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Statement of Accounts

South Oxfordshire District Council

Listening Learning Leading

2008/09

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 92 to 95.

The council's core financial statements for the year 2008/09 are set out on pages 23 to 28. They consist of:

a) **The income and expenditure account** on page 23. The council's main revenue account for the year ended 31 March 2009, reports on the net cost for the year of all the functions for which the council is responsible. It demonstrates how the net 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.

The revenue expenditure section of this explanatory foreword, which follows below, provides an analysis of the council's budgeted and outturn expenditure as funded by local taxation.

b) **The statement of the movement on the general fund balance (SMGFB)** on page 24. 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 differences being:

- capital investment is accounted for as it is financed, rather than when the fixed assets are consumed,
- retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned,
- 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.

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 26 to 27 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.

2008/09 was a difficult economic year globally, nationally and locally. Accounting rules require the council to reflect the latest value of its fixed asset portfolio, and its pension liabilities, in the balance sheet. Both of these suffered during the year and help explain in large part the £37m decrease in the council's net worth during the year.

Working capital (current assets and liabilities) is a more significant indicator of the council's everyday ability to manage its business. Whilst the council's investment portfolio has switched to have a greater value of investments of less than 1 year duration, causing the value of investments shown under current assets to increase, there is little significant change in other current assets and liabilities.

d) The cash flow statement on page 28 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 25. 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.

Collection fund

In addition to the core financial statements, the council also prepares a collection fund account shown on pages 65 to 67. 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 and town and parish councils have been satisfied.

For 2008/09 the council tax for the average property amounted to £1,417.90. Of this, 8.5% (£120.24) was for the district council and 4.5% (£63.15) for the average town and parish levy. The majority of council tax was for Oxfordshire County Council, 76.8% (£1,089.75) and Thames Valley Police Authority, 10.2% (£144.76). The collection fund is consolidated with the other accounts of the billing authority within the balance sheet.

The collection fund for 2008/09 had a closing balance of £432,000. This is apportioned between the major precepting bodies.

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 2008/09

At the beginning of the year the council's budget requirement was £14.385 million, after accounting for the use of reserves and investment income. The table below shows how the actual revenue outturn for 2008/09 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	2,321	2,139	(182)
Corporate management team	1,051	914	(137)
Environmental services	5,068	4,924	(144)
Finance	6,922	6,769	(153)
Housing	1,221	1,154	(67)
Human resources & facilities	2,095	1,916	(179)
Business information systems	1,586	1,522	(64)
Legal & democratic services	1,070	1,088	18
Leisure & economic development	573	514	(59)
Planning & building control	2,202	1,946	(256)
Central contingency	31	0	(31)
Direct service expenditure	**24,140**	**22,886**	**(1,254)**
Charges to capital	(80)	(24)	56
	24,060	**22,862**	**(1,198)**
Interest	(2,591)	(2,591)	0
Transfer to / from other funds	(7,083)	(6,967)	116
Net revenue spend	**14,385**	**13,304**	**(1,081)**
Transfer of surplus to reserves	0	1,081	1,081
Budget requirement set by council	**14,385**	**14,385**	**0**
Parish precepts	3,456	3,456	0
Total funding requirement	**17,841**	**17,841**	**0**
Collection fund precept	10,062	10,062	0
Revenue support grant	951	951	0
National non-domestic rates	6,828	6,828	0
	17,841	**17,841**	**0**

Shown under transfer to / from other funds in the table above is the funding of the £5m one-off payment to the Oxfordshire County Council pension fund, which was made from general fund balances.

