost or valuation	(336)	(716)	-	-	-	(391)	-	(1,443)
	(141)	1,097	-	-	(3,403)	522	(1,540)	(3,465)
<b>At 31 March 2012</b>	<b>469,083</b>	<b>118,651</b>	<b>14,238</b>	<b>207</b>	<b>295</b>	<b>4,960</b>	<b>3,281</b>	<b>610,713</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2011	(5,116)	(10,345)	(5,350)	(64)	(0)	(34)	-	(20,909)
depreciation charge	(5,380)	(4,390)	(1,139)	(15)	(0)	(84)	-	(11,008)
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
<b>At 31 March 2012</b>	<b>(7,139)</b>	<b>(18,277)</b>	<b>(6,210)</b>	<b>(79)</b>	<b>(0)</b>	<b>(101)</b>	<b>(2,362)</b>	<b>(34,168)</b>
<b>Net Book Value</b>								
At 31 March 2012	461,945	100,374	8,028	128	295	4,859	919	576,546
At 31 March 2011	459,979	102,687	6,530	143	3,681	4,566	1,816	579,402
<b>Movement in NBV</b>	<b>1,965</b>	<b>(2,313)</b>	<b>1,499</b>	<b>(15)</b>	<b>(3,386)</b>	<b>293</b>	<b>(897)</b>	<b>(2,856)</b>
<b>Net Book Value Restated for Heritage Assets</b>								
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
<b>Cost or Valuation</b>								
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
assets acquired under finance lease	-	-	-	-	-	-	-	-
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
<b>At 31 March 2011</b>	<b>645,621</b>	<b>119,124</b>	<b>12,587</b>	<b>207</b>	<b>3,681</b>	<b>4,598</b>	<b>7,472</b>	<b>793,290</b>
<b>Accumulated Depreciation and Impairment</b>								
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
<b>At 31 March 2011</b>	<b>(185,642)</b>	<b>(16,438)</b>	<b>(6,057)</b>	<b>(64)</b>	<b>-</b>	<b>(32)</b>	<b>(5,656)</b>	<b>(213,889)</b>
<b>Net Book Value</b>								
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
<b>Movement in NBV</b>	<b>(96,338)</b>	<b>8,274</b>	<b>770</b>	<b>(15)</b>	<b>129</b>	<b>(29)</b>	<b>(1,484)</b>	<b>(88,693)</b>
<b>Net Book Value Restated for Heritage Assets</b>								
At 31 March 2011	459,979	102,687	6,530	143	280	4,566	1,816	576,001
Carried at Historical Cost			8,029		139			8,168
Valued at fair value as at:								0
31 March 2012	462,253	2,809				579	356	465,997
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
<b>Total Cost or Valuation</b>	<b>462,253</b>	<b>100,952</b>	<b>8,029</b>	<b>128</b>	<b>294</b>	<b>4,859</b>	<b>918</b>	<b>577,432</b>

## 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
		<b>1,402</b>	<b>7,066</b>

### 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	-	-	-	-	-	-	-
<b>31 March 2011</b>	<b>1,412</b>	<b>13</b>	<b>361</b>	<b>38</b>	<b>420</b>	<b>200</b>	<b>2,444</b>
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	-	-	-	-	-	-	-
<b>31 March 2012</b>	<b>1,411</b>	<b>47</b>	<b>363</b>	<b>38</b>	<b>423</b>	<b>214</b>	<b>2,496</b>

## 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	5,739	5,788
Direct operating expenses arising from Investment Property	(599)	(299)
Net Gain/(Loss)	5,140	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	(1,552)	-
Other Changes (net revaluation)	5,154	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
<b>Balance at 1 April</b>		
- Gross carrying amounts	561	543
- Accumulated amortisation	(99)	
	0	0
<b>Net Carrying Amount at Start of Year</b>	<b>462</b>	<b>543</b>
Additions:		
- Internal development	0	0
- Purchases	0	18
- Acquired through Business Combinations	0	0
Amortisation for the period	(102)	(99)
Other Changes	0	0
<b>Balance at 31 March</b>	<b>360</b>	<b>462</b>
Comprising:		
- Gross Carrying Amounts	561	561
- Accumulated Amortisation	(201)	(99)
	<b>360</b>	<b>462</b>

