

## APPENDIX B

### Explanatory foreword by Head of Finance

#### 1 Introduction

- 1.1 I am pleased to be able to present to you the Statement of Accounts for the year 2010/11.
- 1.2 The purpose of the Statement of Accounts is to provide clear information to readers on how Oxford City Council has utilised available financial resources. This document provides details of the Comprehensive Income and Expenditure for the financial year 2010/11. The report provides, in accordance with the International Financial Reporting Standards IFRS, the accounting 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 2011. 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.
- 1.3 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 have given an unqualified opinion on the original SORP based Statement of Accounts presented for 2009/10, and will now be required to give an opinion on the 2010-11 Statement of Accounts which will incorporate an assurance on the restated 2009/10 accounts, all on the IFRS format.

#### Summary of 2010/11 Outturn

- 1.4 **General Fund** – The Council's outturn position was positive at the year end. It overachieved against the budgeted position by £266k and was able to add £1.256m to the working balance in line with the budget. In addition the Council added a further £1,484k to earmarked reserves due to a one-off VAT reimbursement in respect of sporting activities and £558k in respect of unused contingency. These sums will provide for HR and severance liabilities going forward and future years capital programme funding, reducing the need for prudential borrowing and easing the burden on revenue.
- 1.5 **HRA** – The budgeted position was to generate a surplus of £500k, the actual surplus was £232k, the overspend being largely due to a reduction in the amount of overhead the authority capitalised. This is an ongoing pressure which the authority are looking to address as part of the business planning we are currently undertaking in readiness for HRA reform.

- 1.6 Capital** – The Council’s Capital Programme was underspent by £9m at year end due mainly to slippage on key schemes including Offices for the Future and the Old Fire Station where the main contractor for these projects filed for voluntary administration. In addition the draw on the contingency for the new build on Cardinal House and Lambourne Road was around £3m less than expected. In accordance with the CEB Report Slippage (£6m) was approved for carry forward.

## **The Statements**

### **1.7 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 (Director of Finance and Efficiency). The purpose is for the Director (Finance & Efficiency) 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
- The Statement of Accounting Policies, setting out the detailed rules under which we account for assets, liabilities, income and expenditure.
- The Core Financial Statements incorporating:
  - Movement in Reserves Statement - MIRS
  - The Comprehensive Income and Expenditure Statement
  - Balance Sheet
  - Housing Revenue Account
  - Collection Fund

### **2 Key Statement of Changes includes the introduction of the requirement to prepare the Statement of Accounts under IFRS.**

- 2.1 The accounts for 2010/11 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which specifies the principles and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of a local authority.
- 2.2 The 2011 Code is the first to be based on International Financial Reporting Standards (IFRSs), and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. It sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:
- 2.3 Statements of Accounts prepared in accordance with the statutory framework established for England.
- 2.4 It is important to note that from 2010/11 onwards under the International Financial Reporting Standards (IFRS), and this restatement will provide the comparative financial statements for 2009/10 required when preparing the 2010/11 statement of Accounts.
- 2.5 The impact of the Code and required changes are significant. A detailed analysis of the main changes is provided in the introduction to the Accounting Policies in

the Statement of Accounts; however, this Explanatory Foreword attempts to explain the changes in a more general way. These are set out below:

- a. A number of new accounting statements are presented, the old Income and Expenditure account is replaced by a **Comprehensive Income and Expenditure (CI&E)** statement which incorporates the old Statement of Total Gains and Losses.
  - b. A **Movement in Reserves Statement (MIRS)** is provided and is 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.
  - c. The new IFRS **Balance Sheet** is similar to the old also GAAP one, but the terminology has been changed. For this year the Balance Sheets of the 2 prior years have been presented in the accounting statements for comparative purposes.
  - d. The IFRS **Cash Flow Statement** remains very similar to the GAAP one, except that there is a new treatment of short term overnight investments which are now recorded as cash.
  - e. Under IFRS a **Segmental Reporting Note** is required. The note is based on internal management structures and has to include service expenditure analyzed by the way in which the Council manages its services rather than in the standard way required by the main CI&E
- 2.6 Some of the Council's Accounting Policies have also had to be changed to enable the accounting to be compliant with IFRS.

