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Statement of Accounts

2007/08

EXPLANATORY FOREWORD

Introduction

This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main aspects of the Council's financial position.

The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts. A Glossary of Financial Terms is provided on pages 72 to 75.

The Council's core financial statements for the year 2007/08 are set out on pages 22 to 27. They consist of:

a) The Income and Expenditure Account on page 22. The council's main revenue account for the year ended 31 March 2008, reports on the net cost for the year of all the functions for which the council is responsible. It demonstrates how cost has been financed from central government grants and income from local taxpayers. As such it discloses the income receivable and expenditure incurred in operating the council for the year. The surplus/deficit achieved on the Income and Expenditure Account represents the amount by which income is greater than/less than expenditure.

The Income and Expenditure Account shows the true cost of services as defined by UK Accounting Standards. However, this true cost is not the cost that needs to be funded by local taxation and consequently the Statement of the Movement on the General Fund Balance makes the necessary adjustments to the Income and Expenditure Account for the purpose of determining the council's budget requirement.

b) The Statement of the Movement on the General Fund Balance (SMGFB) on page 23. The income and expenditure account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the authority is required to raise council tax on a different basis, the main difference being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- The payment of a share of housing capital receipts to the government shows as a loss in the income and expenditure account, but is met from the usable capital receipts balance rather than council tax
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned

The general fund balance compares the council's spending against the council tax that is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

c) The Balance Sheet on pages 25 to 26 includes the assets and liabilities of all activities of the authority. It is fundamental to the understanding of an authority's financial position at the year-end. It shows its balances and reserves and its long-term indebtedness, the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

d) The Cash Flow Statement on page 27 summarises inflows and outflows of cash arising from transactions with third parties for both revenue and capital. Cash is defined as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

e) The Statement of Total Recognised Gains and Losses on page 24. Not all the gains and losses experienced by a local authority are reflected in the Income and Expenditure Account. For example gains on revaluations of fixed assets and pension actuarial gains and losses are not identified as a part of the Council's operating performance and are therefore excluded. The

Statement of Total Recognised Gains and Losses is the statement that brings these other gains and losses together with the outturn on the Income and Expenditure Account to show the total movement in the Council's net worth for the year.

The increases in net worth attributable to revenue and capital are shown in the Statement of Movement on the General Fund and the notes on individual capital reserves.

In addition to the core financial statements, the council also prepares a Collection Fund Account shown on pages 57 to 59. As the authority that issues council tax and business rates bills we maintain a separate income and expenditure account, the Collection Fund, showing transactions in relation to this income and how the demands on the fund from Oxfordshire County Council, Thames Valley Policy Authority have been satisfied. Only 10% of the council tax is kept by us and used to help pay for services we provide. The Collection Fund is consolidated with the other accounts of the billing authority within the Balance Sheet.

The way in which we present information in the accounts is in accordance with the local authority accounting code of practice. In this foreword we have tried to present in a straightforward way the key information that will be of interest to most readers.

Revenue expenditure 2007/08

At the beginning of the year the council set a budget of £14.073 million. The table overleaf shows how the actual revenue outturn for 2007/08 compared with the budget, in a format consistent with the Council's budget book.

Service expenditure	Budget £'000	Actual £'000	Variance £'000
Assistant chief executive's	2,583	2,350	(233)
Corporate management team	1,032	743	(289)
Environmental services	5,004	4,861	(143)
Finance	1,447	1,626	179
Housing	1,109	983	(126)
Human resources & facilities	2,262	2,414	152
Business information systems	1,844	1,347	(497)
Legal & democratic services	1,210	879	(331)
Leisure & economic development	352	95	(257)
Planning & building control	1,928	1,835	(93)
Central contingency	300	0	(300)
Direct service expenditure	**19,071**	**17,133**	**(1,938)**
Charges to capital	(50)	(34)	16
	19,021	**17,099**	**(1,922)**
Interest	(2,608)	(2,608)	0
Transfer to / from other funds	(2,340)	(1,860)	480
Net revenue spend	**14,073**	**12,631**	**(1,442)**
Transfer of surplus to reserves	0	1,442	1,442
Budget requirement set by council	**14,073**	**14,073**	**0**
Parish precepts	3,278	3,278	0
Total funding requirement	**17,351**	**17,351**	**0**
Collection fund precept	9,719	9,719	0
Revenue support grant	1,097	1,097	0
National non-domestic rates	6,535	6,535	0
	17,351	**17,351**	**0**

The major variations in outturn are detailed below:

Service expenditure	Variance	Explanation			
		Salary over / (under) spend	2007/08 growth underspend	2006/07 carry fwd underspend	Other underspend
	£000	£000	£000	£000	£000
Assistant chief executive's	(233)	(43)	(21)	(20)	(149)
Corporate management team	(289)	0	(254)	0	(35)
Environmental services	(143)	(46)	0	0	(97)
Finance	179	(15)	0	0	194
Housing	(126)	122	(40)	0	(208)
Human resources & facilities	152	(8)	(36)	0	196
Business information systems	(497)	(63)	0	(233)	(201)
Legal & democratic services	(331)	(212)	0	(73)	(46)
Leisure & economic development	(257)	(8)	(40)	(83)	(126)
Planning & building control	(93)	44	(53)	0	(84)
Central contingency	(300)	0	0	0	(300)
Direct service expenditure	**(1,938)**	**(229)**	**(444)**	**(409)**	**(856)**

Analysis of other underspends in excess of £50,000	
ACE team -underspends on consultation budgets and grants awarded	(110)
Budgeted CCTV costs paid for by Oxfordshire County Council	(50)
Licensing - additional income	(131)
Housing benefit bad debt provision – increase	125
Housing benefit overpayment - reduction in funding	60
Choice based lettings - underspend due to delays in implementation	(75)
Facilities - overspends on projects	120
Crowmarsh offices - reduced rental income	64
Business process re-engineering - underspend due to delays	(186)
May 2007 election costs – underspend	(88)
Commercial rents - additional income	(80)
Net balance of variations less than £50,000	(205)
Contingency budget not used	(300)
Total other underspends	**(856)**

Capital expenditure 2007/08

Capital expenditure totalled £15.0 m in 2007/08 against a planned capital programme of £13.6 m. This budget increased during the year to £19.1m as a result of additions to the capital programme. In line with our corporate strategy, major capital projects have included the new multi screen Didcot cinema £1.7m, Didcot Arts Centre & Town Centre Redevelopment £6.9m, the refurbishment of Henley Leisure Centre £2.6m, and community investment fund (CIF) grant funded projects amounting to £0.5m.

Of the £4.1m underspend against the latest capital programme in 2007/08, the most significant related to Didcot Cinema and Arts Centre of £2.3m, unspent CIF grant funded projects of £0.3 m as we await those bodies awarded funding to claim their grant or complete the work and leisure centres of £0.4m.

Capital expenditure is paid for out of money we have set aside from the sale of assets (capital receipts), investment income and savings. We have no external debt and have no plans to borrow to pay for capital expenditure. The sources of finance for capital expenditure are shown in note 12.3 to the accounts on page 34.

Material assets acquired or liabilities incurred

The council has not acquired any assets or liabilities during the year which are unusual in scale and which require specific reference.

Pension liabilities

The statement of accounts identifies details of the council's future commitments with regard to pension provision for its current and former employees. Further background information is set out within the statement of accounting policies.

Pension transactions within the income and expenditure account and detailed explanations of the financial information are set out in note 23.5 to the accounts on page 42.

The council's disclosures under FRS17 – retirement benefits are also set out in note 25 to the accounts. The note shows the council's share of the Oxfordshire County Council pension fund assets and liabilities. The net liability at 31 March 2008 for South Oxfordshire District Council is £18.289m (2006/07 £17.707m). The council has made a provision in its accounts for this amount.

In setting its budget for 2008/09 the council resolved to make a one-off payment of £5 million into the pension fund to help offset increased liabilities identified in the actuarial valuation of the fund.

Planned and future development in service delivery

The Medium Term Financial Plan to 2011/12 informed the council's budget setting process. The Forward Revenue Budget Model identified the following possible revenue and capital pressures on budgets for the future.

Planned and future development in service delivery

Forward Revenue Budget Model **Possible pressures**	**2009/10** **£000**	**2010/11** **£000**	**2011/12** **£000**	**2012/13** **£000**
Waste management service development	280	0	0	0
Falling out of use of pension reserve	0	0	100	0
Falling out of use of job evaluation reserve	0	0	25	0
Pension fund revaluation	0	0	100	
Fall in interest allocated (reduction in balances)	100	200	300	400
Election costs - District	0	0	47	0
Other pressures	300	300	300	300
	680	**500**	**872**	**700**

Forward Capital Budget Model **Possible pressures**	**2009/10** **£000**	**2010/11** **£000**	**2011/12** **£000**	**2012/13** **£000**
Investment in Didcot	1,000	1,000	1,000	1,000
Investment in leisure	1,000	1,000	1,000	1,000
Investment in market towns	500	500	500	500
	2,500	**2,500**	**2,500**	**2,500**

Current Borrowing Requirement

The council has no external borrowing and none is planned save for temporary cash flow purposes.

Sources of funding

The council held £750,000 in a general surplus and deficiency reserve for 2007/08 and intends to maintain this level. This represents 5.3% of the annual budget requirement and is likely to be sufficient to cover uneven cash flow and all but the most serious emergency. All other uncommitted balances are kept in an earmarked reserve called the enabling fund. The enabling fund is used to fund capital expenditure and one-off revenue spend.

The council actively manages its investments and for 2007/08 the total interest earned on investments amounted to £6.8 million as against a budgeted £4.9 million. The average rate earned on cash investments over the year was 5.42% as compared with the average Bank of England base rate for the year to 31st March 2008 of 5.54%.

Statement of Accounting Policies

1. General principles

The statement of accounts summarises the council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2007* (the SORP) which is recognised by statute as representing proper accounting practice and in accordance with the *Best Value Accounting Code of Practice* (BVACOP).

The accounting convention adopted for the preparation of these accounts is historical cost (i.e. prices paid) modified for the revaluation of certain categories of tangible fixed assets.

2. Accruals of income and expenditure

Debtors and creditors at the year-end are accrued in compliance with Financial Reporting Standard 18, Accounting Policies, ensuring income and expenditure is accounted for in the period to which it relates. The exception to this principle is the consolidated cash flow statement, which, in accordance with requirements, is prepared on a receipts and payments basis.

3. Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate service revenue account in the year that the council becomes aware of the obligation based on the best estimate of the likely settlement.

- **Bad and doubtful debts**
  The figure shown in the accounts for debtors is adjusted for bad and doubtful debts, by including a provision. This provision is recalculated annually by applying an estimate of the proportion of debt in each category that is unlikely to be collectable based on past experience. Debts which are known to be un-collectable are written off.

4. Estimation techniques

Estimation techniques are the methods adopted by the council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Where significant they are explained in the relevant sections within these accounts.

5. Reserves

The council has a number of reserves which are for general and specific purposes, e.g. grant allocations. See note 23.1 to 23.8.

A number of the reserves can only be used for specific statutory purposes. The revaluation reserve, usable capital receipts reserve and capital adjustment account are examples of such reserves.

Revenue reserves are set aside for purposes falling outside the definition of provisions, or else represent accumulated surpluses. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account to score against the net cost of services in the income and expenditure account. The reserve is then appropriated back into the general fund balance statement so that there is no net charge against council tax for the expenditure.

6. Government grants and contributions (revenue)

Government grants and third party contributions and donations are accounted for on an accruals basis and recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution. Income has been credited, in the case of revenue grants to the appropriate revenue account or, in the case of capital grants, to a government grants deferred account. Amounts are released from the government grant deferred account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

7. Retirement benefits

Employees of the council are members of the Local Government Pensions Scheme, administered by Oxfordshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

Pension costs have been provided for in accordance with relevant government regulations under FRS17 and are included in the notes to the accounts. FRS17 requires the council to account for retirement benefits when it is committed to give them, even if the actual giving of benefits will be many years into the future. It is a reflection of the economic reality of the relationship between an employer and the pension fund.

The impact that FRS17 has had on the results for the 2007/08 financial year is as follows:

- The overall amount to be met from government grants and local taxes has remained unchanged, but the costs disclosed for individual services are 0.3% higher after the replacement of employer's contributions by current service costs. Net operating expenditure is 0.6% higher than it would otherwise have been, due to the adjustment in respect of pensions interest cost, the expected return on pension assets and the current service cost adjustment above.

- The requirement to recognise the pensions liability in the balance sheet has reduced the reported net worth of the Council by 11.5%.

- **The Local Government Pension Scheme (LGPS)**

  The LGPS is accounted for as a defined benefits scheme.

  - The liabilities of the Oxfordshire County Council pension scheme attributable to the council 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.