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
<b>Investments</b>				
Loans and Receivables	32	32	28,543	24,055
<b>Total Investments</b>	<b>32</b>	<b>32</b>	<b>28,543</b>	<b>24,055</b>
<b>Debtors</b>				
Loans and Receivables	23,368	21,704	14,831	13,949
<b>Total Debtors</b>	<b>23,368</b>	<b>21,704</b>	<b>14,831</b>	<b>13,949</b>
<b>Borrowings</b>				
Financial Liabilities at Amortised Cost	(201,354)	(3,641)	(816)	(995)
<b>Total Borrowings</b>	<b>(201,354)</b>	<b>(3,641)</b>	<b>(816)</b>	<b>(995)</b>
<b>Other Long Term Liabilities</b>				
Deferred Liabilities	(1,061)	(1,736)	(269)	(256)
Finance Lease Liability	(2,019)	(2,006)	-	-
Liability for Defined Benefit Pension Scheme	(97,922)	(53,200)	-	-
<b>Total Other Long Term Liabilities</b>	<b>(101,002)</b>	<b>(56,942)</b>	<b>(269)</b>	<b>(256)</b>
<b>Creditors</b>				
Financial Liabilities at Amortised Cost Amounts	-	-	(17,211)	(22,246)
Financial Assets carried at Contract Amounts	-	-	-	-
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>(17,211)</b>	<b>(22,246)</b>

### 17. Inventories

	Consumable Stores		Maintenance		Total	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000	£000	£000
<b>Balance Outstanding at Start of Year</b>	<b>39</b>	<b>41</b>	<b>746</b>	<b>635</b>	<b>785</b>	<b>676</b>
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	-	-	-	-	-	-
<b>Balance Outstanding at Year End</b>	<b>14</b>	<b>39</b>	<b>754</b>	<b>746</b>	<b>768</b>	<b>785</b>

#### 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	3,512	4,262
Other Local Authorities	3,344	3,168
NHS Bodies	-	-
Public Corporation and Trading Funds	-	-
Other Entities and Individuals	7,975	6,518
<b>Total</b>	<b>14,831</b>	<b>13,949</b>

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	-	-
<b>Total Cash and Cash Equivalents</b>	<b>4,898</b>	<b>12,261</b>

### 20. Assets Held for Sale

	Current		Non Current	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
<b>Balance Outstanding as Start of Year</b>	<b>3,862</b>	<b>1,419</b>	-	-
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	-	(64)	-	-
Assets declassified as Held for Sale:				
Council Dwellings	(71)	-	-	-
Assets sold	(5,772)	(2,097)	-	-
<b>Balance Outstanding as Year End</b>	<b>1,008</b>	<b>3,862</b>	-	-

There were no significant Investment Property assets categorised as Assets Held for Sale, or disposed of, during 2011-12.

Two formerly operational Property Plant & Equipment assets, with individual Balance Sheet values of over £1.8 million, were disposed of during 2011-12.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Premises in Blue Boar Street (former Council offices) and Grantham House in Jericho (former Sheltered Housing complex) were regarded as surplus to operational requirements. The Blue Boar Street disposal contributed towards Oxford City Council meeting savings targets.

There are no significant Property Plant & Equipment assets classified as Assets Held for Sale at 31 March 2012.

### 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	(3,251)	(7,756)
NHS Bodies		-
Public Corporations and Trading Funds		-
Other Entities and Individuals	(13,012)	(10,573)
<b>Total</b>	<b>(16,942)</b>	<b>(19,896)</b>

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 Non		Injury and Damage Non		Other Provisions Non		Total
	Current £000	Current £000	Current £000	Current £000	Current £000	Current £000	£000
<b>Balance at 1 April 2010</b>	-	(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	-	-	-	-	-	-	-
<b>Balance at 1 April 2011</b>	-	(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	-	-	-	-	-	-	-
<b>Total Provisions as at 31 March 2012</b>	<b>-</b>	<b>(1,337)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,961)</b>	<b>(6,298)</b>

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.

### Other Provisions

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

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

### 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 £000	restated 2010/11 £000	2010/11 £000
Revaluation Reserve	(34,870)	(34,778)	(34,314)
Available for Sale Financial Instruments Reserve	-		-
Capital Adjustment Account	(412,537)	(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
<b>Total Unusable Reserves</b>	<b>(366,856)</b>	<b>(604,140)</b>	<b>(605,098)</b>

#### 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
<b>Balance at 1 April</b>	(34,778)	(58,550)	(58,550)
Prior year adjustments			
Upward revaluation of assets	(4,566)	(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	(37,515)	(40,526)	(40,062)
Difference between fair value depreciation and historical cost depreciation	2,693	5,524	5,524
Accumulated gains on assets sold or scrapped	37	206	206
Amount written off to the Capital Adjustment Account	(85)	18	18
<b>Balance at 31 March</b>	<b>(34,870)</b>	<b>(34,778)</b>	<b>(34,314)</b>