### 3. The Key Changes in Accounting Policies

- 3.1 The Accounting Policies set out the principles, rules, conventions and practices applied that governs how the effects of transactions and other events are reflected in the accounts.
- 3.2 The main changes in Accounting Policies are as follows:
  - a. **Capital and Revenue Grants** - are assessed to recognize if conditions exist over the use of the grant. Any grant with a condition is recorded in the grants received in advance account, while grants without conditions are recognised immediately in the CI&E
  - b. **Assets** - are assessed to identify Assets Held for Sale and assets identified as such will be treated as current assets rather than tangible Fixed Assets. AHFS are not depreciated.
  - c. **Investment Properties** - are redefined as being solely for capital appreciation and providing income. Any revaluation of investment property is recognised in the CI&E rather than the Revaluation Reserve.
  - d. **Leases** - are assessed by considering the asset elements, land is considered to be infinite in life and therefore an Operational Asset, where as building are assessed on the basis that risks and rewards should rest with the organization

that maintains them and is reflected in the Balance Sheet in this way rather than by ownership.

- e. **Cash Equivalents** - are to be recognised as part of cash and this has led to short term overnight Investments being classified as Cash Equivalents rather than Investments.
- f. **Employment Benefits** - are recognised immediately in the case of termination costs which have been deferred, and untaken leave is accrued.
- g. **Assets** - where appropriate are subject to componentisation and depreciation reflects different elements of the assets.

#### 4. Details Of The Core Financial Statements:

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

- 4.1 The MIRS shows 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) and 'other reserves'.
- 4.2 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 Comprehensive Income and Expenditure Statement. 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.
- 4.3 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.

	<b>Brought Forward</b>	<b>Movement</b>	<b>Carried Forward</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
General Fund	3,140	1,288	4,428
Earmarked General Fund	5,366	1,484	6,850
HRA	2,000	0	2,000
Earmarked HRA	3,390	(763)	2,627
Capital Reciepts	8,065	1,587	9,652
Capital Grants	369	0	369
<b>Total Useable</b>	<b>22,330</b>	<b>3,596</b>	<b>25,926</b>
<b>Total Unusable</b>	<b>602,677</b>	<b>(1,720)</b>	<b>600,957</b>
<b>Total Reserves</b>	<b>625,007</b>	<b>1,876</b>	<b>626,883</b>

#### 4.4 Implications of the Outturn Position

- a. The General Fund Working Balance this has been increased with the budgeted transfer of £1.288m and at 31<sup>st</sup> March 2011 stands at £4.428 m.

- b. HRA Working Balance remains unchanged at £2million at 31<sup>st</sup> March 2011.
- c. Earmarked General Fund Reserves – At 31/3/2011 these stood at £5.477million  
In 2010/11 the council made a net transfer in of £1,484k with key reserve movements including:
- i. Unspent 2010/11 contingency (£558k) transferred to the HR and Severance Reserve
  - ii. Monies from Flemming VAT claim – (£814k) transferred to Capital Funding Reserve
  - iii. Net transfer to Business Transformation Reserve £150k
  - iv. Surplus over and above budget (£234k) transferred to HR and Severance Reserve
  - v. Transfer out of HR and Severance Reserve to cover costs in 2010/11 – (£821k)
  - vi. Transfer in of £373k to a grants reserve pending release to fund expenditure such as HOWD Regional Champion Funding and Sport England
- d. HRA earmarked reserves at 31/3/11 stood at £2.627m following a net transfer out of £764k. Notable movements include:
- i. Surplus on HRA transferred to Decent Homes Reserve to finance future capital expenditure £233k
  - ii. Transfer from Decent Homes Reserve to finance capital £1.396m
- e. Capital Receipts Unapplied – At 31/3/2011 the Council held £9.651m in reserves.

	<b>2009/10</b>
	<b>£000's</b>
Balance B/F 1 <sup>st</sup> April 2010	8,065
Disposals	3,385
<b>Total</b>	<b>11,450</b>
Pooled	(303)
Used for Financing	(1,497)
<b>Balance c/f 31<sup>st</sup> March 2011</b>	<b>9,650</b>

Notable disposals in year are included:

- i. 2 cottages at Cuttleslow Park,
- ii. Rose Hill Cemetery Lodge,
- iii. 2 council house sales,
- iv. 170 Walton Street
- v. Ashurst Way flats

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

- 4.5 This shows the cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils 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.