  - Liabilities are discounted to their value at current prices, using a discount rate of 6.8% based on the annualised yield on the iBoxx over 15 year AA rated corporate bond index.

  - The assets of the Oxfordshire County Council pension fund attributable to the council are included in the balance sheet at their mid market value. The assets values have been estimated using index returns appropriate to the mix of assets.

  - The change in the net pensions liability is analysed into seven components:

    - Current service cost – the increase in liabilities as a result of years of service earned in year – allocated in the income and expenditure account to the service accounts of services for which the employees worked

    - Past service cost – the increase in liabilities arising from current year decisions whose effect related to years of service earned in previous years – debited to the net cost of services in the income and expenditure account as part of non-distributed costs

- Interest cost – the expected increase in the present value of liabilities during the year as they move 1 year closer to being paid – debited to net operating expenditure in the income and expenditure account

- Expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to net operating expenditure in the income and expenditure account

- Gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the net cost of services in the income and expenditure account as part of non distributed costs

- 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 – debited to the statement of total recognised gains and losses

- Contributions made to the Oxfordshire County Council pension fund – cash paid as employer's contributions to the pension fund

- Statutory provisions limit the council to raising council tax to cover the amounts payable by the council to the pension fund in the year. In the statement of movement on the general fund balance 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 any amounts payable to the fund but unpaid at the year-end.

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

- **Changes to the regulations**
  A new benefit structure was introduced in the LGPS from 1 April 2008. This change affects both the value of benefits earned up to 31 March 2008 and the cost going forward from that date.

  The changes introduced in the 2008 scheme that affect the active members' benefits earned before 1 April 2008 are:

  - An increase in the period of the pension guarantee following retirement from 5 to 10 years
  - The introduction of contingent dependents' benefits for co-habitees
  - An increase in the lump sum on death in deferment benefits following the member leaving service from three to five times the deferred pension.
  - A change to service enhancements for ill-health and death in service pensions.

  This change has been accounted for as a past service cost. This has impacted on the charge to net services cost, increasing the active LGPS liabilities of the council by 1.6%.

8. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

9. Overheads and support services

The costs of overheads and support services are charged on an appropriate basis to those that benefit from the supply or service in accordance with the costing principles of the BVACOP. Costs relating to the council's status as a multi-functional, democratic organisation are accounted for under the heading of corporate and democratic core. The cost of discretionary benefits awarded to employees retiring early from previous years' re-structuring are held within non distributed costs. These two cost categories are accounted for as separate headings in the income and expenditure account, as part of net cost of services.

10. Intangible fixed assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council through custody or legal rights (for example software licences) is capitalised when it will bring benefits to the council for more than one financial year. Intangible assets are recorded at historical cost and are amortised to revenue over their economic life.

The period of useful lives is assessed as being between 1 and 5 years on a straight-line basis, commencing the year after acquisition.

11. Tangible fixed assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. Non operational assets are tangible fixed assets held but not directly occupied, used or consumed in the delivery of services.

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the authority and the service that it provides for more than one financial year. Expenditure on routine repairs and maintenance is charged to revenue as it is incurred.

Assets are initially measured at cost, and thereafter are carried in the balance sheet using the following measurement bases:

- Operational land and buildings, and other operational assets, with the exception of community assets are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use.

- Community assets used to be included in the balance sheet at historical cost. The basis of valuation changed in 2002/03 to a nominal value of £1 per asset. This was done as using historical cost presented a misleading valuation, as it does not reflect the true economic value of these assets, whereas the valuation of £1 recognises these assets in the accounts without ascribing a value. This represents a departure from BVACOP. There is one exception of a piece of land that has been given the value of £400 following a recent valuation.

- Non-operational land and properties, other non-operational assets, including investment properties and assets that are surplus to requirements are valued at the lower of net current replacement cost or net realisable value.

Assets included in the balance sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. The five year rolling programme of valuations is carried out by a qualified valuer and details are shown in note 15 to the Statement of Accounts.

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the income and expenditure account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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**
  The value of each category of assets included in the balance sheet is reviewed as part of the rolling programme of revaluation. If any impairment or loss of value were identified outside this programme, it would be reflected in the relevant year's accounts. Where impairment is identified, this is accounted for by:

  - Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service account

  - Otherwise – written off against any revaluation gains attributable to the relevant asset in the revaluation reserve, with any excess charged to the relevant service revenue account

  Where an impairment loss is charged to the income and expenditure account but there were accumulated revaluation gains in the revaluation reserve for that asset, an amount up to the value of the loss is transferred from the revaluation reserve to the capital adjustment account.

- **Disposals**
  When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the income and expenditure account as part of the gain or loss on disposal. Receipts from disposals are also credited to the income and expenditure account 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 in the revaluation reserve are transferred to the capital adjustment account. The balance of receipts is required to be credited to the usable capital receipts reserve and can then only be used for new capital investment or set aside to reduce the need to borrow. Receipts are appropriated to the reserve from the statement of movement on the general fund balance.

  Any receipts arising from the disposal of housing land are subject to a pooling arrangement where a proportion of the capital receipt is paid over to the Secretary of State. However, this does not apply to the authority's share of receipts from sales under the preserved rights to buy arising as part of the transfer. Details are provided in note 23.3 to the Statement of Accounts.

  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 statement of movement on the general fund balance.

- **Depreciation**
  Assets, other than investment properties, are being depreciated over their useful economic lives and have been calculated using the straight-line method. See note 16 to the Statement of Accounts.

  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.

- **Grants and contributions**
  Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the deferred government grants account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

12. Charges to revenue for fixed assets

Service revenue accounts and central support services are charged with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service

- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service

- Amortisation of intangible fixed assets attributable to the service

The council is not required to raise council tax to cover depreciation, impairment losses or amortisation.

13. Deferred charges

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service account in the year. Where the council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the capital adjustment account then reverses out the amounts charged in the statement of movement on the general fund balance so there is no impact on the level of council tax.

14. Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

The council does not currently have any finance leases.

15. Stocks and work in progress

Stocks are included in the balance sheet at the lower of cost and net realisable value.
Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any profit reasonably attributable to the works.

16. Financial assets

Financial assets are classified into two types:
- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the income and expenditure account for interest receivable are based in the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable and the interest credited to the income and expenditure account is the amount receivable for the year in the loan agreement.

However, the council has made a number of loans to voluntary organisation at less than market rates (soft loans). When soft loans are made, a loss is recorded in the income and expenditure account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. For specific shared ownership loans the amount disclosed will be linked to an annual valuation based on property value. The gain or loss on the loan value will only be recognised when the scheme closes and all money is returned to the council. No adjustment has been made to the 2007/08 Income and Expenditure Account as the first loans have only been made in March 2008. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the general fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the income and expenditure account to the net gain required against the general fund balance is managed by a transfer from the financial instruments adjustment account in the statement of movement on the general fund balance.

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 income and expenditure account.

Any gains and losses that arise on derecognition of the asset are credited/debited to the income and expenditure account.

Available-for-sale assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the income and expenditure account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the income and expenditure account when it becomes receivable by the council.

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:
- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the available-for-sale financial instrument reserve and the gain/loss is recognised in the statement of total recognised gains and losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the income and expenditure account, along with any net gain/loss for the asset accumulated in the reserve.

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 income and expenditure account.

Any gains and losses that arise on derecognition of the asset are credited/debited to the income and expenditure account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably the instrument is carried at cost (less any impairment losses).

17. Financial liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the income and expenditure account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The only financial liabilities the council has are trade creditors. The council has no debt.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to net operating expenditure in the income and expenditure account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the income and expenditure account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the income and expenditure account, regulations allow the impact on the general fund balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the income and expenditure account to the net charge required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the statement of movement on the general fund balance.

Statement of responsibilities for the Statement of Accounts

1 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 arrangements;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and,
- to approve the statement of accounts having received the external auditor's report and the chief finance officer's commentary.

2 Responsibilities of the chief finance officer

The chief finance officer's responsibilities include the preparation of the authority's statement of accounts, which, in terms of the Chartered Institute of Public Finance and Accountancy (CIPFA/LASAAC) code of practice on local authority accounting in Great Britain ('the code') is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

In preparing this statement of accounts, the chief finance officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the code and the BVACOP.

The chief finance officer has also:

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

3. Approval for audit stage

The statement of accounts must be prepared for audit by 30 June. The prepared statement has been approved for audit by the audit and governance committee on Monday 30 June 2008.

……………………………………………………..
Patrick Greene
Chair of audit and governance committee 30 June 2008

……………………………………………………
William Jacobs CPFA 30 June 2008
Head finance and chief finance officer

4. Statement by the head of finance and chief finance officer

I certify that this statement of accounts presents fairly the financial position of the authority at 31 March 2008 and its income and expenditure for the year ended 31 March 2008.

……………………………………………………………

William Jacobs CPFA
Head of finance and chief finance officer 12 November 2008

5. Statement by the chair of the audit and governance committee

This statement of accounts for 2007-08 was considered and approved at the audit and governance committee meeting on 12 November 2008

……………………………………………………………

Patrick Greene
Chair of audit and governance committee 12 November 2008

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF SOUTH OXFORDSHIRE DISTRICT COUNCIL

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of South Oxfordshire District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of South Oxfordshire District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Head of Finance and auditor

The Head of Finance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31March 2008 and its income and expenditure for the year then ended.

BEST VALUE PERFORMANCE PLAN

I issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 in December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

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

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In doing so I identified the following:

- The council did not have procedure manuals in place for all the significant financial systems replaced in year;
- The council did not carry out regular reconciliations of its key financial systems including bank reconciliations;
- budget reports to Members were not produced in a timely manner;
- The Council does not have an up to date capital strategy or asset management plan.

Having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that South Oxfordshire District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008 except that it did not put in place:

- Arrangements within its system of internal control for the preparation of procedure notes and reconciliations of all key financial systems;
- Adequate reporting arrangements to enable Members to fulfil their responsibilities to match performance against budgets; or
- An up to date capital strategy and asset management plan for management of its asset base.

Certificate

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

Maria Grindley,
District Auditor, Audit Commission, Unit 5, Isis Business Centre, Horspath Road, Cowley, Oxfordshire OX4 2RD
12 November 2008

INCOME AND EXPENDITURE ACCOUNT

2006/07 Net Expenditure £000		2007/08 Gross Expenditure £000	Gross Income £000	Net Expenditure £000	(Notes)
	Central Services to the Public				
697	Local Tax Collection	5,983	(5,336)	647	
1,467	Other Central Services	2,020	(387)	1,633	
	Cultural, Environmental & Planning Services				
1,197	Cultural & Related Services	4,373	(308)	4,065	
6,250	Environmental Services	8,598	(1,899)	6,699	
3,428	Planning & Development Services	5,903	(1,595)	4,308	
	Highways, Roads & Transport Services				
(75)	Parking Services - Car Parks	1,897	(833)	1,064	
761	Concessionary Fares	886	(36)	850	
	Housing Services				
79	Housing Benefits	19,706	(19,449)	257	
3,468	Other Housing Services	2,256	(579)	1,677	
3,865	Corporate & Democratic Core	3,774	(8)	3,766	
908	Non Distributed Costs	1,166	0	1,166	
746	Exceptional Items	0	0	0	*1*
3,002	Exceptional post balance sheet payment	0	0	0	
25,793	**Net Costs of Services**	**56,562**	**(30,430)**	**26,132**	
3,171	Precepts paid to Parish Councils			3,278	
373	Loss/(gain) on disposal of Fixed Assets			(50)	
(683)	Income from sale of housing to SOHA			(747)	
(260)	Income from transferred debt			0	
199	(Surplus)/deficit from Trading Undertakings			3,467	*2*
26	Contribution to Housing Pooled Capital Receipts			24	
(6,650)	Interest & Investment Income			(6,766)	
208	Provision for Loss in Value of Investments			0	
3,650	Pensions Interest Cost			4,100	
(3,800)	Expected Return on Pensions Assets			(4,240)	
22,027	**Net Operating Expenditure**			**25,198**	
(9,503)	Demand on Collection Fund			(9,629)	
(42)	Transfer from Collection Fund			(90)	
(1,186)	Revenue Support Grant			(1,097)	
(6,043)	NNDR from National Pool			(6,535)	
5,253	**Net (Surplus)/Deficit for the year**			**7,847**	

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2006/07 £000		2007/08 £000
5,253	Surplus for the year on the Income & Expenditure Account	7,847
(5,253)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(7,847)
0	Increase/decrease in General Fund Balance for the year	0
750	General Fund Balance brought forward	750
750	**General Fund Balance carried forward**	**750**

See note 11 - Breakdown of amounts additional to the Income and Expenditure Account that are required to be debited or credited to the general fund balances/earmarked reserves