### b) Capital Adjustment Account

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

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

Note 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
<b>Capital Adjustment Account</b>						
<b>Balance at 1 April</b>		(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	17,623		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	
		25,277		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		23,074		84,588		83,166
<b>Capital financing applied in the year:</b>						
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)		-		-
<b>Balance at 31 March</b>		(412,537)		(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
<b>Balance at 1 April</b>	(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
<b>Balance at 31 March</b>	(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
<b>Balance at 1 April</b>	<b>53,200</b>	<b>145,622</b>
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)
<b>Balance at 31 March</b>	<b>97,923</b>	<b>53,200</b>

### e) Collection Fund Adjustment Account

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

	2011/12 £000	2010/11 £000
<b>Balance at 1 April</b>	<b>(29)</b>	<b>(125)</b>
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	35	96
<b>Balance at 31 March</b>	<b>6</b>	<b>(29)</b>

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

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

The Employment Reserve accounts for the Termination Payments that have been accrued but not paid as at 31 March 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
<b>Accumulated Absences Account</b>		
<b>Balance at 1 April</b>	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)
<b>Balance at 31 March</b>	<b>1,902</b>	<b>1,575</b>

### 25 Operating Activities

	2011/12 £000	2010/11 £000
<b>Operating activities within the Cashflow Statement include the following cashflows relating to Interest</b>		
Cash Interest Received	233	479
Cash Interest Paid	(477)	(562)
<b>Total</b>	<b>(244)</b>	<b>(83)</b>

### 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)
Proceeds from short-term and long-term investments	-	-
Other receipts from Investing Activities	-	(4,407)
<b>Total Cash Flows from Investing Activities</b>	<b>19,300</b>	<b>19,651</b>

### 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	285	(36)
Payments for the reduction of a Finance Lease Liability	-	(2)
Payments for the reduction of a PFI Liability	-	-
<b>Total Cash Flows from Financing Activities</b>	<b>(197,248)</b>	<b>957</b>

## 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
<b>2011/12</b>					
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)
<b>Total Income</b>	<b>(6,904)</b>	<b>(50,215)</b>	<b>(121,775)</b>	<b>(7,729)</b>	<b>(186,623)</b>
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	14,893	3,869	274	19,038
<b>Total Expenditure</b>	<b>8,013</b>	<b>264,212</b>	<b>134,657</b>	<b>11,507</b>	<b>418,389</b>
<b>Net Expenditure</b>	<b>1,109</b>	<b>213,997</b>	<b>12,882</b>	<b>3,778</b>	<b>231,766</b>

	Chief Executive £000	City Regeneration £000	City Services £000	Finance & Efficiency £000	Total Cost of Services £000
<b>Restated 2010/11 Comparative Figures</b>					
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)
<b>Total Income</b>	<b>(3,529)</b>	<b>(14,228)</b>	<b>(150,142)</b>	<b>(9,355)</b>	<b>(177,254)</b>
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
<b>Total Expenditure</b>	<b>4,987</b>	<b>23,255</b>	<b>243,619</b>	<b>(7,963)</b>	<b>263,898</b>
<b>Net Expenditure</b>	<b>1,458</b>	<b>9,027</b>	<b>93,477</b>	<b>(17,318)</b>	<b>86,644</b>

	Chief Executive £000	City Regeneration £000	City Services £000	Finance & Efficiency £000	Total Cost of Services £000
<b>2010/11 Comparative Figures</b>					
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)
<b>Total Income</b>	<b>(3,529)</b>	<b>(14,228)</b>	<b>(150,142)</b>	<b>(9,355)</b>	<b>(177,254)</b>
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
<b>Total Expenditure</b>	<b>4,987</b>	<b>21,833</b>	<b>243,619</b>	<b>(7,963)</b>	<b>262,476</b>
<b>Net Expenditure</b>	<b>1,458</b>	<b>7,605</b>	<b>93,477</b>	<b>(17,318)</b>	<b>85,222</b>

#### □ 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)
<b>Total Income</b>	<b>(186,623)</b>	<b>(42,726)</b>	<b>(229,349)</b>
Employee Expenses	43,910	-	43,910
Other Service Expenses	334,122	-	334,122
Support Service Recharges	21,319	-	21,319
Depreciation, Amortisation and Impairment	19,038	-	19,038
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)
<b>Total expenditure</b>	<b>418,389</b>	<b>(2,693)</b>	<b>415,696</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>231,766</b>	<b>(45,419)</b>	<b>186,347</b>
	<b>Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total (Surplus)/Deficit on the Provision of Services</b>
	£000	£000	£000
<b>Restated 2010/11</b>			
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)
<b>Total Income</b>	<b>(177,254)</b>	<b>(39,535)</b>	<b>(216,789)</b>
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)
<b>Total Expenditure</b>	<b>263,898</b>	<b>2,823</b>	<b>266,721</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>86,644</b>	<b>(36,712)</b>	<b>49,932</b>
	<b>Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total (Surplus)/Deficit on the Provision of Services</b>
	£000	£000	£000
<b>2010/11</b>			
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)
<b>Total Income</b>	<b>(177,254)</b>	<b>(39,535)</b>	<b>(216,789)</b>
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)
<b>Total Expenditure</b>	<b>262,476</b>	<b>2,823</b>	<b>265,299</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>85,222</b>	<b>(36,712)</b>	<b>48,510</b>