- 4.6 The segment reporting note shows how the Comprehensive Income and Expenditure Statement reconciles back to the management accounts reported quarterly to CEB. Details of this more familiar report presentation for General Fund together with a commentary are shown below together with the Housing Revenue Account

### General Fund Revenue Outturn 2010/11

- 4.7 The Council set a budget for spending on General Fund services of £28.32m to be financed partly from Government Grant (£2.126m) and a share of the National Non-Domestic Rates (£14.64m). Of the remainder £12.4m was raised through Council Tax, with a contribution to the General Fund Working Balance of £1.256m.
- 4.8 The average Council Tax for a Band D property was set at £262.96.
- 4.9 The table below summarises the outturn position in the format we used for 2010/11 internal reporting and as reported to City Executive Board on 20<sup>th</sup> June 2011.

	Approved Budget 10/11	Expenditure 10/11	Variance At Year End 10/11
	£000's	£000's	£000's
<b>Directorates</b>			
Chief Executive	4,085	4,137	52
City Regeneration	7,286	6,219	(1,067)
City Services	9,048	9,418	370
Finance & Efficiency	3,396	3,547	151
<b>Total Excluding SLAs And Capital Charges</b>	<b>23,815</b>	<b>23,321</b>	<b>(495)</b>
<b>SLAs And Capital Charges</b>	<b>(1,481)</b>	<b>(1,457)</b>	<b>24</b>
<b>Corporate Below the Line Budgets</b>	<b>4,728</b>	<b>4,407</b>	<b>(321)</b>
<b>Net General Fund</b>	<b>27,063</b>	<b>26,271</b>	<b>(792)</b>
(Use of)/ transfer to Balances	1,256	1,288	32
Transfer to/(from) Reserves	824	1,484	660
<b>Net Budget Requirement</b>	<b>29,143</b>	<b>29,043</b>	<b>(100)</b>
External Funding	(16,766)	(16,766)	(0)
Council Tax	(12,449)	(12,449)	(0)
Less: Assumed Parish Precepts	172	172	0
LABGI	(100)	0	100
<b>Total Funding Available</b>	<b>(29,143)</b>	<b>(29,043)</b>	<b>100</b>
<b>General Fund Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Overview

4.10 The Council overachieved against our budgeted position by £266k adding £32k to the working balance over and above the budgeted £1.256m and adding the remaining £234k to a HR and Severance Reserve. In addition we were able to add a further £824k to earmarked reserves due to a one-off VAT reimbursement in respect of sporting activities and £558k in respect of unused contingency. These sums will provide for HR and severance liabilities going forward and future years capital programme funding, reducing the need for prudential borrowing and easing the burden on revenue.

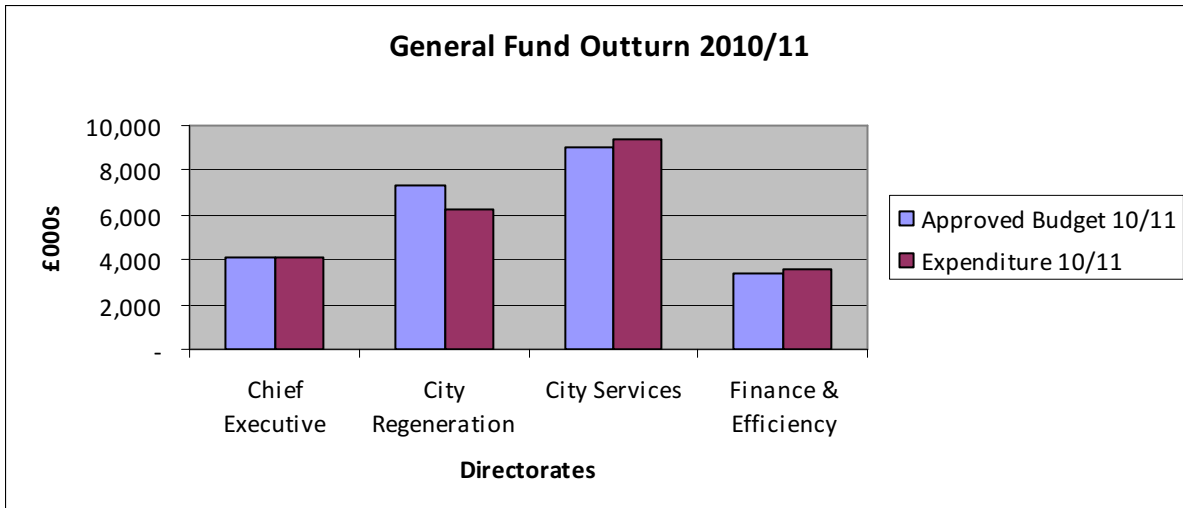
4.11 Other major variations in the general fund include :