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2006/07 £000		2007/08 £000	*(Notes)*
5,253	(Surplus)/deficit for the year on the Income & Expenditure Account	7,847	*I&E*
(5,998)	(Surplus)/deficit arising on revaluation of fixed assets	(4,297)	*23.6*
0	(Surplus)/deficit arising on revaluation of available-for-sale financial assets	(783)	*23.7/23.8*
567	Actuarial (gains)/losses on pension fund assets & liabilities	(43)	
(50)	Deficit/(surplus) on the Collection Fund relating to SODC	61	
0	Movements in net worth which have not been accounted for in the income and expenditure account	0	
(228)		**2,785**	

BALANCE SHEET

2006/07 £000		£000	2007/08 £000	Notes
293	Intangible Assets	381		12.1
	Tangible Fixed Assets			
	Operational Assets			
21,148	Land and Buildings	23,409		
1,405	Vehicles and Plant	1,217		
0	IT Infrastructure	0		
0	Community Assets	1		
168	Infrastructure Assets	326		
21,421	Non Operational Assets #	22,629		12.2
44,435	**Total Fixed Assets**		**47,963**	
68,076	Long Term Investments #		72,145	24.1
	Less Provision for Loss in Value #		0	
2,557	Long Term Debtors		2,676	24.2
115,068	**Total Long Term Assets**		**122,784**	
	Current Assets			
139	Stock	30		
11,976	Debtors #	10,704		24.3
(2,660)	Less Bad Debt Provision	(3,442)		24.3
48,422	Investments	38,997		24.1
0	Cash in Hand	63		
57,877			**46,352**	
	Current Liabilities			
(1,115)	Receipts In Advance #	(2,435)		24.4
(630)	Developers Contributions #	(544)		
(289)	Capital Grants Unapplied	(422)		21
(6,975)	Creditors	(7,146)		24.4
(3,002)	Exceptional post balance sheet creditor	0		24.4
(114)	Cash Overdrawn	0		
(12,125)			**(10,547)**	
(1)	Long Term Borrowing		(1)	
0	Deferred Capital Receipts		0	
(206)	Deferred Government Grants		(178)	22
(15)	Provisions		(15)	20
(17,707)	Net Pension Liability		(18,289)	25
142,891	**Net Assets**		**140,106**	

BALANCE SHEET CONTINUED

2006/07 £000		2007/08 £000	
0	Revaluation Reserve *	4,297	*23.6*
0	Financial Instrument Adjustment Account	109	*23.8*
0	Available for Sale Financial Instrument Reserve	674	*23.7*
60,806	Capital Adjustment Account * #	59,928	*23.2*
2,477	Deferred Capital Receipts Reserve	2,556	*23.4*
48,759	Usable Capital Receipts Reserve #	38,692	*23.3*
(17,707)	Pensions Reserve	(18,289)	*23.5*
750	Balances - General Fund	750	
47,761	Earmarked Reserves #	51,405	*23.1*
45	Balances - Collection Fund	(16)	*Note 4 to CF*
142,891	**Total Equity**	**140,106**	

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07:

* = to accommodate the implementation of the revaluation reserve (see accounting policy 10). The revaluation reserve replaces the fixed asset restatement account (FARA). The debit balance of £4,566m on the FARA at 31 March 2007 has been written off to the capital financing account (£68.243m credit balance) to form the new capital adjustment account with a balance of £63.677m. The revaluation reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

= for adjustments to opening balances within the balance sheet, detailed in the table below.

Original Balance Sheet 1 April 2007		Amendments					Adjusted Balance Sheet 1 April 2007
		Didcot Cinema	LT Invs provision	Remeasure of Invs	Coll Fund Dr/Cr	Receipts in advance	
£000		£000	£000	£000	£000	£000	£000
24,292	Non-operational assets	(2,871)					21,421
68,492	LT Investments			(416)			68,076
(538)	LT Investments - provision for loss in value		538				0
12,775	Debtors				(839)		11,936
(5,500)	Receipts in advance				839	3,546	(1,115)
(276)	Developer contributions					(354)	(630)
(5,054)	Creditors					(1,921)	(6,975)
63,677	Capital adjustment account	(2,871)					60,806
47,134	Usable capital receipts reserve					1,625	48,759
47,993	Earmarked reserves		538	(416)		(354)	47,761

CASH FLOW STATEMENT

2006/07 £000	Revenue Activities	2007/08 £000	Notes
	Cash Outflows		
9,639	Cash Paid to and on behalf of Employees	10,466	
15,307	Other Operating Cash Payments	15,518	
18,192	Housing Benefits paid out	20,053	
39,707	Payments to NNDR National Pool	37,417	
65,343	Precepts paid	65,562	
869	Other Operating Cash Outflows	213	
	Cash Inflows		
(68,123)	Council Tax Receipts	(71,061)	
(6,059)	NNDR receipts from National Pool	(6,535)	
(39,356)	Non-domestic Rate Receipts	(38,060)	
(1,170)	Revenue Support Grant	(1,097)	
(23,375)	DWP Grants for Benefits	(25,239)	*31*
(886)	Other Government Grants	(760)	*31*
(4,585)	Cash Received for Goods & Services	(3,677)	
0	Other Operating Cash Receipts	(915)	
5,503	**Net Cash Flow from Revenue Activities**	**1,885**	
	Servicing of Finance		
(6,881)	Interest received	(5,032)	
	Capital Activities		
	Cash outflows		
9,683	Purchase of Fixed Assets	15,734	
43	Purchase of Long-term investments	10,500	
0	Other Capital Cash Payments	0	
	Cash Inflows		
(5,480)	Sale of Fixed Assets/Mortgage Receipts	(855)	
(801)	Capital Grants received	(727)	*31*
2,550	Long Term Investments	(11,000)	
(47)	Other Capital Cash Receipts	(40)	
4,570	Net Cash inflow/outflow before financing	10,465	
	Management of Liquid Resources		
(4,559)	Net increase(decrease) in Short Term Deposits	(10,642)	*30*
11	Net (increase)/Decrease in Cash	(177)	*28, 29*

Notes to the Income and Expenditure Account

1. Exceptional and extraordinary items and prior period adjustments

There are no exceptional or extraordinary items or prior period adjustments for the 2007/08 Statement of Accounts. The following exceptional items were included in the 2006/07:

Exceptional court costs of £746,542

Early retirement costs of £106,300 (This amount is included within non distributed costs)

2. Trading operations

The council own a portfolio of non-operational assets, which includes land, industrial estates, depots, garages and shops that are let or used on a commercial basis. Turnover against expenditure on these properties for the year was as follows:

2006/07 £000	Commercial Properties	2007/08 £000
(878)	Turnover Income	(942)
301	Expenditure	331
(577)	(Surplus)/Deficit before other charges	(611)
776	Charges for capital expenditure and other adjustments	4,078
199	**(Surplus)/Deficit**	**3,467**

Charges for capital expenditure and other adjustments includes expenditure on projects undertaken where costs arising do not enhance the value of associated assets and are written off to the Income and Expenditure Account in the year in which they are incurred. It also includes depreciation and impairment adjustments.

3. Discretionary expenditure under S137 Local Government Act

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote wellbeing in their area. As a consequence, the majority of the provisions of section 137 were repealed with effect from October 2000. The only remaining requirement is for councils to disclose revenue expenditure under section 137(3), for example donations to charities, not-for-profit bodies and mayoral appeals.

2006/07 £000	Section 137 expenditure	2007/08 £000
138	Grants to Citizen Advice Bureau	151
76	Grants to One Stop Shops	78
158	Other Revenue Grants	253
372	**Total Revenue Grants**	**482**

4. Publicity account

Section 5 of the Local Government Act 1986 as applied by the Local Authorities (Publicity Account) (Exemption) Order 1987 requires local authorities to keep a separate account of expenditure on publicity.

2006/07 £000	Expenditure on Publicity	2007/08 £000
145	Recruitment advertising	143
80	Other publicity	81
225	**Total**	**224**

5. Building Control Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. The council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred. However, certain activities performed by the building control section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Under the Building (Local Authority Charges) Regulations 1998, the council must ensure income from charges fully recovers the cost of carrying out its building control functions over a rolling 3 year period.

Chargeable 2006/07 £000	Non-chargeable 2006/07 £000	Total 2006/07 £000	Building Control Account	Chargeable 2007/08 £000	Non-chargeable 2007/08 £000	Total 2007/08 £000
			Expenditure			
509	54	563	Employee expenses	470	51	521
50	8	58	Supplies and services	72	11	83
148	16	164	Support services	144	16	160
707	**78**	**785**		**686**	**78**	**764**
			Income			
648	0	648	Building regulations	625	0	625
0	4	4	Other income	0	4	4
648	**4**	**652**		**625**	**4**	**629**
59	**74**	**133**	**(Surplus)/deficit**	**61**	**74**	**135**

6. Agency Services

Under various statutory powers, the council may agree with other public bodies to do work on their behalf. The council will be fully reimbursed by the responsible public body for any costs incurred in carrying out this work. Expenditure or income relating to agency services would not normally be included in the council's Income and Expenditure Account, since it is not incurred as part of the council's normal responsibilities and for the sake of transparency are therefore disclosed in the notes to the accounts.

- Disposal of abandoned vehicles - the council acts as an agent on behalf of Oxfordshire County Council for the disposal of abandoned vehicles.

- Car parking cash collection - the council has provided, via one of its contractors, a car parking cash collection service for Henley Town Council.

2006/07 £000	Agency Services	2007/08 £000
2.7	Disposal of abandoned vehicles	2.5
5.7	Car parking cash collection Henley	13.5
8.4	**Total amount reimbursable**	**16.0**

7. Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies.

2006/07 £000	Expenditure under Local Authority (Goods and Services) Act	2007/08 £000
4.0	During 2007/08 a commercial property was leased to Didcot Town Council.	4.0
5.7	The council charges Henley Town Council and Oxfordshire County Council for car park cash collection services.	4.7
2.7	The council charges Oxfordshire County Council for the disposal of abandoned vehicles.	2.5
12.4	**Total income received**	**11.2**

8. Members' Allowances

The Local Government Act 2000 and the Local Authorities (Members' Allowances) Regulations 2001 required the council to appoint an independent remuneration panel to review its scheme for Members' allowances and to make recommendations to the council regarding the scheme to be operated in 2006/07. This resulted in a total of Members' allowances paid in 2007/08 of £201,879 (2006/07 £210,697). Further information on Members' allowances is available on request at the council offices.

9. Officers' Emoluments

The number of employees whose remuneration, including special payments such as redundancy and early retirement and excluding pension contributions, was £50,000 or more in bands of £10,000 was as follows:

2006/07 Employees	Remuneration band	2007/08 Employees
0	£110,000 - £119,999	1
0	£100,000 - £109,999	0
1	£90,000 - £99,999	0
0	£80,000 - £89,999	1
2	£70,000 - £79,999	3
2	£60,000 - £69,999	5
5	£50,000 - £59,999	7

10. Audit Costs

The council incurred the following fees relating to external audit and inspection:

2006/07 £000	Audit fees	2007/08 £000
87	Fees payable to the Audit Commission with regard to external audit services	96
7	Fees payable to the Audit Commission in respect of statutory inspection	16
51	Fees payable to the Audit Commission for the certification of grant claims and returns	35
145	**Total audit fees**	**147**

Note to the Statement of the Movement on General Fund Balance

11. Breakdown of amounts additional to the Income and Expenditure Account that are required to be debited or credited to the general fund balances/earmarked reserves

The following table itemises the (surplus)/deficit on the Income and Expenditure Account that is required by statute and non-statutory proper practices to be debited or credited to earmarked reserves for the year.