## 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
<b>Building Control Charging Account</b>	Turnover	(544)	(607)
	Expenditure	499	552
	<b>(Surplus)/Deficit</b>	<b>(45)</b>	<b>(55)</b>
<b>Trade Refuse &amp; Recycling</b>	Turnover	(2,284)	(1,771)
	Expenditure	1,377	973
	<b>(Surplus)/Deficit</b>	<b>(907)</b>	<b>(798)</b>
<b>Estates</b>	Turnover	-	(229)
	Expenditure	-	247
	<b>(Surplus)/Deficit</b>	<b>-</b>	<b>18</b>
<b>Net Surplus on Trading Operations</b>		<b>(952)</b>	<b>(835)</b>

### 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
<b>Net Expenditure recharged to Oxfordshire County Council arising from the Agency Arrangement</b>	<b>1,442</b>	<b>1,366</b>

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

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

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



## 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
<b>Members' Allowances</b>		
Allowances	336	342
Expenses	3	4
<b>Total Payments</b>	<b>339</b>	<b>346</b>

### 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	107,907	22,034	129,941
Director, City Services	2011/12	109,080	22,034	131,114
	2010/11	109,080	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
<b>Total Number of Employees</b>	<b>28</b>	<b>30</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Exit Package cost band including special payments:

	Number of compulsory redundancies		Number of other agreed departures		Total number of packages		Total cost of exit packages	
	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	-	-	-	-	-	-	-	-
<b>Total</b>	<b>0</b>	<b>0</b>	<b>38</b>	<b>36</b>	<b>38</b>	<b>36</b>	<b>1,093</b>	<b>801</b>

### 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	212	192
Certification of Grant Claims & Returns	75	91
<b>Total</b>	<b>287</b>	<b>283</b>

### 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
<b>Grants Credited to Taxation and Non Specific Grant Income</b>		
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	-
<b>Total</b>	<b>17,824</b>	<b>16,919</b>
<b>Grants Credited to Services</b>		
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	-
<b>Total</b>	<b>76,292</b>	<b>72,550</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the money to be returned to the 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
<b>Total</b>	<b>6,152</b>	<b>7,840</b>

### 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	-
<b>Total</b>	<b>2,485</b>	<b>629</b>

## 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
<b>Opening Capital Financing Requirement</b>	<b>26,044</b>	<b>14,219</b>	<b>14,219</b>
<b>Capital Investment</b>			
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
<b>Total Capital Spend</b>	<b>21,012</b>	<b>24,882</b>	<b>24,882</b>
<b>Sources of Finance</b>			
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
<b>Sources of Finance Total</b>	<b>(174,151)</b>	<b>13,057</b>	<b>16,488</b>
<b>Closing Capital Financing Requirement</b>	<b>221,207</b>	<b>26,044</b>	<b>22,613</b>
<b>Explanation of Movements in Year</b>			
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	-	-	-
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>195,163</b>	<b>11,825</b>	<b>8,394</b>

### 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
<b>Total</b>	<b>2,185</b>	<b>2,048</b>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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
<b>Total</b>	<b>3,242</b>	<b>3,178</b>	<b>2,212</b>	<b>2,057</b>

### 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	-	-
<b>Total</b>	<b>-</b>	<b>5</b>

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.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £75,000 contingent rents were payable by the Authority (2010/11 £75,000).

## 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
<b>Finance Lease debtor (net present value of minimum lease payments)</b>		
- Current	7	8
- Non Current	13,450	13,456
Unearned Finance Income	-	-
Unguaranteed Residual Value of Property	-	-
<b>Gross Investment in the Lease</b>	<b>13,457</b>	<b>13,464</b>

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
<b>Total</b>	<b>13,457</b>	<b>13,464</b>	<b>13,457</b>	<b>13,464</b>

### 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	31 Mar 2011 £000
Within 12 Months	4,630	4,250
1-5 Years	17,202	12,970
Over 5 Years	57,882	18,136
<b>Total</b>	<b>79,714</b>	<b>35,356</b>

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). The increase in the estimated operational Lease income in 2011/12 is mainly due to the inclusion of the operational Lease element of land in Finance Leases previously not estimated. In addition, a reduction of income has now been estimated to remove lease income streams that were held over.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 38. Impairment Losses

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

The largest Impairments are St Aldate Chambers (£3.4 million) and Old Fire Station (£2.4 million). This relates to Capital Expenditure not enhancing the asset.