### Adverse

- a. Unachieved savings of £583k – This represents approximately 27% of all savings in the 2010/11 budget across a range of Directorates. Going forward these shortfalls have been recognised in the Councils Medium Term Financial Plan
- b. Reduced car parking income £700k. This represents an 11% reduction in income largely resulting from reduced demand. This trend is continuing for 2011/12 but we have adjusted the budget accordingly
- c. Reduced investment income – £189k due to reduced interest rates. The average interest rate was 0.49%
- d. Reduced building control income - £128k.

### Favourable

- e. Increased income from town hall lettings and additional grant income - £126k
  - f. Net Variation in payments to landlord with regard to homeless families as a result of the councils proactive approach to encouraging homeless people permanent accommodation of their own -£433k
  - g. Concessionary fares reduced payments to bus operators £275k, this service has now transferred to the County Council
  - h. Increased recovery of housing benefit overpayments and other net movements in Housing Benefits £146k
  - i. Underspend on play projects due to slippage on scheme - £200k
  - j. Spending freeze on Parks budget - £114k
  - k. Underspend on contingency not required - £558k, subsequently transferred to earmarked reserves
  - l. Additional monies received in respect of Flemming VAT claim - £816k, subsequently transferred to reserves
- 4.12 A comparison of actual net spend against the budget by Directorate is shown below.



### The Balance Sheet

- 4.13 The Balance Sheet shows the value as at 31<sup>st</sup> March 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.
- 4.14 Usable Reserves - those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- 4.15 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 hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.
- 4.16 The Balance Sheet can be summarised as follows

	2010/11	2009/10
	£000	£000
Value of land and property and long term assets owned	676,727	766,475
Cash, Investments and stocks	62,758	67,668
Money Oxford owes	(97,958)	(191,377)
Money Oxford is owed	48,113	49,918
<b>Net Worth of Council at 31<sup>st</sup> March</b>	<b>626,883</b>	<b>625,016</b>

- 4.17 Notable variations include:
- Reduction in fixed assets arising from an impairment in the value of council dwellings in the order of £134m. This due mainly to the increase in the deduction



made to the vacant possession value of the housing stock resulting from the application of the factor applied to the valuations which adjusts the vacant possession value for the Existing Use Valuation for Social Housing. This factor is given in the stock valuation guidance provided by the Department of Communities in Local Government. This factor for Oxford had reduced the Vacant possession value by 55%, but now reduces the Vacant possession value by 68% If this had been the only factor the value of the stock would have reduced from £563m to £401m

- b. A reduction of around £100m in the money that Oxford owes due largely to a reduction in the pension fund deficit, see para 7.2 below
- c. The net worth of the council over the two years has remained relatively stable as a result of the above equal and opposite variations.

### **The Cash Flow Statement**

- 4.18 The Cash Flow Statement 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.
- 4.19 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 (ie borrowing) to the Council.
- 4.20 The overall reduction in cash and cash equivalents i.e short term investments between 2009/10 and 2010/11 is approximately £3,831k. This cash has been applied to :
  - a. Net spending on operating activities £16.813m
  - b. Investing activities , purchase of property plant and equipment less proceeds from sales and disposals -£19.651m
  - c. Financing costs of borrowing - £993k

### **The Housing Revenue Account Income and Expenditure Statement**

- 4.21 The HRA Income and Expenditure Statement 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.
- 4.22 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.