2006/07		2007/08	
£000		£000	£000
	Amounts included in the I&EA funded by earmarked reserves and required by statute to be excluded when determining the movement on the general fund balances for the year		
(162)	Amortisation of intangible fixed assets	(203)	
(745)	Depreciation and impairment of fixed assets, and write down of fixed asset expenditure not enhancing the asset	(1,576)	
0	Downwards revaluation of assets	(5,452)	
53	Government Grants Deferred amortisation matching depreciation & impairments	890	
(4,907)	Write down of deferred charges written off financed from capital resources	(5,627)	
(373)	Net gain or (loss) on sale of fixed assets	50	
683	Income from sale of housing to SOHA	747	
260	Income from transferred debt	0	
(208)	Net gain or (loss) on sale of investments	0	
(1,590)	Net charges made for retirement benefits in accordance with FRS17	(2,136)	
(6,989)			(13,307)
	Amounts not included in the I&EA but required to be included by statute when determining the movement on the earmarked reserves for the year.		
0	Minimum Revenue provision for Capital Financing	0	
(56)	Capital Expenditure charged in year to revenue	0	
(26)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(24)	
1,366	Employers contributions payable to Pension Fund and retirement benefits payable direct to pensioners	1,510	
1,284			1,486
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on earmarked reserves for the year		
452	Net transfer to or from earmarked reserves		3,974
(5,253)	**Total**		**(7,847)**

Notes to the Balance Sheet

12. Summary of capital expenditure and fixed asset disposals

12.1. Movement of intangible asset

Intangible assets

	Net book value 1 April 2007	New purchases	Written off to revenue (amortisation)	Balance as at 31 March 2008
	£000	**£000**	**£000**	**£000**
Software licences	143	180	(80)	**243**
E-Government	62	55	(35)	**82**
Planning delivery	88	56	(88)	**56**
Total	**293**	**291**	**(203)**	**381**

12.2. Movement of tangible fixed assets

Operational assets

	Other land & buildings	Vehicles, equipment & plant	Infra-structure	Community assets	Total
	£000	**£000**	**£000**	**£000**	**£000**
Certified valuation at 31 March 2006	**21,869**	**2,116**	**168**	**0**	**24,153**
Accumulated depreciation and impairment	(721)	(711)	0	0	(1,432)
Net book value of assets at 31 March 2007	**21,148**	**1,405**	**168**	**0**	**22,721**
Movement in 2007/08					
Additions	177	120	157	0	454
Disposals	(3)	0	0	0	(3)
Reclassification	(468)	0	0	0	(468)
Revaluations	2,922	0	1	1	2,924
Depreciation	(367)	(308)	0	0	(675)
Impairments	0	0	0	0	0
Net book value of assets at 31 March 2008	**23,409**	**1,217**	**326**	**1**	**24,953**

Non operational assets

	Investment properties/non operational land	Assets under construction	Surplus assets held for disposal	Total
	£000	£000	£000	£000
Certified valuation at 31 March 2006	**18,373**	**3,048**	**0**	**21,421**
Accumulated depreciation and impairment	0	0	0	0
Net book value of assets at 31 March 2007	**18,373**	**3,048**	**0**	**21,421**
Movement in 2007/08				
Additions	1,738	3,178	0	4,916
Disposals	(53)	0	0	(53)
Reclassification	0	468	0	468
Revaluations	(3,778)	(299)	0	(4,077)
Depreciation	0	0	0	0
Impairments	(46)	0	0	(46)
Net book value of assets at 31 March 2008	**16,234**	**6,395**	**0**	**22,629**

There has been no change to the amortisation method used to write down the cost of intangible assets.

12.3. Capital expenditure and financing

2006/07 £000	Capital Expenditure & Financing	2007/08 £000
	Capital expenditure adding to fixed assets	
239	Intangible assets	291
1,150	Land and buildings	5,092
97	Vehicles, plant and equipment	37
100	IT systems and equipment	83
0	Infrastructure assets	157
1,586		**5,660**
	Capital expenditure not adding to fixed assets	
2,423	Grants	942
610	Improvement grants	654
4,357	Land and buildings	7,352
201	Vehicles, plant and equipment	33
171	Infrastructure assets	9
382	Intangible assets	361
9,730		**15,011**
	This was financed by:	
8,314	Capital receipts	14,149
588	Capital grants	776
828	Other contributions	86
9,730		**15,011**

12.4. Capital financing requirement

The capital finance requirement shows the purchase and financing of capital spending during the year and indicates the council's need to borrow to finance its capital spending to date. As the year end figure is negative, this indicates that no borrowing is required. The figures are derived from the opening and closing movements on the assets and accounts and are not directly identifiable from the face of the Balance Sheet.

2006/07 £000	**Capital financing requirement**	**2007/08 £000**
(21,579)	Opening capital financing requirement as per Balance Sheet movement	**(21,767)**
	Fixed assets	
(1,028)	Operational assets	2,261
7,415	Non-operational assets	3,094
(60)	Mortgages	(38)
77	Intangible assets	88
(6,904)	**Capital adjustment account**	(878)
0	**Revaluation Reserve**	(4,297)
52	**Deferred capital grant**	28
260	**Deferred capital receipts**	290
(21,767)		**(21,219)**

13. Information on assets held

The council holds the following assets that make up the fixed asset balance on the Balance Sheet:

2006/07	**Asset held**	**2007/08**
20	Car Parks	19
14	Public Conveniences	11
2	Depots and Stores	2
2	Swimming Pools	2
3	Camping and Caravan Sites	3
1	Administrative Buildings	1
2	Cemeteries	2
3	Industrial Estates	3
1	Enterprise Centre	1
5	Shops, garages, offices	5

With the exception of one area of land valued at £400, Community Assets shown on the Balance Sheet are held at a nominal value of £1 each and are 127 small areas of land.

14. Assets held for lease

The council does not act as lessor for any finance or operating leases.
Where the council is the lessee, they have the following operating leases:

2006/07 £000	Operating leases	2007/08 £000
3	Hand wash systems in public conveniences	3
1	Vending machines	0
4	Franking machines	4
16	Photocopiers	16
24	**Total**	**23**

The operating leases have the following financial commitments:

Rental values payable under operating leases

2006/07 £000	Amounts due:	2007/08 £000
7	Within 1 year	7
17	Within 2-5 years	16
0	> 5 years	0
24	**Total**	**23**

15. Valuation information

Valuations at Current Value	2002/03 £000	2003/04 £000	2004/05 £000	2005/06 £000	2006/07 £000	2007/08 £000	Total £000
Land & Buildings							
Car Parks	0	0	6,946	584	(543)	(499)	**6,488**
Public Conveniences	0	0	959	148	(46)	(251)	**810**
Swimming Pools	0	0	4,840	433	0	0	**5,273**
Cemetery Buildings	0	0	119	0	0	211	**330**
Allotments	0	0	0	10	0	(2)	**8**
Mobile Home Sites	0	0	0	1,440	0	2,110	**3,550**
Office Assets	0	0	6,980	0	0	1,514	**8,494**
	0	**0**	**19,844**	**2,615**	**(589)**	**3,083**	**24,953**
Non Operational Assets							
Industrial Estates	0	0	5,569	0	1,283	0	**6,852**
Depots	0	0	0	229	0	0	**229**
Commercial Assets	109	396	184	0	104	0	**793**
Leisure Assets	0	0	0	370	(153)	(49)	**168**
Mobile Home Sites	0	0	0	345	0	(15)	**330**
Land	1	0	0	7,620	(1,854)	665	**6,432**
Other	205	258	0	1,591	3,865	1,906	**7,825**
	315	**654**	**5,753**	**10,155**	**3,245**	**2,507**	**22,629**

Valuations of investment properties, including the cinema in Didcot, and the mobile home parks have been completed by Lambert Smith Hampton (FRICS) as at 31 March 2008. The remaining investment assets other than Market House, Thame and the Orchard Centre, Didcot, have been undertaken by external valuers John Carroll (FRICS) and the District Valuation Office. They have relied on previous records of measurements and leaser agreements have been provided where applicable. Market House was valued independently in 2006 by Colliers (FRICS) and the Orchard Shopping Centre was valued internally, by Graham Hawkins (FRICS), for the 2007 statements based on investment value. In each case the values have been used for this re-assessment, however, it is proposed that these assets be formally revalued for next year's statement. The valuations are generally based on either the net realisable value of the assets in their existing use, i.e. market value (MV) or depreciated replacement cost (DRC) for operational property where no market comparables exist.

Upon taking advice from Cluttons LLP, an independent property consultant, that there is a market value for the Councils car parks, the basis of valuation of the car parks has changed this year from the previously adopted depreciation replacement cost method to a market value approach. Cluttons undertook the revaluation and this has led to significant variations in the valuation of individual properties.

16. Depreciation methodologies

All assets are currently depreciated on a straight line basis over an estimate of their useful lives. Land and non-operational commercial assets are not depreciated. Community assets are depreciated only where enhancement results in the capitalisation of the asset. Useful lives for depreciation purposes are as follows:

Total depreciation charged for 2006/07	Asset type	Useful life (for depreciation purposes)	Total depreciation charged for 2007/08
£000			**£000**
	Land & Buildings		
130	Car parks	15 years	133
45	Public conveniences	10-55 years	34
74	Leisure assets - swimming pools	15-60 years	74
0	Camping and caravan site	nil	0
4	Cemeteries (building only)	20-40 years	3
120	Offices	35 years	121
1	Recycling bank	25 years	2
374			367
	Vehicles, plant and equipment		
121	Computer hardware	5 years	141
250	CCTV	7 years	161
0	Vehicles	nil	6
371			308

Non-operational assets held for investment are exempt from depreciation

17. Commitments under Capital Contracts

The Council has authorised and contractually agreed significant expenditure in future years of £3.517m under its capital programme. These commitments relate to the following schemes.

Capital commitments as at 31 March 2008	**£000**
Commitments in connection with the redevelopment of Didcot town centre	3,025
Capital grants awarded	319
Improvements to Thame leisure centre	50
Purchase of wheeled bins for green waste	123
	3,517

18. Movement in Deferred Charges

A deferred charge is defined as that expenditure which can be treated as capital for financing purposes but which does not lead to the creation of a fixed asset under the control of the council and consequently does not appear on the Balance Sheet, for example, improvement grants.

19. Analysis of Net Assets Employed

The council is required to disclose the net assets employed by the general fund in the councils' balance sheet statement.

2006/07 £'000	**Net Assets Employed**	**2007/08 £'000**
124,317	General Fund	123,433
18,574	Trading Operations	16,673
142,891		**140,106**

20. Details of Provisions and Movements in the Year

Insurance Provisions

Insurance for the council is provided under contract by Zurich municipal. The council does not maintain a provision or reserve for the purpose of providing insurance cover to services.

Provisions

The following table shows the provisions that the council has established to meet know future liabilities where the amounts or timing of the liability is unknown.

The deposit guarantee provision is to cover the cost of meeting claims from landlords for providing accommodation to the homeless.

	1 April 2007 £000	Transfers In £000	Transfers Out £000	31 March 2008 £000
Deposit guarantee provision	15	0	0	15
Balance carried forward	**15**	**0**	**0**	**15**

21. Capital grants unapplied

This reserve holds Government grants and other contributions towards capital schemes which have not yet been applied to finance expenditure.

2006/07 £000	Capital grants unapplied	2007/08 £000
222	Opening balance on 1 April	289
81	Transfer from grants deferred	0
0	Transfer from creditors	(114)
0	Transfer to other reserves	(125)
832	Amounts received	1,148
(846)	Applied in year	(776)
289		**422**

22. Deferred government grants

This account records where the purchase of a fixed asset is funded either wholly or in part by a Government grant or other contribution. As the asset values are written down the balance will be reduced accordingly.

2006/07 £000	Deferred government grants	2007/08 £000
257	Opening balance on 1 April	206
(81)	Transfer to grants unapplied	0
39	Transfer to capital financing	0
54	New capital grants and contributions deferred	0
(63)	Written off to capital financing	(28)
206		**178**

23. Reserves

23.1. Summary of earmarked reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory purposes, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending.

Reserves	1 Apr 2007 £000	Interest £000	Transfers In £000	Transfers Out £000	31 Mar 2008 £000	Purpose
Unallocated Reserves:						The purpose of these accounts is to hold funds for :
Enabling Fund - Unallocated	17,239	2,459	212	(2,418)	17,492	Accumulated surpluses in previous years, which have not yet been earmarked.
Vacancy Reserve - Unallocated	500	0	229	(170)	559	Accumulated savings on employee costs in previous years, which have not yet been earmarked.
CIF Interest - capital unallocated	8,164	2,372	537	(178)	10,895	To hold interest distributed on CIF balances for capital expenditure
Allocated Reserves:						The purpose of these accounts is to hold funds set aside :
Enabling Fund - Job Evaluation	100	0	0	(25)	75	As a contribution towards the future salary costs of employees who have been re-graded downwards and whose salary is subject to protection.
Revenue Funding	1,000	1,000	0	(1,000)	1,000	From CIF interest earnings in previous years, which will be used to support the general fund revenue budget.
Vacancy Reserve - Allocated	170	0	170	(170)	170	From accumulated savings on employee costs in previous years, to meet specific expenditure commitments.
CIF Interest - Distributed	3,596	935	0	(537)	3,994	From interest earned on the CIF principal to be used to fund the capital programme.
Planning Inquiry	130	0	0	0	130	To meet the cost of any inquires that have to be set up as a result of the updating of the local plan.
Carry Forwards	645	0	985	(645)	985	By departments from underspends to cover future specific costs.
Redundancy & Early Retirement	76	0	0	0	76	To help meet the redundancy and early retirement costs associated with any future restructuring.
Building Control	13	0	0	(61)	(48)	From ring fencing the building control trading account.
Commuted Lump Sum	123	0	0	0	123	To fund expenditure covered from commuted sums paid by developers
E-Gov Reserve	50	0	0	(30)	20	To fund future costs of e-Government Programme expenditure
Pension revaluation reserve	300	0	0	0	300	To fund future costs of pension regulation changes
Didcot Arts Centre Reserve	25	0	0	0	25	To fund future running costs of the Arts Centre
Performance Reward Reserve	21	0	0	(21)	0	
CIF Principal					0	
Interest Allocated as Principal	15,609	0	0	0	15,609	To hold sums received from the sale of capital assets and which have now been recycled into the equivalent amount of interest and thus could be used to meet any future costs. However Members have agreed not to spend these sums but to use the funds to gene
	47,761	**6,766**	**2,133**	**(5,255)**	**51,405**	

23.2. Capital adjustment account

The capital adjustment account is a new requirement for 2007/08. It records the historical cost of acquiring, creating or enhancing fixed assets and the resources set aside to finance capital expenditure.