### 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	<b>Local Government Pension Scheme</b>	
	<b>2011/12 £000</b>	<b>2010/11 £000</b>
<b>Cost of Services</b>		
Current Service Cost	4,798	6,277
Past Service Costs	(460)	(22,702)
Settlements and Curtailments	386	108
<b>Financing and Investment Income and Expenditure</b>		
Interest Cost	11,211	12,541
Expected Return on Scheme Assets	(10,345)	(9,429)
<b>Total Post Employment Benefit Charged to the Surplus/(Deficit) on the Provision of Services</b>	<b>5,590</b>	<b>(13,205)</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
Actuarial (Gains) and Losses	45,160	(72,962)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>50,750</b>	<b>(86,167)</b>
<b>Movement in Reserves Statement</b>		
Reversal of Net Charges made to the Surplus/(Deficit) for the Provision of Services for Post Employment Benefits in accordance with the Code	(5,590)	13,205
<b>Actual amount charges against the General Fund Balance for pensions in the year</b>		
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
<b>Opening Balance 1 April</b>	<b>204,085</b>	<b>284,790</b>
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
<b>Closing Balance 31 March</b>	<b>251,205</b>	<b>204,085</b>

### Reconciliation of Fair Value of the Schemes Assets

	2011/12 £000	2010/11 £000
<b>Opening Balance 1 April</b>	<b>150,885</b>	<b>139,168</b>
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	-	-
<b>Closing Balance 31 March</b>	<b>153,282</b>	<b>150,885</b>

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
<b>Present Value of Liabilities</b>					
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.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £32m cannot be assessed generally as the risk of any institution failing to make interest payment or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of ir-recoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallize.

### 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	739
Between 1 and 5 years	2,826	816
Between 5 and 10 years	20,000	2,822
Over 10 years	178,528	-
	<b>202,170</b>	<b>4,377</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### d) Analysis of Financial Liabilities

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

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.

	2011/12 £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
Finance Lease Liability	2,019	2,006
Debtors	23,368	21,704
Long Term Debtors	16,795	16,247
	<b>245,510</b>	<b>45,752</b>
Interest	-	-
<b>Amortised Cost</b>	<b>245,510</b>	<b>45,752</b>
<b>Fair Value</b>	<b>211,963</b>	<b>5,600</b>

### e) Analysis of Financial Assets

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

	2011/12 £000	2010/11 £000
Short Term Investments	32,000	24,794
Long Term Investments	32	32
Cash	(3,457)	(739)
Creditors	18,906	22,246
	<b>28,576</b>	<b>46,333</b>
Interest	-	-
<b>Amortised Cost</b>	<b>28,576</b>	<b>46,333</b>

## 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:

<b>Fair Value of Assets and Liabilities carried at Amortised Cost</b>	<b>2011/12</b>		<b>2010/11</b>	
	<b>Carrying amount £000</b>	<b>Fair Value £000</b>	<b>Carrying amount £000</b>	<b>Fair Value £000</b>
PWLB Debt	202,166	211,963	4,376	5,600
Non - PWLB Debt	1,162	1,162	1,417	1,417
<b>Total Debt</b>	<b>203,328</b>	<b>213,125</b>	<b>5,793</b>	<b>7,017</b>
Trade Creditors	13,012	13,012	10,573	10,573
<b>Total Financial Liabilities</b>	<b>216,340</b>	<b>226,137</b>	<b>16,366</b>	<b>17,590</b>
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	7,975	7,975	6,518	5,941
<b>Total Loans and Receivables</b>	<b>63,343</b>	<b>63,343</b>	<b>53,016</b>	<b>52,439</b>

### 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
<b>Cost/value of Acquisitions of Heritage Assets</b>		
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
<b>Total Cost of Purchases</b>	-	2,444
<b>Value of Heritage Assets Acquired by Donation</b>		
	14	-
<b>Total Donations</b>	<b>14</b>	-
<b>Disposals</b>		
Carrying Value	-	-
Proceeds	-	-
<b>Disposals</b>		
Carrying Value	-	-
Proceeds	-	-
<b>Impairment recognised in the period</b>		
Great Mace, Plate Room Silver Plaques and Cutlery	(1)	-
Furniture	-	-
Civic Regalia including Chains of Office Coat of Arms, registration	-	-
Fire Arms	-	-
Pictures and Drawings	-	-
Non Operational Property	-	-
<b>Total</b>	<b>(1)</b>	-