## Housing Revenue Account Provisional Outturn 2010/11

<i>Income and Expenditure Account</i>	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
Income from Rent and Service Charges	(34,529)	(34,799)	(270)
Expenditure of Repairs and Management	16,195	16,299	104
Subsidy, finance and appropriations	17,834	18,267	433
<b>Deficit/ (Surplus)</b>	<b>(500)</b>	<b>(233)</b>	<b>267</b>

4.23 The HRA budget was budgeted to make a surplus of £500k for 2010/11. The outturn position as shown was £233k, an adverse variance of £267k. Notable variations included:

- a. Approximately £400k was transferred to earmarked reserves and provision in respect of ICT hardware, self insurance and Direct Services project work.
- b. In year the authority experienced an adverse variance on contracting and repairs of approx £800k due mainly to inability to capitalise all indirect overheads.
- c. Favourable variances in tenancy services of £300k driven largely by a reduction in the bad debt provision for rent arrears and staff vacancies.
- d. Increased rent and service charge income – (£270k).

4.24 The outturn resulted in a working balance of £2million and a reserve to fund future capital works of around £2million.

### The Collection Fund

4.25 The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council as billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

4.26 The movement in the Collection Fund Balance is £566k reducing the collection fund balance to £171k as at 31<sup>st</sup> March 2011. This balance is shared between the major preceptors i.e. the City Council, County Council and Police as follows

	2010/11	2009/10
	£000's	£000's
Oxford City Council	29	125
Oxfordshire County Council	126	540
Thames Valley Police	16	72
<b>Total</b>	<b>171</b>	<b>737</b>

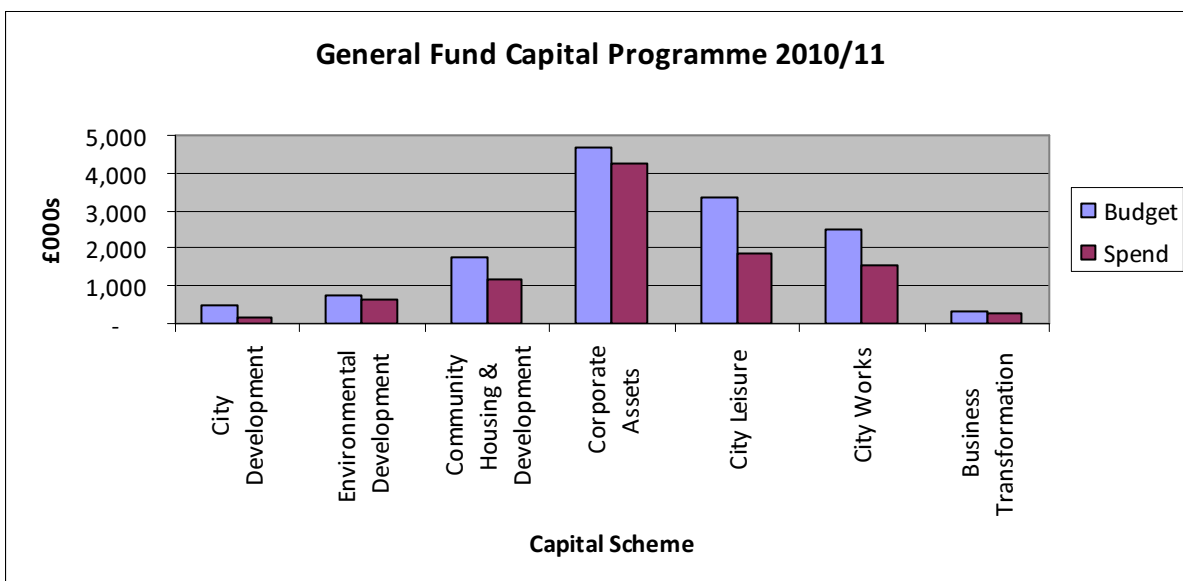
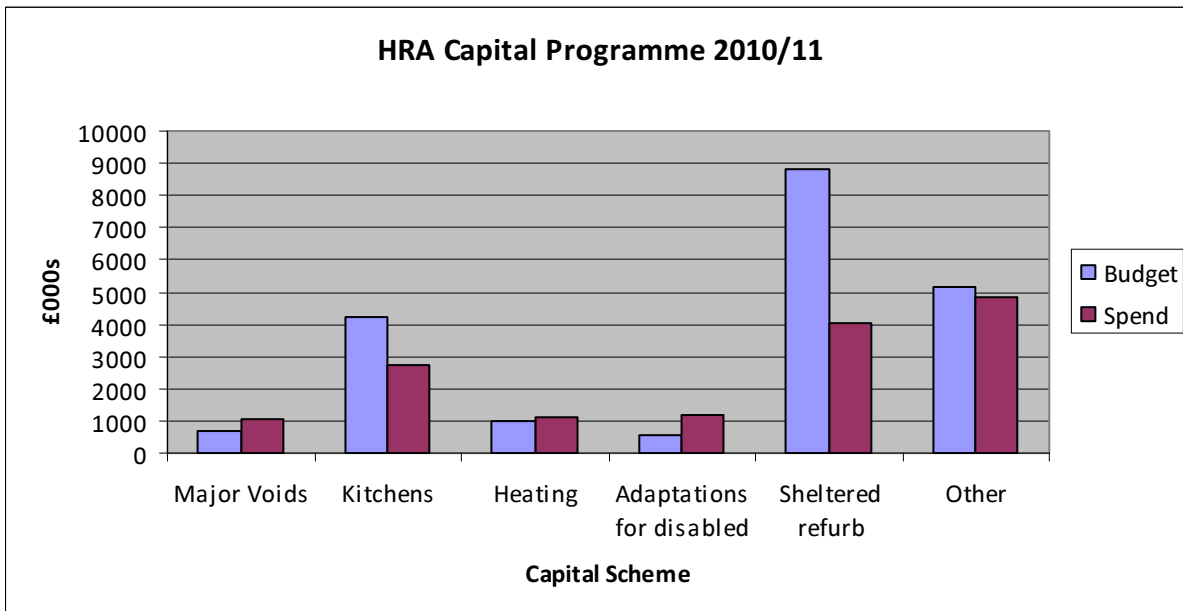
4.27 The main reasons for the reduction in the balance of £566k relates to:

- a. Increase in the council tax base increasing the amount paid to major preceptors
- b. Increase in council tax exemptions

## 5 Capital

5.1 The Council's budgeted capital spend for 2010/11 was £34.317m, actual spend was £24.832m a variation of £9.483m of which £6.202m was carried forward as slippage to be spent in future years. Approximately £5.5 m of the variation related to projects in the HRA the largest of which related to the refurbishment of Cardinal House and Lambourne Road. Other notable projects included:

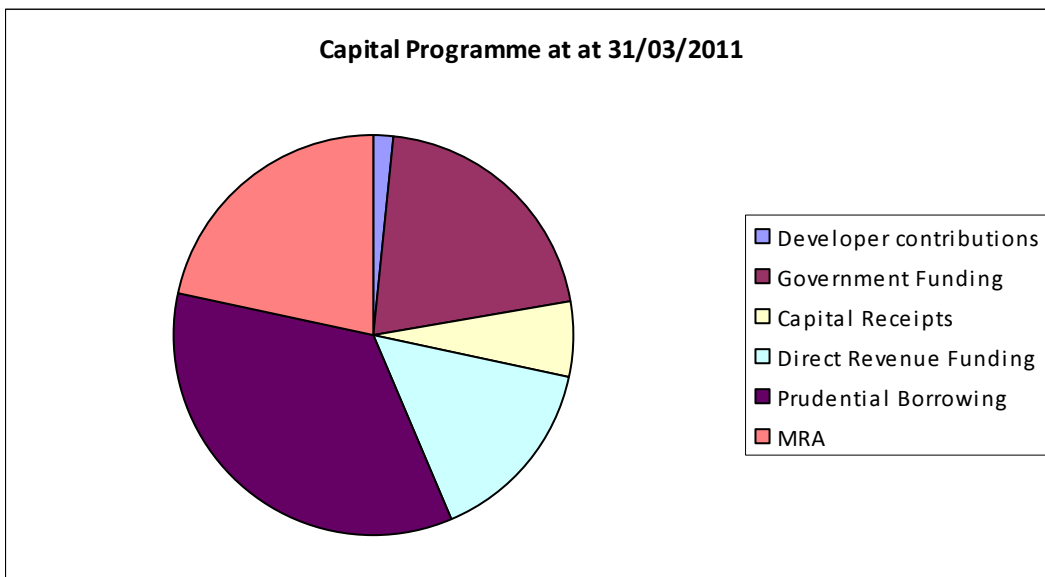
- a. Disabled Facilities Grants £647k
- b. Old Fire Station- £915k – There was slippage of approximately £700k on this project due to the contractor going into voluntary administration
- c. Improvements to leisure sporting facilities -£2.9m
- d. Office for the Future - £996k
- e. Playground refurbishment - £1.195m – There was slippage of £585k on this project due to a slow down in the delivery of the project whilst prioritisation was assessed
- f. Competition pool - £561k spend in fees in connection with the new competition pool
- g. Vehicle replacement program -£926k with slippage of £966k due to non replacement of within waste and recycling
- h. Cardinal and Lambourne House refurbishment - £7m with an underspend of £3.3m due to less usage of the contingency
- i. Kitchens and bathrooms in council dwellings - £2.715m with an underspend of £1.714m due to lower than expected costs for installations
- j. Disabled adaptations to council dwellings - £1.158m overspend by around £600k due to increased demand