2006/07 £000	Capital adjustment account	2007/08 £000
57,517	Opening balance as at 1 April	**60,806**
(927)	Less depreciation	(879)
0	Government grant amortisation	890
9,419	Capital expenditure	(856)
(7,778)	Deferred charges	(5,627)
8	Appropriation through revenue	0
0	Impairment	(46)
5,258	Revaluation of assets	(5,451)
20	Written back depreciation	0
(2,711)	Disposals in year	(56)
0	Resources set aside to finance capital expenditure	11,146
60,806		**59,928**

23.3. Usable capital receipts reserve

The usable capital receipts reserve holds the proceeds from the sale of fixed assets pending their use to finance future capital expenditure.

2006/07 £000	Usable capital receipts	2007/08 £000
52,123	Opening balance on 1 April	**48,759**
	Capital receipts	
548	Property review sales	106
683	SOHA sales	747
2,329	Other	250
(6,898)	Applied in year	(11,146)
(26)	Pooled receipts	(24)
48,759		**38,692**

23.4. Deferred capital receipts reserve

Deferred capital receipts represent the capital income that is still to be received from mortgages, transferred debt repayments, and other equity loans. The balance is reduced on receipt of principal repayment.

2006/07 £000	Deferred capital receipts reserve	2007/08 £000
2,737	Opening balance on 1 April	**2,477**
0	New loans raised	327
(260)	Repaid in year	(248)
2,477		**2,556**

23.5. Pensions reserve

The pension reserve represents an estimate of the councils' current liability of the Oxfordshire County Council pension fund.

2006/07 £000	Pension reserve	2007/08 £000
(17,140)	Opening balance on 1 April	**(17,707)**
	Revenue account costs	
(1,220)	Current services cost	(1,180)
1,366	Employers contributions	1,510
(520)	Past service cost	(1,096)
(493)	Hidden cost adjustment	144
(3,650)	Interest on pension scheme liabilities	(4,100)
3,800	Expected return on employer assets	4,240
(717)		(482)
	Actuarial gains/(losses)	
150	Actual return less expected return on assets	(100)
(567)	**Total movement in reserve**	(582)
(17,707)	**Balance carried forward**	**(18,289)**

Further disclosures relating to the pension scheme can be found in note 25.

23.6. Revaluation reserve

The revaluation reserve records the unrealised net gain from revaluations made to the council's assets after 1 April 2007. Details of revaluations are shown in note 12.2.

2006/07 £000	Revaluation reserve	2007/08 £000
0	Opening balance as at 1 April	0
0	Revaluation upwards	4,297
0		**4,297**

23.7. Available-for-sale financial instrument reserve

The available-for-sale financial instrument reserve records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets.

2006/07 £000	Available for sale financial instrument reserve	2007/08 £000
0	Opening balance on 1 April	0
0	Re-measurement of unit trust value	2,403
0	Loss on revaluation of corporate bonds 2007/08	(162)
0	Loss on revaluation of unit trusts in 2007/08	(1,567)
0		**674**

23.8. Financial instrument adjustment account

The financial instrument adjustment account records the full value of the premium or discount on long-term investments only payable on maturity.

2006/07 £000	Financial instrument adjustment account	2007/08 £000
0	Opening balance on 1 April	0
0	Re-measurement of long term investments	109
0		**109**

24. Financial instruments

The purpose of the new disclosures is to provide information that enables readers to evaluate:
- the significance of financial instruments for the authority's financial position and performance
- the nature and extent of risks arising from financial instruments to which the authority is exposed and how the authority manages those risks.

Categories of financial assets and financial liabilities

Financial assets	**Financial Liabilities**
Bank deposits	Trade payables
Trade receivables	Borrowings
Loan receivable	Financial guarantees
Other receivables and advances	
Investments	

24.1. Investments

The investments disclosed on the balance sheet can be analysed into the following categories:

	Long-Term		Current	
	31 March 2007 £000	**31 March 2008 £000**	**31 March 2007 £000**	**31 March 2008 £000**
Financial liabilities (principal amount)				
This is the actual value excluding any adjustments	0	0	0	0
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities at fair value through the I & E	0	0	0	0
Total borrowings	**0**	**0**	**0**	**0**
Loans and receivables (principal amount)				
This is the actual value excluding any adjustments	49,000	51,930	48,422	38,997
Loans and receivables	**49,000**	**51,930**	**48,422**	**38,997**
Available-for-sale financial assets	19,076	20,215	0	0
Financial Assets at fair value through the I & E	0	0	0	0
Total Investments	**68,076**	**72,145**	**48,422**	**38,997**

24.2. Long Term Debtors

31 March 2007 £000		**31 March 2008 £000**
156	Mortgages	119
2,320	Transferred loan debt	2,110
2,476		**2,229**
80	Staff loans	66
0	Housing loans	380
1	Other loans	1
2,557	**Total long term debtors**	**2,676**

24.3. Debtors

31 March 2007 £000		31 March 2008 £000
4,498	Local tax	4,939
627	Central government	1,428
165	Other local authorities	603
21	Payments in advance	67
3,287	Interest on investments	0
805	SOHA capital receipts	767
30	Housing loans	240
40	Staff loans	43
2,503	Sundry debtors	2,618
11,976		10,705
	Less provision for bad debts	
(1,855)	Local tax	(2,251)
(805)	Other	(1,191)
(2,660)		(3,442)
9,316	**Total debtors**	**7,263**

24.4. Receipts in advance and creditors

31 March 2007 £000		31 March 2008 £000
	Receipts in advance	
251	General	346
864	Local tax	2,089
1,115		**2,435**
	Creditors	
(33)	Central government	1,566
1,921	Local tax	2,141
327	Other local authorities	465
12	House purchasers	8
4,748	Sundry creditors	2,966
3,002	Exceptional post balance sheet item	0
9,977		**7,146**

24.5. Soft Loans

The following table summarises the soft loans that the council has made. These figures are also included within the analysis of long term and current debtors:

Long term 31 March 2007 £000	Current 31 March 2007 £000		Long term 31 March 2008 £000	Current 31 March 2008 £000
80	40	Car loans to employee's	66	43
0	30	Loans to local residents for rent deposits	51	4
0	0	Loans to Catalyst	99	0
0	0	Loan to SOHA	230	0
1	0	Others	1	0
81	70	Total soft loans	447	47

24.6. Financial instrument gains/losses

The gains and losses on financial instruments is summarised in the financial instrument available-for-sale reserve note 23.7.

24.7. Risk

The council's activities expose it to a variety of financial risks. The council does not require debt financing and currently does not have any debt exposure. The key risks in relation to financial assets are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the council;
- Liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements, market prices, foreign currency exchange rates, etc.

Overall procedures for managing risk

The council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out in a legal framework in the Local Government Act 2003 (the Act) and the associated regulations. These require the council to comply with the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice and investment guidance issued through the Act. Overall these procedures require the council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice;
- By approving annually, in advance, prudential indicators for the following three years limiting:
    - The councils overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.

- By approving an investment strategy for the forthcoming year setting our criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the council's annual Council Tax setting budget and reported and approved with the councils annual Treasury Management strategy which outlines the detailed approach to managing risk in relation to the council's financial instrument exposure. Actual performance is also reported annually to Members.

The council maintains written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk, and the investment of surplus cash through the treasury management practices (TMPs). These TMPs are a requirement of the Code of Practice.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

Deposits with banks and financial institutions	Amount at 31 March 2008	Historical experience of default	Adjustment for market conditions at 31 March 2008	Estimated maximum exposure to default
	£000	%	%	£000
AAA rated counterparties	0	0.000%	0.000%	0
AA rated counterparties (1 year)	15,270	0.100%	0.100%	15
AA rated counterparties (2 year)	10,500	0.400%	0.400%	42
AA rated counterparties (3 year)	11,500	5.400%	5.400%	621
AA rated counterparties (4 year)	9,500	11.400%	11.400%	1,083
AA rated counterparties (5 year)	7,000	16.000%	16.000%	1,120
A rated counterparties	18,500	7.500%	7.500%	1,388
Other counterparties	14,000	9.400%	9.400%	1,316
	86,270	0.502%	0.502%	5,585

The historical experience of default has been taken from Moody's, a credit rating organisation used by the Council and applies to the period 1982 – 2005.

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties. As a result of these credit criteria we have maintained historical default rates as a good indicator under these current conditions.

The Council also uses non credit rated institutions (for instance smaller building societies or bank subsidiaries where the parent has a satisfactory rating). In these circumstances these investments have been classified as other counterparties. All building societies used have a minimum equivalent Long Term rating Fitch rating of A.

The Council has an investment with Northern Rock plc, whose rating grade is A, and has been included in this category above. The Bank is currently nationalised and so the rating is that applicable to Government borrowing (AAA). The nationalisation applies with a three month notice period for de-nationalisation and guarantees are currently in force for long standing deposits.

No credit limits were exceeded during the reporting period and the council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Liquidity risk

The council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

In the event of an unexpected cash requirement the council has ready access to borrowings from the Money Markets to cover any day to day cash flow need. The council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and maturity risk

The council maintains an investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer term financial assets.

The approved prudential indicator limits investments placed for greater than one year in duration are the key parameters used to address this risk. The council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes the 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 provide stability of maturities and returns in relation to the longer term cash flow needs.

The council has no longer term financial liabilities. The maturity analysis of financial assets is as follows:

	£000
Less than one year	37,770
Between one and two years	20,500
Between two and three years	11,500
More than three years	16,500
	86,270

Market risk

Interest rate risk - The council is exposed to interest rate movements on its 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:

- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Changes in interest payable and receivable on variable rate investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, 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 council's prudential indicators and its expected treasury operations, 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 central treasury team will 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.

If all interest rates had been 1% higher with all other variables held constant) the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	(21)
Impact on Income and Expenditure Account	(21)
Decrease in fair value of fixed rate investment assets	43
Impact on STRGL	43

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk - The council, excluding the pension fund, holds an investment in equity shares to the value of £13m in unit trusts. Whilst this investment holding is generally liquid, the council is exposed to losses arising from movements in the prices of the unit trusts.

The council is not in a position to limit its exposure to price movements by diversifying its portfolio.

The shares are all classified as available-for-sale, meaning that all movements in price will impact on gains and losses recognised in the STRGL. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £650,000 gain or loss being recognised in the STRGL for 2007/08.

Foreign exchange risk - The council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

25. Local Government pension scheme (disclosures under Financial Reporting Standard 17)

The council is required to disclose certain information concerning the assets, liabilities, income and expenditure related to pension scheme employees.

As part of the terms and conditions of employment, the council offers retirement benefits. Employees of the council are entitled to join the Local Government Pension Scheme (LGPS) which is administered by Oxfordshire County Council (OCC). Under the regulations governing the LGPS a defined benefit based on final pensionable salary. This is a funded pension scheme which means that the council and employees pay contributions into a fund at a level calculated to balance the pensions' liabilities with investment assets.

The most recent valuation was carried out at 31 March 2007 and has been updated by independent actuaries to the Oxfordshire County Council Pension Fund (the Fund) to take account of the requirements of FRS17 in order to assess the liabilities of the fund as at 31 March 2008. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value. As of 1 April 2008 the council made a further one off payment to reduce the pension fund deficit and thereby reduce future contributions required.

The employers' contributions certified by the actuary to the fund in respect of the period 1 April 2003 to 31 March 2008 were as follows:

2003/04 – 14.40% of pensionable pay
2004/05 – 16.50% of pensionable pay
2005/06 – 16.50% of pensionable pay
2006/07 – 15.60% of pensionable pay
2007/08 – 16.40% of pensionable pay

The main assumptions used for the purposes of FRS17 are as follows:

31 March 2007 (pa)	FRS 17 Main Assumptions	31 March 2008 (pa)
5.3%	Discount Rate	6.8%
4.7%	Rate of increase in salaries	5.2%
3.2%	Rate of increase in pension payments	3.7%
3.2%	Rate of increase in deferred pensions	3.7%
3.2%	Rate of inflation	3.7%
	Long term expected rates of return:	
7.7%	Equities	7.6%
4.7%	Government Bonds	4.6%
5.3%	Corporate Bonds	6.8%
6.7%	Property	6.6%
5.6%	Other Assets	6.0%
7.1%	Average long term expected rate of return	7.1%

At 31 March 2008 it was estimated that the council had the following share of assets and liabilities and these are included in the Balance Sheet.