The major variations in outturn are detailed below:

Service expenditure	Variance	Explanation			
		Salary over / (under) spend	2008/09 growth underspend	2008/09 carry fwd underspend	Other underspend
	£000	£000	£000	£000	£000
Assistant chief executive	(182)	2	(2)	(10)	(172)
Corporate management team	(137)	37	(4)	(155)	(15)
Environmental services	(144)	(40)	0	0	(103)
Finance	(153)	(27)	0	(27)	(99)
Housing	(67)	(62)	(24)	(80)	98
Human resources	(179)	24	0	(19)	(185)
Business information systems	(64)	(28)	(17)	(12)	(7)
Legal	17	(137)	0	0	155
Leisure & econ development	(59)	(49)	(1)	(113)	104
Planning & building control	(256)	(139)	0	(95)	(22)
Central contingency	(31)	0	0	0	(31)
Net expenditure	**(1,254)**	**(418)**	**(49)**	**(511)**	**(276)**

The salary underspend is transferred to the vacancy reserve, and the carry forward underspend is transferred to the carry forward reserve. The other underspends are transferred to the general fund balance. The major variations included in other underspends above are detailed in the table below:

Analysis of other underspends in excess of £50,000	£000
Income down against budget as a result in the downturn in the housing market:	
Land charges	178
Planning application fees	83
Other income down against budget:	
Car parking - due to changes in the patterns of consumer behaviour - less use of car parks	85
Contract costs less than budget:	
CCTV monitoring - recharge from VOWH lower than budget	(56)
Waste collection - skips - due to reduction in use of skips during the year	(104)
Other:	
Housing benefit	(88)
Recruitment and training savings - due to reduction in recruitment	(68)
Planning policy professional savings	(85)
Project budgets underspent in year	(151)
Contingency budget not used	(30)
Management restructure net costs	80
Net balance of variations less than £50,000	(120)
Total other underspend	**(276)**

It is interesting to note that the district council tax raised £6.606m, which represents 27% of the budgeted direct service expenditure, with 32% being met by central government, and of the remainder 11% comes from interest earned on the council's investments and 30% from the council's funds and reserves.

Capital expenditure 2008/09

Capital expenditure totalled £7.7m in 2008/09. At the start of the year the approved capital programme was £2.6m, but by year end transfers from the provisional capital programme, and other additions to the capital programme, increased this amount to £9.1m. Major capital projects have included Didcot Arts Centre £1.9m, capital works to and refurbishment of leisure centres £0.8m, disabled facilities grants £0.7m, and social housing initiatives £0.7m. Of the £1.4m underspend against the latest capital programme in 2008/09, the most significant related to the council's grants budgets £0.6m.

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 13.3 to the accounts on page 37.

Further details on both revenue and capital expenditure for 2008/09 will be provided in an outturn report to be presented to both cabinet and corporate improvement scrutiny committee during September 2009.

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 45.

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 2009 for South Oxfordshire District Council is £29.5m (2007/08 £17.6m restated). 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 £5m 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 2012/13 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	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Falling out of use of pension reserve	0	100	0	0
Falling out of use of job evaluation reserve	0	25	0	0
Pension fund revaluation	0	400	0	0
Fall in interest allocated (reduction in balances)	600	200	300	300
Election costs – district	0	47	0	0
Other pressures	300	300	300	300
	900	**1,072**	**600**	**600**

Forward capital budget model Possible pressures	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £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's general fund balance is made up of three elements:

1. General surplus and deficiency reserve, in which the council held £750,000 during 2008/09. The council intends to maintain this level, which represented 5.2% of the 2008/09 budget requirement, and which is likely to be sufficient to cover uneven cash flow and all but the most serious emergency.
2. The enabling fund, which is used to fund capital expenditure and one-off revenue spend, and stood at £16.4m at 31 March 2009.
3. Interest earned on previously received capital receipts. This balance stood at £10.6m at 31 March 2009.

The overall general fund balance stood at £27.8m at 31 March 2009.

Investment activity

The council has had no long term debt for some time. Long term investments (those with in excess of twelve months to maturity) were £72.1m at the start of the year, but this fell to £29.4m by year end. This is as a result of the council switching to making deposits of shorter duration as a result of the current economic climate. Current investments (those with less than twelve months to maturity) have increased from £40m at the start of the year, to £66.9m by year end.