## Funding the Capital Program

5.2 The program was funded predominantly by Prudential Borrowing 34%, £4.6m on HRA and £4m on General Fund mainly in relation to leisure centre and playground refurbishments. Approximately £5.3m funding was from Major Repairs Allowance in respect of the decent homes programme and a further £5.1m from government grants such as HCA in respect of Cardinal House and Lambourne Road and New Growth Points.

Capital Programme at at 31/03/2011



## 6 Contingencies and Provisions

6.1 At 31<sup>st</sup> March 2011 the Council had made financial provision for expenditure likely to be incurred some time in the future totalling £2.727m. Included in this figure are the following amounts:

- St Aldates rent review - £369k – The council is currently in arbitration over the amount it should pay for rental at property it occupies in St Aldates
- Bond deposits - £421k – A scheme established by the Lord Mayor of Oxford to help local non statutory homeless individuals access the private housing market. This provision represents payments that may need to be made towards rental deposits
- Singletree Repairs and Maintenance - £217k – A provision to cover major work 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 - £1.338m – Required to cover increase in site rent due from April 2004. Agreement still in arbitration.

6.2 In addition the Council has a self insurance provision of £1.4m which is used to meet claims up to specified amounts, levy and which the council insures through external insurers.

## 7 Pension Scheme Liability

7.1 The Council's liability to provide for the cost of post employment benefits of staff (provisions) have reduced significantly in the year ended 31 March 2011.

7.2 The liability reported as at 31 March 2010 was £145.6m. The revised liability as at the 31 March 2011 is £53.2m. The decrease is due to a number of factors, the most significant of which were an actuarial gain of £72,962,000 due to a significant fall in the estimated liabilities of the fund and an increase in fair value of the assets. Also a past service gain of £22,248,000 was realised due to the

change announced in the budget statement on 22 June 2010 regarding pension up-rating to be in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). More information regarding the Defined Benefit Pension Scheme can be found in note 39 to the Statement of Accounts.

### **Icelandic Banks**

- 7.4 The Authority had £4.5m invested with two of the failed Icelandic banks, of which £3m was deposited with Heritable bank and £1.5m with Glitnir bank. These investments, together with accrued interest, are overdue repayment. To date, 56.33% of our original Heritable bank investments have been repaid. This includes 6.25% paid post balance sheet date in April 2011. Current guidance indicates that the repayment of the Heritable deposits will continue with an eventual total repayment of approx 85% of the original deposits by the end of 2012. The Authority has not received any repayment of £1.5m deposited with Glitnir bank. The matter is currently being processed through the Icelandic courts. This issue is being dealt with nationally by the Local Government Association who considers that prospects for recovery are good. The Authority, however, has had to impair these deposits in 2009/10 and has used a capitalisation direction to spread the costs in accordance with accounting practice. As a consequence, a prudent approach has been adopted in 2010/11 to not follow the accounting treatment recommended by LAAP Bulletin 82 Update 4 released by CIPFA in May 2011. Contrary to the accounting treatment recommended in the bulletin, a prudent approach dictates that no revaluation of the financial instrument will take place until a final settlement has been determined and received. This will preserve the benefit of a £1.9m capitalisation directive to the Authority, until a final settlement is agreed and paid.