31 March 2007		**31 March 2008**
72.00%	Equities	69.99%
14.85%	Bonds	16.82%
7.20%	Property	6.27%
5.95%	Other Assets	6.92%
100.00%	**Total**	**100.00%**

Assets are valued at fair value, principally market value for investments. The proportion of the total assets held in each type by the fund as a whole at 31 March 2008 is as follows:

31 March 2007 £000		**31 March 2008 £000**
(78,287)	Estimated Liabilities in scheme	(73,139)
60,580	Estimated Assets in scheme	54,850
(17,707)	**Net liability (deficit)**	**(18,289)**

The movement in net pension liability for the year to 31 March 2008 is shown in note 23.5.

The current deficiency in the pension fund represents the estimated position at the end of the financial year. The deficit has increased in year from £17.707m in 2006/07 to £18.289m.

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007:

	2004/05		**2005/06**		**2006/07**		**2007/08**	
	£m	%	**£m**	%	**£m**	%	**£m**	%
Differences between the expected and actual return on assets	2.35	5.4%	7.87	13.5%	0.33	0.5%	(8.78)	(16.0%)
Differences between actuarial assumptions about liabilities and actual experience	3.94	5.8%	0.04	0.10%	(0.21)	(0.30%)	(0.19)	(3.0%)
Changes in the demographic and financial assumptions used to estimate liabilities	(10.44)	(15.3%)	(4.84)	(6.4%)	0.03	0.0%	8.87	12.3%
	(4.15)		3.07		0.15		(0.10)	

26. Contingent liabilities and contingent assets

For 2007/08 there are no contingent liabilities or assets to disclose. For 2006/07 the following were disclosed:

Didcot town centre – referral of a compensation claim to the Land Tribunal for settlement.

Potential repayment of grant – the Audit Commission had requested a ruling on income received from the Office of the Deputy Prime Minister (ODPM), that it should be deducted from the total expenditure before the Government grant is calculated.

27. Post balance sheet event

Short-term investments shown on the balance sheet include £2.5 million that was deposited with Icelandic bank Kaupthing Singer Friedlander. The deposit was made on 14 December 2007 and was due to be repaid on 12 December 2008. On 8 October 2008 Kaupthing Singer Friedlander went into administration. As a result there is a risk that the investment, and the interest that would have be earned on it, may not be repaid to the council. It is not possible to say with any certainty what the likelihood of repayment is at this time.

For 2006/07, the council reported the following post balance sheet event:

Compensation relating to the compulsory purchase of the Somerfield site in Didcot has now been agreed by the Lands Tribunal. A further £3 million was paid to Somerfield in full and final settlement of their compensation claim on 18th May 2007. A contingent liability had been agreed by the Council on 2nd December 2003 allowing for an adverse award of compensation to be made from the Council's capital programme.

Notes to the Cash Flow Statement

28. Reconciliation of net (Surplus)/Deficit on the Income & Expenditure Account to net cash flow

2006/07 £'000		2007/08 £'000
	(Surplus)/Deficit for year	
5,253	On the Income and expenditure account	7,847
	Non Cash Transactions	
(490)	Movement in Debtors Provisions	(782)
(1,590)	Pension cost adjustment per FRS17	(2,136)
0	Pension provision movement	144
(162)	Amortisation of intangible assets	(203)
(745)	Depreciation & impairment charges	(1,576)
(4,907)	Net Deferred charges	(5,627)
0	Revaluation of assets downwards	(5,452)
(373)	Gain/Loss on disposal of fixed assets	50
(208)	Gain/loss on disposal of investments	0
683	Income from sale of housing to SOHA	747
53	Government grants deferred	890
2,104	Net Increase in Specific Reserves	0
	Revenue Accruals	
(140)	(Decrease)/Increase in Stock	(109)
1,272	Decrease/(Increase) in Revenue Creditors	540
(2,128)	(Decrease)/Increase in Revenue Debtors	2,520
	Items included Under Other Classifications	
6,881	Interest received	5,032
5,503	**Net Cash Flow**	**1,885**

29. Reconciliation of the movement in cash to the movement in net debt.

2006/07 £000		2007/08 £000
(103)	Balance on 1 April	(114)
(11)	Cash flow	177
(114)	Balance on 31 March	63

30. Reconciliation of the items shown within the financing and management of liquid resources sections of the Cash Flow Statement to the related items in the opening and closing Balance Sheets for the period

	31/03/2007 £000	31/03/2008 £000	Movement £000
Short Term Investments - cash	48,422	37,780	(10,642)
Short Term Investments – Accrued interest	0	1,147	1,147
Short Term Investments	48,422	38,927	(9,495)

31. Analysis of government grants shown in the Cash Flow Statement

2006/07 £000		2007/08 £000
	Revenue Grants	
6,059	Non Domestic Rate Grant	6,535
1,170	Revenue Support Grant	1,097
22,645	Housing Benefit - Subsidy	24,582
730	Housing Benefit - Admin	657
23,375	**Total DWP Grant for Benefits**	**25,239**
195	NNDR Collection Allowance	195
81	Affordable Housing	56
29	Homelessness Prevention/Rent Deposit Guarantee	31
165	Safer Stronger Communities	111
11	Anti-Smoking Grant	53
55	Defective Housing Grant	50
60	Contaminated Land Grant	0
60	DEFRA Grant - Waste Efficiency	94
209	Planning Delivery Grant	45
21	Performance Reward Grant	42
0	Concessionary Travel Grant	62
0	Rural Communities Grant	3
0	SALIX Energy Efficiency Grant	18
886	**Total Other Government Grants**	**760**
31,490	**Total Revenue Grants**	**33,631**
	Capital grants	
480	Improving grant subsidy	480
80	Waste performance efficiency grant	0
220	Planning delivery grant	247
21	Performance reward grant	0
801	**Total capital grants**	**727**
32,291	**Total grants**	**34,358**

Other notes to the Statement of Accounts

32. Local Area Agreements

The Council is a participant in a local area agreement (LAA) – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the second year of its three year agreement. The council has received a share of the grant for Stronger, Safer Communities. This amounted to £147,519 out of a total grant to the LAA of £853,000. The goals of this grant is to reduce crime and disorder in the Oxfordshire area and to support a community in which people feel safe regardless of age or ethnic background.

The LAA partners are:
Oxford City Council
Cherwell District Council
South Oxfordshire District Council
Vale of White Horse District Council
West Oxfordshire District Council
Oxfordshire Primary Care Trust

33. Related party transactions

The council is required to disclose material transactions with related parties. These are bodies that have the potential to control or influence the council, or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the council.

Central Government
Central Government is responsible for providing the statutory framework, within which the council operates, provides the majority of it funding in the form of grants and prescribes the terms of many of the transactions the council has with other parties (for example housing benefits). Details of transactions with Government departments are set out in note 31 – analysis of government grants shown in the Cash Flow Statement.

Members of the council
Members have direct control over the council's financial and operational policies. However, any contracts entered into are in full compliance with the council's constitution and any decisions are made with proper consideration of declarations of interest. Details of material interests are recorded in the register of members' Interests, which is open to public inspection. The following relationships were declared:

Name of member	Details of relationship declared
Councillor Mrs C Collett MBE	Personal connection with Oxfordshire Rural Community Council who receive a grant from the council.

Senior officers
The senior officers of the council have control over the day to day management of the council and all heads of service and management team members have been asked to declare any related party transactions. The following relationship was declared:

Name of senior officer	Details of relationship declared
Sue Reid – Assistant chief executive	Household connection with CAPITA who the council has contracts with.

Assisted organisations

During 2007/08 the council provided a revenue grant of £280,075 (£67,000 in 2006/07) to South Oxfordshire Leisure Limited (SOLL) under long-term agreements for public access to pools and leisure centres. SOLL are contracted to manage the leisure centres and use eight buildings under licence in the provision of the service. Six of these buildings are occupied under licence from Oxfordshire County Council.

34. Authorisation of Accounts for Issue

There is a requirement to disclose the date that the Statement of Accounts are authorised for use. This establishes the date after which events will not have been recognised in the accounts. The Audit and Corporate Governance Committee approved the accounts on Monday 30 June 2008.

35. Trust Funds

The Council acted as custodian trustee for an old staff benevolent fund which closed down in 1983. There is a small remaining balance and Legal Services are seeking access to the fund details in order to clear this amount in an appropriate way.

COLLECTION FUND ACCOUNT

The council is responsible for the billing, collection and recovery of council tax, community charges and national non-domestic rates. The council is required to maintain a separate income and expenditure account to reflect the transactions relating to the Collection Fund.

2006/07 £000		2007/08 £000	Notes
	Income:		
(68,065)	Council Tax	(70,461)	
(39,429)	Income collectable from Business Ratepayers	(37,819)	
(4,583)	Transfers from General Fund - Council Tax Benefits	(4,596)	
	Expenditure:		
71,717	Precepts and Demands	74,594	Note 2
	Business Ratepayers:		
39,235	Payment to National Pool	37,624	
195	Collection Costs Allowance	195	
307	Contributions towards previous year's estimated Collection Fund surplus	688	Note 2
240	Provision for bad and doubtful debts	241	
(383)	**Deficit/(Surplus) for year**	**466**	
40	Balance b/f	(343)	
(383)	Deficit/(surplus) for year	466	Note 4
(343)	**Collection Fund deficit/(surplus)**	123	

Notes to the Collection Fund Account

1. Business rates (national non-domestic rates)

Business rates are based on the rateable value of a property multiplied by a nationally determined rate (multiplier). The total amount collected by the Council is paid into the National Pool managed by Central Government. Each council then receives a redistributed amount from the pool based on an amount per head of population.

		£
NNDR rateable value as at 1 April 2007		101,574,246
NNDR rateable value as at 31 march 2008		100,349,587
National multipliers:	**2006/07**	**2007/08**
Small business non-domestic rating multiplier	42.6p	44.1p
Non-domestic rating multiplier	43.3p	44.4p

2. Precepts and demands

2006/07 £ Precept	2006/07 £ Share of estimated surplus	2006/07 £ Total		2007/08 £ Precept	2007/08 £ Share of estimated surplus	2007/08 £ Total
54,986,920	234,662	55,221,582	Oxfordshire County Council	57,354,612	528,418	57,883,030
7,227,172	30,662	7,257,834	Thames Valley Police Authority	7,609,722	69,452	7,679,174
			South Oxfordshire District Council:			
6,332,494	41,856	6,374,350	District Council requirement	6,351,047	90,275	6,441,322
3,170,652		3,170,652	Parish Precepts	3,278,346		3,278,346
9,503,146	41,856	9,545,002		9,629,393	90,275	9,719,668
71,717,238	**307,180**	**72,024,418**		**74,593,727**	**688,145**	**75,281,872**

3. Council tax base calculation

Council Tax income is derived from charges according to the value of residential properties. Properties are classified into 8 valuation bands. The Council, as billing authority, calculates its tax base in accordance with Governance Regulations. The number of dwellings is modified to take account of various discounts and exemptions allowed and a weighting is applied to calculate the equivalent Band D dwellings. The tax base calculation is shown below:

Band	Number of Properties	Band Multiplier	Band D Equivalent
A	1,827	6/9	1,218
B	4,013	7/9	3,121
C	12,551	8/9	11,156
D	11,636	9/9	11,636
E	8,515	11/9	10,407
F	5,346	13/9	7,722
G	5,118	15/9	8,530
H	676	18/9	1,352
	49,682		55,143
Class O *			631
Sub Total			55,774
Assumed losses on collection			1,103
Council Tax Base			54,671

* = Class O dwellings are those owned by the Secretary of State for Defence and held for the purpose of Armed Forces accommodation.

4. Surplus/deficit on the Collection Fund

Any surplus or deficit in respect of council tax at the end of the year is, during the next year, apportioned between the Council, Oxfordshire County Council and the Thames Valley Police Authority in proportion to their precepts in the year the surplus or deficit occurred. The following amounts are included within the debtors/creditors in respect of the share of the deficit/ (surplus) due to the major precepting authorities:

2006/07 £000		2007/08 £000
(263)	Oxfordshire County Council	94
(35)	Thames Valley Police Authority	13
(45)	South Oxfordshire District Council	16
(343)	**Debtor/(Creditor)**	**123**

ANNUAL GOVERNANCE STATEMENT 2007/08

1.0 Scope of responsibility

South Oxfordshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The council approved and adopted a local code of corporate governance in 2003, which is consistent with the CIPFA/SOLACE[1] framework (2001) Corporate Governance in Local Government – a Keystone for Community Governance: the Framework. The council has continued with this framework for the 2007/08 financial year because its governance monitoring framework is inextricably linked with its performance management framework.