**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
<b>Long-Term Assets</b>	<b>766,475</b>	<b>765,517</b>	<b>(958)</b>
<b>Net Assets</b>	<b>625,016</b>	<b>624,058</b>	<b>(958)</b>
Unusable Reserves	602,677	601,719	(958)
<b>Total Reserves</b>	<b>625,016</b>	<b>624,058</b>	<b>(958)</b>

## 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	-	-	-
<b>Other Comprehensive Income and Expenditure</b>	<b>54,577</b>	<b>55,041</b>	<b>464</b>
<b>Adjustments between the accounting basis and the funding basis under regulations</b>	<b>52,167</b>	<b>53,589</b>	<b>1,422</b>
Increase/(Decrease) in the Year	2,410	1,452	958
<b>Balance at the end of the current reporting period 31 March 2011</b>	<b>605,098</b>	<b>604,140</b>	<b>(958)</b>

### 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
<b>Long-Term Assets</b>	<b>684,032</b>	<b>683,074</b>	<b>(958)</b>
<b>Net Assets</b>	<b>631,023</b>	<b>630,065</b>	<b>(958)</b>
Unusable Reserves	605,098	604,140	(958)
<b>Total Reserves</b>	<b>631,023</b>	<b>630,065</b>	<b>(958)</b>

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

# **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

	2011/12 £000	2010/11 £000
<b>Expenditure</b>		
Repairs & Maintenance	9,228	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	8,154	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	198,528	0
<b>Total Expenditure</b>	<b>236,613</b>	<b>114,891</b>
<b>Income</b>		
Dwelling Rents (Gross)	(33,864)	(31,406)
Non Dwelling Rents (Gross)	(1,528)	(1,457)
Charges for Services & Facilities	(1,903)	(1,759)
<b>Total Income</b>	<b>(37,295)</b>	<b>(34,622)</b>
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	199,318	80,269
HRA Services' share of Corporate and Democratic Core	202	274
Trading Account	-	18
<b>Net Income for HRA Services</b>	<b>199,520</b>	<b>80,561</b>
<b>HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
(Gain)/Loss on Sale of HRA Fixed Assets	(3,470)	-
Interest Payable and Similar Charges	753	710
Interest and Investment Income	(36)	(43)
<b>(Surplus)/Deficit for the year on HRA Services</b>	<b>196,767</b>	<b>81,228</b>

#### 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
<b>Balance on the HRA at the end of the Previous Year</b>	<b>(2,000)</b>	<b>(2,000)</b>
(Surplus)/Deficit for the Year on the HRA Income and Expenditure Account	196,767	81,228
Adjustments between Accounting Basis and Funding Basis Under Statute	0	
- Difference between interest payable and similar charges	-	-
- Difference between any other item of income and expenditure	208	-
- Gain or loss on sale of HRA non-current assets	3,470	-
- HRA share of contributions to or from the Pensions Reserve	10	(314)
- Capital expenditure funded by the HRA	2,017	1,397
- Sums directed by the Secretary of State to be debited or credited to the	(198,528)	-
- Transfer to/from the Major Repairs Reserve	(321)	(140)
- Transfer to/from the Capital Adjustment Account	(2,405)	(81,407)
- Transfer to/from Housing Repairs Account	-	-
<b>Net Increase/(Decrease) before Transfers to or from Reserves</b>	<b>1,218</b>	<b>764</b>
Transfer to and from Reserves	(1,838)	(764)
<b>Increase/(Decrease) in Year on the HRA</b>	<b>(620)</b>	<b>0</b>
<b>Balance on the HRA at the end of the Current Year</b>	<b>(2,620)</b>	<b>(2,000)</b>

## 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
<b>Houses</b>			
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
<b>Flats</b>			
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
<b>Non Dwelling Properties</b>			
Hostels	8	8	8
<b>Overall Total</b>	<b>7,836</b>	<b>7,847</b>	<b>7,855</b>

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

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

	2011/12	2010/11 Restated	2010/11
<b>Summary of Changes in Garages &amp; Parking Spaces</b>			
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)	-
<b>Stock at 31 March 2012</b>	<b>2,602</b>	<b>2,602</b>	<b>2,605</b>

## 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 representing the economic cost to government of providing council housing, the social housing factor reduction of 32% reduced the value to an Existing Use Value - Social Housing of £459.9 million.