Overall the total value of investments fell by £14.8m to £96.4m. In addition to the £5m pension fund contribution referred to above, the council spent £6.3m of its resources on capital expenditure during the year: both of these events reduce the amount the council has available to invest, and it is expected, as illustrated in the medium term financial strategy, that the amount that the council has to invest will reduce over time. The value of investments has however also been reduced by a revaluation of the council's investments in corporate bonds and unit trusts. As shown in note 23.7, this reduction amounts to £5.4m.

The council continues to actively manage its investments and for 2008/09 the total interest earned on investments amounted to £5.8m as against a budget of £4.5m. The average rate earned on cash investments over the year was 4.93%.

Full details on treasury management performance for the year will be reported in an outturn report to cabinet and council during September 2009.

Statement of accounting policies

1. General principles

The statement of accounts summarises the council's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2008* (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

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services,
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet,
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet,
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract,
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful the debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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. When payments are eventually made they are charged to the provision set up in the balance sheet.

- **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. Reserves are created by appropriating amounts in the statement of movement on the general fund balance. When expenditure is to be financed from a reserve it is charged to the appropriate service revenue account in that year to show in 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 2008/09 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 22% lower after the replacement of employer's contributions by current service costs. Net operating expenditure is 16% lower 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 22%.

- **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 6.7% based on the indicative rate of return on AA-rated corporate bonds.

- The assets of the Oxfordshire County Council pension fund attributable to the council are included in the balance sheet at their current bid price. The asset 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.

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.
- 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 16 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 17 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. Other impairment losses are charged to service revenue accounts where no revaluation gains associated with the asset have been remain in the revaluation reserve; and

- 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. Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources, 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.

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. In this authority, that officer is the strategic director and chief finance officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and,
- to approve the statement of accounts.

2 Responsibilities of the chief finance officer

The strategic director and 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 2009.

In preparing this statement of accounts, the strategic director and 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 29 June 2009.

…………………………………………………...
Patrick Greene
Chair of audit and governance committee 29 June 2009

……………………………………………………
Steve Bishop CPFA 29 June 2009
Strategic director and chief finance officer

4. Statement by the strategic director and chief finance officer

I certify that this statement of accounts presents fairly the financial position of the authority at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.

…………………………………………………………….
Steve Bishop CPFA
Strategic director and chief finance officer — 29 September 2009

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

This statement of accounts for 2008-09 was considered and approved at the audit and governance committee meeting on 29 September 2009

…………………………………………………………….
Patrick Greene
Chair of audit and governance committee — 29 September 2009

INCOME AND EXPENDITURE ACCOUNT

2007/08 Net expenditure £000	2007/08 Restated net expenditure £000		2008/09 Gross expenditure £000	2008/09 Gross income £000	2008/09 Net expenditure £000	Note
		Central services to the public				
647	657	Local tax collection	6,224	(5,663)	561	
1,633	1,683	Other central services	2,340	(318)	2,022	
		Cultural, environmental & planning services				
4,065	6,121	Cultural & related services	3,391	(439)	2,952	
6,699	6,898	Environmental services	9,115	(2,209)	6,906	
4,308	4,584	Planning & development services	7,406	(1,302)	6,104	
		Highways, roads & transport services				
1,064	1,648	Parking services - car parks	1,254	(910)	344	
850	861	Concessionary fares	911	(352)	559	
		Housing services				
257	258	Housing benefits	20,905	(20,662)	243	
1,677	1,728	Other housing services	2,875	(608)	2,267	
3,766	4,114	Corporate & democratic core	4,168	(18)	4,150	
1,166	649	Non distributed costs	234	0	234	
26,132	**29,201**	**Net cost of services**	**58,823**	**(32,481)**	**26,342**	
3,278	3,278	Precepts paid to town/parish councils			3,457	
(50)	(50)	Loss/(gain) on disposal of fixed assets			0	
(747)	(747)	Income from sale of housing to SOHA			(69)	
3,467	3,476	(Surplus)/deficit from trading undertakings			3,113	*2*
24	24	Contribution to housing pooled capital receipts			25	
(6,766)	(6,766)	Interest & investment income			(5,813)	
0	0	Financial asset impairment			1,486	*1*
4,100	4,100	Pensions interest cost			4,860	
(4,240)	(4,230)	Expected return on pensions assets			(4,150)	
25,198	**28,286**	**Net operating expenditure**			**29,251**	
(9,629)	(9,628)	Demand on collection Fund			(10,037)	
(90)	(90)	Transfer from collection fund			(25)	
(1,097)	(1,097)	General government grant			(973)	*11*
(6,535)	(6,535)	NNDR from national pool			(6,828)	
7,847	**10,936**	**Net (surplus)/deficit for the year**			**11,388**	