### **Current Borrowing**

- 7.5 The Council had £4.377m of outstanding debt from the Public Works Loans Board (PWLB) as at 31<sup>st</sup> March 2011, down from £5.856m last year. No new debt was taken on in 2010/11 and all debt relates to HRA activity. The additional £8.5million of Prudential Borrowing to finance the capital programme in 2010/11 will add to the councils Capital Financing Requirement but will not necessarily result in increased borrowing as this depends on cash flow within the Treasury Management activity.

Approximately £4.5m of prudential borrowing was for HRA capital spend and the remainder on General Fund for playground equipment and Leisure centre improvements and refurbishments

### **Financial Prospects Looking Forward**

#### **General Fund**

- 7.6 The 2010/11 outturn position was good with the Council not needing to call on its contingency budget and under spending by £234k in year. Additionally, the Council received one off windfall income of @ £800k as a consequence of a favourable ruling on VAT overpayments going back to the 1990's. As per the Outturn report to CEB these sums have been transferred into earmarked reserves to provide for HR and severance liabilities going forward and future

years capital programme funding, reducing the need for prudential borrowing and easing the burden on revenue.

The Councils medium term financial plan for 2011-12 to 2014-15 agreed at Council in February 2011 estimated working balances as follows :

	2011/12	2012/13	2013/14	2014/15
	£000's	£000's	£000's	£000's
<b>Working Balance</b>	<b>5,212</b>	<b>4,639</b>	<b>4,270</b>	<b>3,660</b>

7.7 To achieve this position a significant savings and service reduction programme has been implemented totalling £8million over the next four years. This programme of savings is significant although there are contingencies held in reserve in the event that some of the more risky aspects are not achieved.

7.8 Going forward many of the difficulties we had around certainty of funding this year are likely to remain until much later in the financial year, in particular the outcome of the review of local government funding and the implications for any re-localisation of business rates, as well as transitional arrangements for the new benefits service.

7.9 It is important to note that ongoing funding of the New Homes Bonus is being considered as part of the review of local government funding and again the implications are not yet known.

**7.10 Other factors that could affect the plan include :**

- a. The Government failed to hit their deficit reduction targets, which is 50:50 at this stage, may result in further cuts in funding to local government in the latter part of the plan. The Q2 growth figures due in early October will provide an important indication of whether the Plan is on target.
- b. Inflation is also running at a higher level than predicted, CPI is projected to reach 5% in the current financial year and remain above target into 2013, which will clearly impact costs
- c. Contribution levels for the local government pension scheme are expected to increase significantly, which may result in current members leaving and new entrants not joining. This in turn could have an impact on employers past deficit contributions in future years
- d. The DWP; under pressure, have provided an indication of likely funding for the Council Tax and Benefit Admin grant in 2012/13 (@ £900k), but future year arrangements are still unclear
- e. It is still early in the current financial year, but at this stage budget monitoring information is not highlighting any significant pressures
- f. Year four of the plan will see the removal of the council tax grant of £318k.

**HRA**

7.11 On a positive note the HRA working balance remains at £2million with plans to increase this in 2011/12 by a further £500k.

7.12 HRA Reform will come into effect from 1<sup>st</sup> April 2012, giving the council the ability to self finance its housing operations without the need to make ongoing payments of £18m to the government. In exchange for these new freedoms the Government will transfer debt to the Council estimated to be in the region of

£200m which the Council will service through its rents. Officers are currently working through the impact of these changes.

## In Conclusion

- 8.1 I would like to thank Finance staff and services for their work preparing these Statements of Accounts. I hope the information is helpful in allowing you to have a clear understanding of how Council money has been spent.
- 8.2 We've tried hard to put information in as clear a manner as possible, but if you do want to find out more about these accounts you can:
- Visit our website at: [www.oxford.gov.uk](http://www.oxford.gov.uk)
  - Email to:  
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
  - Contact our auditors via [a-witty@audit-commission.gov.uk](mailto:a-witty@audit-commission.gov.uk) .