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

	2011/12 cost or valuation £000	2011/12 depreciation £000	2011/12 Net Book Value £000
Council Dwellings	469,083	(7,139)	461,945
Other Land and Buildings	18,705	(1,049)	17,656
Vehicles, Plant, Furniture and Equipment	-	-	-
Infrastructure and Community Assets	69	-	69
Assets Under Construction	-	-	-
Surplus Assets not Held for Sale	621	(25)	596
Investment Properties	113	-	113
Assets Held for Sale	74	-	74
<b>As at 31 March</b>	<b>488,665</b>	<b>(8,213)</b>	<b>480,453</b>

	2010/11 cost or valuation £000	2010/11 depreciation £000	2010/11 Net Book Value £000
Council Dwellings	645,621	(185,642)	459,979
Other Land and Buildings	19,350	(669)	18,681
Vehicles, Plant, Furniture and Equipment	67	67	-
Infrastructure and Community Assets	68	-	68
Assets Under Construction	-	-	-
Surplus Assets not Held for Sale	311	(8)	303
Investment Properties	162	-	162
Assets Held for Sale	1,957	-	1,957
<b>As at 1 April</b>	<b>667,536</b>	<b>(186,386)</b>	<b>481,150</b>

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

	2011/12 £000	2010/11 £000
<b>Opening Balance</b>	-	-
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
<b>Closing Balance</b>	<b>-</b>	<b>-</b>

## 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	-	-
<b>Total Spend</b>	<b>8,577</b>	<b>14,930</b>
<b>Sources of Finance</b>		
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	-
<b>Total Spend</b>	<b>8,577</b>	<b>14,930</b>

### H2.4 Capital Receipts Received

	2011/12 £000	2010/11 £000
Buildings	(6,028)	(404)
<b>Total</b>	<b>(6,028)</b>	<b>(404)</b>

### 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
<b>Less:</b>		
Interest on Receipts	(7)	(9)
Guideline Rent Income	(33,674)	(32,395)
Rent Constraint Allowance	-	-
<b>Housing Subsidy Payable</b>	<b>(13,180)</b>	<b>(11,809)</b>
Adjustment to Subsidy for Prior Year	24	(24)
<b>Total</b>	<b>(13,156)</b>	<b>(11,833)</b>

## 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)
<b>Total</b>	<b>(36)</b>	<b>(43)</b>

The Housing Revenue Account is debited with Item 8 interest of £682,000 in 2011/12, this relates to the proportion of the external interest relating to the Housing Revenue Account.

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

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

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

### H2.9 Rent Arrears

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

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

## NOTES TO THE HOUSING REVENUE ACCOUNT

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.

### 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
<b>Total Trading Operations</b>	-	-	-	<b>18</b>

### 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	-
<b>Total Capital Commitments HRA</b>		<b>668</b>	<b>1,427</b>

### 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	2010/11 £000
<b>Income</b>		
Council Tax	(63,911)	(63,457)
Business ratepayers	(79,239)	(75,650)
<b>Transfers from General Fund</b>		
Council Tax Benefit	(10,328)	(10,318)
Discretionary Rate Relief	(9)	(20)
<b>Sub Total</b>	<b>(153,487)</b>	<b>(149,445)</b>
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
<b>Sub Total</b>	<b>153,631</b>	<b>150,011</b>
<b>(Surplus)/Deficit</b>	<b>144</b>	<b>566</b>

<b>Collection Fund Balances</b>	2011/12 £000	2010/11 £000
Balance B/forward	(171)	(737)
Movement	144	566
Balance C/forward	(27)	(171)



## COLLECTION FUND

### CF1. Non-Domestic Rates

Under the arrangements for business rates, the Council collects non-domestic rates for its area, based on local rateable values, multiplied by a uniform business rate. The amount collectable, less a cost of collection allowance set by the Department of Communities and Local Government, and any adjustment to the provision for doubtful debts, is paid into the national non domestic rate pool. For each billing authority a set amount per head is paid back. For 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).

### 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
	<b>58,671</b>	<b>47,420</b>		<b>47,943</b>
<b>Crown Properties</b>				0
<b>Allowance of 2% for non-collection</b>				(959)
<b>Total</b>				<b>46,984</b>

## 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
<b>Balance at 31st March 2011 carried forward</b>	<b>630,065</b>		<b>630,065</b>
<b>Movement in Reserves during 2011/12</b>			
Surplus/(Deficit) on the Provision of Services	(186,347)	(4)	(186,351)
Other Comprehensive Income and Expenditure	(42,493)		(42,493)
<b>Total Comprehensive Income and Expenditure</b>	<b>(228,840)</b>		<b>(228,844)</b>
Adjustments between Accounting Basis & Funding Basis under Regulations	(2)		(2)
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(228,843)</b>	<b>(4)</b>	<b>(228,847)</b>
Transfers (to)/from Earmarked Reserves	-		-
<b>Increase/(Decrease) in 2011/12</b>	<b>(228,843)</b>		<b>(228,847)</b>
	-		-
<b>Balance at 31st March 2012 carried forward</b>	<b>401,222</b>	<b>(4)</b>	<b>401,218</b>