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2007/08 £000	2007/08 Restated £000		2008/09 £000
7,847	10,936	Surplus for the year on the income & expenditure account	11,388
(7,847)	(11,189)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the general fund balance for the year	(5,339)
0	(253)	Increase/decrease in general fund balance for the year	6,049
750	(33,598)	General fund balance brought forward	(33,851)
750	**(33,851)**	**General fund balance carried forward**	**(27,802)**

See note 12 - 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

2007/08 £000	2007/08 Restated £000		2008/09 £000
7,847	10,936	(Surplus)/deficit for the year on the income & expenditure account	11,388
(4,297)	(7,890)	(Surplus)/deficit arising on revaluation of fixed assets	3,454
0	0	(Surplus)/deficit arising on revaluation of fixed assets - revenue	(156)
(783)	(783)	(Surplus)/deficit arising on revalustion of available-for-sale financial assets	5,404
(43)	81	Actuarial (gains)/losses on pension fund assets & liabilities	16,790
0	(349)	FRS 17 restatement relating to pre-2007/08	0
61	61	Deficit/(surplus) on the collection Fund relating to SODC	(54)
2,785	**2,056**		**36,826**

BALANCE SHEET

2007/08	2007/08 restated			2008/09	
£000	£000		£000	£000	*Notes*
381	381	Intangible assets	525		*13.1*
		Tangible fixed assets			
		Operational assets			
23,409	23,409	Land and buildings	25,228		
1,217	1,217	Vehicles and plant	1,037		
1	1	Community assets	1		
326	326	Infrastructure assets	404		
22,629	22,629	Non operational assets	11,258		*13.2*
47,963	**47,963**	**Total fixed assets**		**38,453**	
72,145	72,145	Long term investments		29,446	*24*
2,676	2,676	Long term debtors		2,686	*24.2*
122,784	**122,784**	**Total long term assets**		**70,585**	
		Current assets			
30	30	Stock	10		
10,704	10,704	Debtors	12,278		*24.3*
(3,442)	(3,442)	Less bad debt provision	(4,340)		*24.3*
38,997	38,997	Investments	66,916		*24.1*
63	63	Cash in hand	0		
46,352	**46,352**			**74,865**	
		Current liabilities			
(2,435)	(2,435)	Receipts in advance	(3,584)		*24.4*
(544)	(544)	Developers contributions	(701)		
(422)	(422)	Capital grants unapplied	(152)		*21.0*
(7,146)	(7,146)	Creditors	(7,272)		*24.4*
0	0	Cash overdrawn	(33)		
(10,547)	**(10,547)**			**(11,742)**	
(1)	(1)	Long term borrowing		(1)	
(178)	(178)	Deferred government grants		(184)	*22*
(15)	(15)	Provisions		(15)	*20*
(18,289)	(17,560)	Net pension liability*		(29,500)	*25*
140,106	**140,835**	**Net assets**		**104,009**	