This statement explains how South Oxfordshire District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

With effect from April 2008, the council will implement the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (CIPFA 2007).

Our website at www.southoxon.gov.uk/ has a copy of the local code of corporate governance within its Constitution or it can be obtained from:

Democratic Services
South Oxfordshire District Council
Benson Lane
Crowmarsh Gifford
Oxon
OX10 8QS

[1] Chartered Institute of Public Finance and Accountancy and Society of Local Authority Chief Executives

2.0 The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The council has had the governance framework described below in place for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

3.0 The governance framework

The purpose of the governance framework is to do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Full council is responsible for directing and controlling the organisation in this manner. Full council's responsibilities include agreeing the Constitution and key governance documents, the policy framework and key strategies including the community strategy and agreeing the budget.

South Oxfordshire District Council has executive arrangements in place consisting of a Cabinet and two scrutiny committees. Cabinet is responsible for proposing the policy framework and key strategies, proposing the budget and implementing the policy framework and key strategies. The scrutiny committees can question and challenge the policy and performance of the executive and promote public debate.

The chief executive advises councillors on policy and procedures to drive the aims and objectives of the authority. As head of the officer staff, the chief executive oversees the employment and conditions of staff. The chief executive leads the management team. The head of finance, the monitoring officer and senior managers are responsible for advising the executive and scrutiny committees on legislative, financial and other policy considerations to achieve South Oxfordshire District Council's objectives and are responsible for implementing councillors' decisions.

Our governance framework for 2007/08 was based on the Local Code 2003 which was adopted by full council on 17 April 2003. Within that framework we aimed to meet the principles of good governance in all aspects of the council's work giving particular attention to community focus, service delivery, structures and processes, risk management and internal control and standards of conduct against which we set targets to monitor our performance.

The strategic planning framework

To ensure we do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner, our strategic planning framework incorporates residents' and service-providers' views as well as national and local priorities. Our strategic planning framework incorporates the Local Strategic Partnership's sustainable communities strategy for the area. It also takes account of the priority indicators within the Local Area Agreement for Oxfordshire. In addition, we have responsibility for the local development framework – a set of planning policy documents that set out how we will use land in the district to achieve both our partners' and our wider objectives. During the year we have undertaken major consultation on our Corporate Plan. We also carry out regular consultation with residents and service-users to identify their priorities for service improvement and how satisfied they are with our services. Their feedback has helped to shape our strategic priorities and objectives.

Our overall vision is set out in our Statement of Strategic Intent. It complements that of the South Oxfordshire Partnership (SOP) and reflects our desire to work in partnership to achieve the best services possible for South Oxfordshire. Our Corporate Plan sets out the council's strategic objectives and corporate priorities. This plan along with Oxfordshire-wide plans, guides our decisions on how we invest our financial and staffing resources. They determine the types of projects we support through grant funding.

Our four year Corporate Plan sets out our strategic objectives and corporate priorities. Arising from the Corporate Plan each service team has a detailed service plan and workplan which identifies how they will undertake specific activities which will deliver our priorities.

Performance management framework

In order to know that we are achieving the strategic objectives and corporate priorities in he corporate plan, we set national indicators and local performance targets. To ensure we meet these targets and objectives, we have one-year service plans and workplans, thus ensuring that the work of all individuals is aligned to the council's top level objectives through a golden thread.

The council's targets and actions are monitored via its performance management system. In the process of monitoring performance, we forecast year-end outcomes and undertake action planning to get measures back on track if they are below target. In addition, we review performance at the end of the year and use this to help set targets for the coming year. Where targets are not being met, heads of service discuss these on a monthly basis with their strategic director. Quarterly performance monitoring reports are presented to the Corporate Improvement Scrutiny Committee at which time Cabinet members and officers are expected to attend the committee to account for under-performing targets. Thereafter Cabinet receives the quarterly monitoring reports.

Our individual performance review scheme focuses on agreement of targets linked to service plans between managers and individuals. Throughout the year, staff have meetings with their managers to review progress and discuss and plan personal development in line with the council's objectives.

Legal framework

Our Constitution sets out how South Oxfordshire District Council is managed and guides decision-making towards objectives. The head of legal and democratic services is responsible for ensuring the lawfulness of decision-making and maintaining the Constitution. Our Constitution includes a set of procedure rules that govern how we conduct our business. It also includes protocols covering, for example, the disclosure of interests in contracts and the relationship between officers and councillors. In addition the Constitution contains a Planning Code of Conduct for councillors and a Code of Conduct for officers.

All decisions are made in accordance with the requirements of the Constitution and the scheme of delegation which forms part of the Constitution. The head of legal and democratic services will report to full council or to Cabinet if she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration.

In the role of monitoring officer, the head of legal and democratic services contributes to the promotion and maintenance of high standards of conduct through support to the Standards Committee.

The Constitution includes our Code of Conduct for councillors which came into effect from 1 July 2007. It incorporates the mandatory requirements of the Model Code of Conduct.

Financial framework

The financial management of the council is the responsibility of the head of finance (section 151 officer). The section 151 officer is responsible for the overall management of the financial affairs of the council. The section 151 officer determines all financial systems, procedures and supporting records of the council, after consultation with heads of service. Any new or amended financial systems, procedures or practices are agreed with the section 151 officer before implementation.

The full council is responsible for approving the following:

- MEDIUM TERM FINANCIAL STRATEGY

The medium term financial strategy sets a stable financial framework within which the council operates, and it is reviewed annually. It is linked to a medium term financial plan that is reported to councillors during the budget setting process.

- TREASURY MANAGEMENT STRATEGY

The treasury management strategy governs the operation of the council's treasury function, and is reviewed annually. This includes parameters for lending and borrowing, and identifies the risks of treasury activity.

- CAPITAL STRATEGY

The capital strategy governs the council's capital programme.

- REVENUE AND CAPITAL BUDGET SETTING

Both revenue and capital budgets are set by full council. Revenue budget setting includes both the calculation of the council tax base and the surplus or deficit arising from the collection fund.

Cabinet has overall responsibility for the implementation of the council's financial strategies and spending plans, and is authorised to make financial decisions subject to these being consistent with the budget and policy framework and the Constitution.

Heads of service are responsible for ensuring the proper maintenance of financial procedures and records, and the security of assets, property, records and data within their service area.

The chief executive, strategic directors and heads of service consult with the head of finance and the head of legal and democratic services on the financial and legal implications respectively, of any report that they are proposing to submit to the full council, a committee (or sub-committee), or Cabinet.

Risk management framework

Risk management is important to the successful delivery of our objectives. An effective risk management system identifies and assesses risks, decides on appropriate responses and provides assurance that the chosen responses are effective. Our risk management approach has been in effect since 2003. The overall responsibility for effective risk management in the council lies with the chief executive supported by the management team. We use a standard risk management methodology which encompasses the identification, analysis, prioritisation, management and monitoring of risks.

Councillors have a responsibility to understand the strategic risks that the council faces, and will be made aware of how these risks are being managed through regular reports to the Audit and Corporate Governance Committee.

All heads of service are responsible for ensuring that risk assessments are undertaken in their service areas, and that risks identified are prioritised and entered onto the risk register. This annual process has been mainstreamed and integrated with the annual service planning cycle, so that risk mitigation actions can be included in service plans.

The risk management group shares best practice and provides an arena for discussing and managing cross-service risks. Attendees of the group are known as risk champions and meet to monitor progress across the council.

All line managers are responsible for implementing strategies at team level by ensuring adequate communication, training and the assessment and monitoring of risks.

All officers are responsible for considering risk as part of everyday activities and provide input to the risk management process.

We also have a robust approach to business continuity to ensure that priority services can continue to be delivered to our customers in the event of an unforeseen disruption.

4.0 Review of effectiveness of the governance framework

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the council who have responsibility for the development and maintenance of the governance environment, the internal audit manager's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The following highlights our review of our strategic objectives and sets out the assurances of committees, officers and external organisations.

- **Review of objectives**

To ensure that we are doing the right things in the right way and for the right people, throughout 2007/08 South Oxfordshire District Council undertook a major review of the Corporate Plan. In doing this, the annual residents' survey asked customers to set out their priorities for improvement. In addition, workshops took place across the district when people were asked what they thought the council's priorities should be. Their feedback helped to guide the development of the Corporate Plan and shape the new strategic objectives and corporate priorities. We have agreed a new set of strategic objectives and 16 new corporate priorities which will provide a framework for the council's work over the next four years.

- **Legal framework**

At its meeting on 16 July 2008, Council approved the creation of a shared senior management team with Vale of white Horse District Council. In September 2008, South Oxfordshire District Council's chief executive was appointed to the post of shared chief executive. The council's monitoring officer was satisfied that the process adopted in the recruitment process complied with all relevant legislation.

Section 113 of the Local Government Act 1972 allows a local authority to enter into an agreement with another local authority to place its officers at the disposal of another authority. Staff who are made available under such an arrangement are able to take binding decisions on behalf of the council at whose disposal they are placed, although they remain an employee of their original authority for employment and superannuation purposes. This legislation therefore allows the chief executive (and in due course other senior managers) to be shared between the two councils. Council authorised the head of legal and democratic services to enter into an agreement under section 113 of the Local Government Act 1972 for this joint arrangement. The section 113 agreement was completed on 26 September 2008.

In September 2008, Council was asked to agree that all references to the chief executive, head of paid service, electoral registration officer and returning officer contained in the Constitution should apply to the shared chief executive when acting in those roles for each council with effect from 17 September 2008.

Otherwise, the Constitution was reviewed twice during the year to ensure it is up to date. During the year, a review of the scheme of delegation was undertaken. In order to enhance the efficiency of decision-making within the budget and policy framework agreed by full council, more decision-making has been delegated to Cabinet members and officers.

The head of legal and democratic services did not need to use her statutory powers during the year.

In 2008 the Legal Services team was again awarded Lexcel. This accreditation is a quality mark which the Law Society has developed and which is only awarded to legal practices that undergo rigorous independent assessment each year to ensure they meet the required standards of excellence in areas such as customer care, case management and risk management.

- **Standards Committee**

The council adopted a new code of conduct in 2007. Standards Committee members have actively participated in delivering training on the Code of Conduct to district and parish and town councillors as well as parish and town clerks. Between April 2007 and March 2008 there were no complaints made against district councillors. There was one hearing into an allegation of a breach of the code of conduct by a parish councillor. The parish councillor was found not to have failed to comply with the code of conduct.

In April 2008 the Standards Committee considered a further investigation into an allegation of a breach of the code of conduct against a parish councillor. The committee agreed with the investigator's findings that the parish councillor had not failed to comply with the code of conduct.

In addition, the committee has prepared for its role on the local filter of complaints under the code of conduct for councillors. The committee responded to the consultation on the local filter and it has appointed additional independent and parish representatives to the Standards Committee to enable it to fulfil its role in dealing with complaints.

The local filter of complaints came into effect in May 2008. The committee adopted guidance notes and a complaint form, which were subsequently made publicly available on the internet. Parish and town councils were advised of changes to the procedures. Standards Committee members undertook training in the local filter of complaints and will continue to take up training opportunities. The committee will continue to review its procedures in order to enable the smooth-running of the complaints process.

Action: to effectively implement the local filter of complaints the Standards Committee will continue to develop its procedures for considering complaints under the councillors' code of conduct.

- **Financial framework**

During the 2007/08 financial year, full council reviewed and approved the medium term financial strategy, and the treasury management strategy. It was not possible for a review of the capital strategy to be undertaken. This is programmed for 2008/09.

Action: undertake a review of the capital strategy during 2008/09.

Full council approved a revenue budget for 2008/09, together with a capital programme until 2011/12. This was set following rigorous internal review by Cabinet members, the chief executive, strategic directors and heads of service, together with the section 151 officer and accountancy staff. Budget proposals were also subject to review by the Corporate Improvement Scrutiny Committee. The council tax itself was set in accordance with parameters defined in the medium term financial strategy.

Regular budget monitoring was undertaken throughout the financial year, with budget monitoring reports sent to senior managers and Cabinet members every month from July onwards, and published for all councillors twice in the year. However, for the new financial year it has been agreed that budget monitoring information will be formally reported quarterly to Cabinet.

A new financial management system – Agresso – became operational in April 2007. A number of operational issues with the system during the financial year have, as can be seen under the internal audit section below, caused many of the key financial systems reviews to come back with a limited opinion. The problems experienced with the system were reported to Audit and Corporate Governance Committee during the year, as was progress against a recovery plan which was agreed with the contractor.