**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	4,465	(1,353)	3,111		4,465	(1,353)	3,111
Cultural and related Services	12,538	(4,660)	7,878		12,538	(4,660)	7,878
Environment and Regulatory Services	19,772	(11,028)	8,744		19,772	(11,028)	8,744
Planning Services	7,128	(4,257)	2,871		7,128	(4,257)	2,871
Highways and Transport Services	7,155	(10,693)	(3,538)		7,155	(10,693)	(3,538)
Local Authority Housing (HRA)	235,344	(37,343)	198,001		235,344	(37,343)	198,001
Other Housing Services	104,862	(97,425)	7,437	4	104,866	(97,425)	7,441
Corporate and Democratic Core	4,348	(137)	4,211		4,348	(137)	4,211
Non Distributed Costs	4,015	(964)	3,051		4,015	(964)	3,051
<b>Cost of Services</b>			<b>231,766</b>				<b>231,770</b>
Other Operating Expenditure			(4,312)				(4,312)
Financing and Investment Income and Expenditure (Surplus)/Deficit on Discontinued Operations			(10,762)				(10,762)
Taxation and Non-Specific Grant Income			-				-
			(30,345)				(30,345)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>186,347</b>				<b>186,351</b>
(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets			(2,666)				(2,666)
Actuarial (Gains)/Losses on Pension Assets and Liabilities			45,159				45,159
<b>Other Comprehensive Income and Expenditure</b>			<b>42,493</b>				<b>42,493</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>228,840</b>				<b>228,844</b>

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	576,546	577,215	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	-
<b>Long Term Assets</b>		<b>688,905</b>	<b>689,573</b>	<b>669</b>
Short Term Investments		23,645	23,645	-
Assets Held for Sale		1,008	1,008	-
Inventories		768	768	-
Short Term Debtors	2	14,831	14,880	49
Cash and Cash Equivalents	3	4,898	5,138	240
<b>Current Assets</b>		<b>45,150</b>	<b>45,439</b>	<b>289</b>
Short Term Borrowing		(816)	(816)	-
Short Term Creditors	4	(17,211)	(17,373)	(162)
Provisions		-	-	-
<b>Current Liabilities</b>		<b>(18,027)</b>	<b>(18,189)</b>	<b>(163)</b>
Long Term Creditors		-	-	-
Provisions		(6,298)	(6,298)	-
Long Term Borrowing	5	(201,354)	(202,154)	(800)
Other Long Term Liabilities		(101,002)	(101,002)	-
Capital Grants Receipts in Advance		(6,152)	(6,152)	-
<b>Long Term Liabilities</b>		<b>(314,806)</b>	<b>(315,606)</b>	<b>(800)</b>
<b>Net Assets</b>		<b>401,222</b>	<b>401,218</b>	<b>(4)</b>
Usable Reserves	6	(34,366)	(34,362)	(4)
Unusable Reserves		(366,856)	(366,856)	-
<b>Total Reserves</b>		<b>(401,222)</b>	<b>(401,218)</b>	<b>(4)</b>

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	186,347	186,351	4
Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements	(1,037)	(1,150)	(113)
Adjustments for Items Included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities	-	-	-
<b>Net Cash Flows from Operating Activities</b>	<b>185,310</b>	<b>185,201</b>	<b>(109)</b>
Investing Activities	19,300	19,969	669
Financing Activities	(197,248)	(198,048)	(800)
<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>	<b>7,362</b>	<b>7,122</b>	<b>(240)</b>
Cash and Cash Equivalents at the Beginning of the Reporting Period	(12,261)	(12,261)	-
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>(4,898)</b>	<b>(5,138)</b>	<b>(240)</b>
<b>Investing Activities</b>			
	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)	-
<b>Total Cash Flows from Investing Activities</b>	<b>19,300</b>	<b>19,969</b>	<b>669</b>
<b>Financing Activities</b>			
	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)
Other receipts from Financing Activities	285	285	-
Payments for the reduction of a Finance Lease Liability	-	-	-
Payments for the reduction of a PFI Liability	-	-	-
<b>Total Cash Flows from Financing Activities</b>	<b>(197,248)</b>	<b>(198,048)</b>	<b>(800)</b>
<b>Cash and Cash Equivalents</b>			
	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)	-
<b>Total Cash and Cash Equivalents</b>	<b>4,898</b>	<b>5,138</b>	<b>240</b>

# **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 2011–2012



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