Action: review the areas of limited assurance identified by internal audit with the contractor to ensure that the concerns raised by internal audit are addressed.

- **Internal audit and the internal audit manager**

Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the council's objectives. It assists the council by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary.

The internal audit manager contributes to the assurance process by commenting on the effectiveness and outcome of the programme of internal audits and comments on the effectiveness of the internal control environment of the council. During the year internal audit harmonised its services with Vale of White Horse District Council.

The internal audit manager's overall opinion offers satisfactory assurance on the basis of its own work. There is basically a sound system of internal control in place, but there are some weaknesses which may put some system objectives at risk. Areas of concern in the control environment mainly centre on key financial systems. The implementation of the Agresso 5.5 financial management system, resulted in control weaknesses being identified in the majority of the key financial system audits which require remedial action.

During the year the internal audit manager also undertook a risk management audit, and a limited assurance rating was given. The council has implemented some risk management processes, but it is the internal audit manager's opinion that improvements need to be made to fully embed an adequate risk management process. This is considered further under the heading of *risk management.*

Internal Audit did not complete specific reviews of corporate governance arrangements and the Anti-Fraud and Corruption Policy and Response Plan in the year and has included these in the plan for 2008/2009.

Internal audit offers assurance that it has complied with the CIPFA Code and a formal quality assurance programme was introduced during the year. Internal audit needs to complete a self-assessment against the code to identify areas for further improvement, from which an action plan will be developed and results will be presented to the Audit and Corporate Governance Committee.

Action: to undertake an internal audit self-assessment against the code to identify areas for further improvement.

- **Risk management**

An internal audit of risk management provided limited assurance on the adequacy of the internal control system, which puts the system objectives at risk, and/or the level of non-compliance puts some objectives at risk. The audit raised 14 recommendations; seven high, five medium and two low. In summary, the audit recommended that the council should review its strategic risks; greater emphasis should be given to the reporting of risk; risk management should be incorporated into training and induction for officers and councillors and that performance monitoring and management reporting needs to be strengthened. Responsible officers have added these tasks to their workplan. The council is addressing these issues through the recruitment of a dedicated risk management officer (shared between South and Vale). This role will also include maintenance of our business continuity arrangements.

Action: address the actions of the internal audit report as presented to the Audit and Corporate Governance Committee on 30 June 2008.

Governance code

In 2007, CIPFA/SOLACE published a revised code of governance. The revised code is intended to be used as best practice for developing and maintaining a locally adopted code of governance. South Oxfordshire District Council chose to adopt this revised code from 1 April 2008 rather than on publication of the revised code. As our governance monitoring is linked with our annual performance targets and measures and we were already more than one quarter into the year we opted to remain with the existing governance arrangements rather than bring in new performance measures part way through the year.

During 2008/09 South Oxfordshire District Council will need to review the revised local code of governance to ensure that best practice governance is aimed for and appropriate performance measures are in place. Having noted the overlap between the governance code and the Audit Commission’s Use of Resources Assessment, we await the outcome of the consultation on the use of Resources to avoid any duplication of measurement in the areas of governance and use of Resources.

Action: devise performance measures against the new local code of governance when the outcome of the Audit Commission’s consultation on the Use of Resources is known.

Audit and Corporate Governance Committee

The committee of 13 councillors was formed after elections in 2007. It consisted of a number of councillors new to the role of the committee. With that in mind, an external trainer provided a training session on “the effective audit committee”. During the year, the committee adopted a new local code of governance (to become effective from 1 April 2008), received internal audit reports, considered the ombudsman’s letter, a report on risk and challenged financial management issues within South Oxfordshire District Council.

Having been unable to arrange a suitable training date for councillors on the key areas of risk, internal audit, external audit and governance, the intention is to invite councillors to training sessions on their key responsibilities.

From May 2008, the committee consists of a reduced number of seven councillors. The committee has undertaken a self-assessment of its understanding of its remit from which a development programme will commence.

As part of the Annual Audit and Inspection Letter, the Audit Commission made recommendations as set out as the action below:

Actions: to
- work with councillors on the committee to develop their understanding of roles and responsibilities and how they can contribute to monitoring and improving governance, risk management and internal control
- enable the committee to deliver robust challenge on governance and internal control
- develop councillors' understanding of the sources of assurance supporting the governance statements.

Corporate Improvement Scrutiny Committee and Customer and Community Scrutiny Committee

The scrutiny committees help develop council policy and review performance in meeting council objectives. During the year, a number of new initiatives have been embarked upon by the chairmen to help improve the effectiveness of the committees.

Alongside the new initiatives, a task group of councillors on the scrutiny committees has been meeting to prepare its report on the review of the effectiveness of the two committees. The report will be published in the summer of 2008 and the outcomes will be translated into action plans to improve the effectiveness of the committees.

Action: implement an action plan to improve the effectiveness of the scrutiny committees following publication of the report on the review of scrutiny.

External sources of assurance on the governance framework

- AUDIT COMMISSION: COMPREHENSIVE PERFORMANCE ASSESSMENT (CPA)

In line with our aims we achieved an *excellent* rating in the Audit Commission's CPA reassessment in 2007.

The Audit Commission's CPA and inspection activity underpins the principle of targeting work where it has the greatest effect based upon assessments of risk and performance. The assessment stated that the council is delivering on its ambitions and achieving good quality service delivery in most priority areas.

CPA was positive about the robustness of the council's plans, the performance management frameworks that underpin them and its approach to project management.

CPA found that the council has good capacity to deliver its ambitions, that managerial and political leadership is strong, staff are well managed and focused on delivery, and there is a robust approach to workforce planning, recruitment and development. The council enhances its capacity through innovative commissioning and effective management of partnerships and this is supported by strong financial management and capacity.

As a result of the Audit Commission's assessment, the Corporate Improvement Scrutiny Committee considered an improvement plan. While the actions are not considered high priority, the committee will continue to monitor progress against the action plan to deliver the improvements.

- AUDIT COMMISSION: ANNUAL AUDIT AND INSPECTION

The Audit Commission's key message is that the council continues to perform well. The council continues to deliver good services compared with other councils and overall satisfaction with the council and its services is amongst the best 25 per cent nationally.

Its partnership working was identified as a strength and its partnership with Vale of White Horse District Council is highlighted as an innovative approach to providing shared services which is already delivering improvements. However, problems with the implementation of the revised contract with the private provider have led to a dip in performance and internal control which is being addressed by an action plan.

The Audit Commission's assessment stated that the council manages its resources well with a strong sense of value for money**.** Its costs are low compared with other councils.

- AUDIT COMMISSION: AUDIT ANNUAL GOVERNANCE REPORT/VALUE FOR MONEY CONCLUSION

The Audit Commission gave an unqualified opinion on the financial statements on 10 October 2007, after the due date of 30 September. This was largely because of difficulties in completing the audit of the financial statements this year. This was partly due to the change in format of the statements and the need to restate prior year balances, but also due to the processes operated within the finance department to prepare and review the statements.

The Audit Commission gave an unqualified value for money conclusion on the arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Audit Commission recommended that “in the light of the extent of the adjustments to the statements, we recommend that members review the processes proposed for preparation and review of the statements for 2007/08”. Consequently a restructuring of the accountancy team has taken place to allow joint working with Vale of White Horse District Council resulting in a larger and therefore more robust and resilient structure. There are no ongoing actions in relation to this recommendation.

- LOCAL GOVERNMENT OMBUDSMAN

The Local Government Ombudsman provides summary information on complaints about South Oxfordshire District Council to enable the council to incorporate any feedback into service improvement.

The Ombudsman’s letter showed that the number of premature complaints had increased but remained below the national average. The ombudsman stated that the council advertises its complaints procedure clearly and explains each stage of the complaints process.

5.0 Significant governance issues

We propose over the coming year to take steps to address the matters set out in the action boxes above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signature ______________________ Date 12 November 2008

David Buckle
Chief Executive

Signature ______________________ Date 12 November 2008

Ann Ducker
Leader of the Council

GLOSSARY OF TERMS

ACCRUALS

An important accounting principle is that income and expenditure should be accounted for in the period to which it relates, irrespective of the date of settlement.

An accrual is a sum included in the accounts to cover income or expenditure attributable to goods or services received within the accounting period but for which payment has not been received or made.

ACTUARIAL GAINS AND LOSSES

Changes in the net pension liability that arise because events have not coincided with assumptions. Not charged to revenue.

AGENCY

The provision of services by one organisation on behalf of another organisation. The organisation directly providing the services is reimbursed by the responsible organisation.

AMORTISATION

The planned writing-down of the value of an intangible asset, over its limited useful life.

ASSET

Something of value which is measurable in monetary terms. The true value of the Council's assets is not always reflected in the accounts.

BALANCE SHEET

The balance sheet is a statement of the assets and liabilities at the end of the accounting period.

CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated and financed through the capital control system.

CAPITAL RECEIPTS

Proceeds from the sale of assets e.g. land or a building. The Government specifies a proportion to be used to repay debt; the remainder can be used to finance new capital expenditure.

CENTRAL ADMINISTRATION CHARGES

Central administration charges are an allocation of the net cost of the administrative and professional departments that support all of an authority's services, e.g. finance, personnel.

COLLECTION FUND

A fund maintained by collecting authorities into which is paid council taxes, NNDR, and community charges. The fund then meets the requirements of the County, District and Parish Councils and, the Thames Valley Police Authority, as well as paying NNDR to the national pool.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control.

CONTINGENT LIABILITY

A contingent liability is either:
(i) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or
(ii) a present obligation arising from past events where it is not possible to measure the amount of obligation with sufficient reliability.

CONTRIBUTIONS PAID TO THE OXFORDSHIRE COUNTY COUNCIL PENSION FUND

Cash paid as employer's contributions to the pension fund.

CREDITOR

An amount owed by the organisation for work done, goods received or services rendered to the organisation within the accounting period but for which payment has not yet been made.

CURRENT ASSET

An asset where the value changes on a day-to-day basis e.g. stores, cash, debtors (as distinct from a Fixed Asset such as Land and Buildings).

CURRENT LIABILITY

An amount which will become payable or for which payment could be requested within the next accounting period, e.g. creditors, bank overdrafts, short term loans.

CURRENT SERVICE COSTS

The increase in pension liabilities as a result of years of service earned this year. Allocated to the revenue accounts of services for which the employees worked.

DEBTOR

A debtor is an amount due to the organisation within the accounting period not received by the balance sheet date.

DEFERRED CHARGE

A deferred charge arises where

(i) Expenditure is charged to capital but there is no tangible asset e.g. improvement grants, compensatory payments. These charges are written down over a maximum of five years.

(ii) Assets are transferred to another organisation and the associated transferred debt is being repaid over time. These charges are written-down by the loan repayments so that the total equates to the relevant loan debt outstanding.

DEFINED BENEFIT PENSION SCHEME

A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

FINANCIAL INSTRUMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account provides a balancing mechanism between the different rates at which gains and losses are recognised and are required by statute to be met from the General Fund.

FIXED ASSET

Fixed Assets continues to have value and benefit for a period longer than one financial year.

FINANCIAL REPORTING STANDARD (FRS)

Accounting practice recommended by the ASB (Accounting Standards Board) for adoption in the preparation of accounts by applicable bodies (see also SSAP).

GAINS/LOSSES ON SETTLEMENTS AND CURTAILMENTS

The results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. Debited to the Net Costs of Services as part of Non-Distributed Costs.

GENERAL FUND

The main revenue account of an authority, which summarises the cost of all services provided by the Council which are paid for from amounts collected from Council Tax payers, Government Grants and other income.

IBOXX

iBoxx indices cover the cash bond market. Underlying bond prices and indices are available in real time.

IMPAIRMENT

The unexpected or sudden decline in the value of a capital asset, such as property or vehicle.

LIABILITY

An amount incurred by the organisation that is due to be paid at some time in the future.

NATIONAL NON DOMESTIC RATES (NNDR)

NNDR is a tax charged on commercial properties. It is calculated by multiplying a property's 'rateable value' by a nationally set amount (known as the ‘NNDR multiplier’). The Council acts as a collecting agency for Central Government and passes all income onto the Office of the Deputy Prime Minister (ODPM). The ODPM then redistributes the money it receives back to local authorities based on resident population.

PAST SERVICE COST

The increase in pension liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Net Cost of Services as part of Non Distributed Costs interest cost, and the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to Net Operating Expenditure

REVALUATION RESERVE

The revaluation reserve records unrealised revaluation gains arising (since 1 April 2007) from the Council holding fixed assets.

REVENUE SUPPORT GRANT (RSG)

This main non-specific grant paid by central government to local authorities to help fund the services that they provide. The allocation to each authority is determined by a complex formula.

TRANSFERRED DEBT

This is the term given to housing assets transferred to another Council, for which the Council receives repayment in the form of a loan.