BALANCE SHEET CONTINUED

2007/08	2007/08 restated		2008/09		
£000	£000		£000	£000	*Notes*
(4,297)	(7,890)	Revaluation reserve #		(4,436)	*23.6*
(109)	(109)	Financial instrument adjustment account		(109)	*23.8*
(674)	(674)	Available for Sale Financial Instrument Reserve		4,730	*23.7*
(59,928)	(56,335)	Capital adjustment account #		(50,273)	*23.2*
(2,556)	(2,556)	Deferred capital receipts reserve		(2,749)	*23.4*
(38,692)	(38,692)	Usable capital receipts reserve		(32,532)	*23.3*
18,289	17,560	Pensions reserve*		29,500	*23.5*
(750)	(33,851)	Balances - general fund$		(27,802)	*23.1*
(51,405)	(18,304)	Earmarked reserves$		(20,300)	*23.1*
16	16	Balances - collection fund		(38)	*Note 4 to CF*
(140,106)	**(140,835)**	**Total equity**		**(104,009)**	

The balance sheet figures for 31 March 2008 have been restated from those included in the Statement of Accounts for 2007/08 as follows:

* = to accommodate the change of actuarial valuation assumptions relating to the estimated net pension liability as at 31st March 2008 and the write back of a unfunded pension provision that is no longer required.

= to reflect the re-analysis of 2007/08 valuation information for fixed assets to separately identify revalued amounts for both the land and buildings element of assets.

$ = to reflect the re-analysis of the general fund balance and earmarked reserves so that the general fund balance reflects all unallocated amounts.

CASH FLOW STATEMENT

2007/08 £000		2008/09 £000	Notes
1,885	**Net cash flow from revenue activities**	**7,941**	
	Servicing of finance		
(5,032)	Interest received	(7,167)	
	Capital activities		
	Cash outflows		
10,478	Purchase of fixed assets	3,257	
10,500	Purchase of long-term investments	3,000	
5,256	Other capital cash payments	4,730	
	Cash inflows		
(855)	Sale of fixed assets/mortgage receipts	(984)	
(727)	Capital grants received	(736)	*31*
(11,000)	Long term investments	(23,000)	
(40)	Other capital cash receipts	(175)	
10,465	**Net cash (inflow)/outflow before financing**	**(13,134)**	
	Management of liquid resources		
(10,642)	Net increase(decrease) in short term deposits	13,230	*30*
(177)	**Net (increase)/decrease in cash**	**96**	*28, 29*

Notes to the income and expenditure account

1. Exceptional and extraordinary items and prior period adjustments

Exceptional and extraordinary items

In 2008/09 the council made a one-off contribution of £5m to the Oxfordshire County Council pension fund. This payment was made to help offset increased liabilities in respect of the local government pension scheme that were identified in the actuarial valuation of the fund. In accordance with the requirements of FRS17, this payment is not reflected in the income and expenditure account, as that account reflects retirement benefits earned during the year, rather than contributions made. It is however reflected in the statement of movement on the general fund balance, which adjusts the charges that are required to be made under FRS17 to match actual contributions made.

The income and expenditure account includes an impairment in respect of a cash deposit the council made with Kaupthing Singer & Friedlander ltd. The circumstances of this are discussed in note 24.7.

There were no exceptional and extraordinary events disclosed in the 2007/08 accounts.

Prior period adjustments

To enable compliance with FRS17 as amended, the 2007/08 accounts have been restated, which has affected the following statements / notes:

- income and expenditure account;
- statement of total recognised gains and losses;
- balance sheet;
- note 12, statement of movement on general fund balance; and
- note 23.5 pensions reserve.

The changes in value for the land and buildings elements of each asset are now considered separately, rather than for the asset as a whole. This has led to the following statements / notes being restated:

- income and expenditure account;
- statement of movement on the general fund balance;
- statement of total recognized gains and losses;
- balance sheet;
- note 2, trading operations;
- note 23.3, capital adjustment account;
- note 23.6, revaluation reserve; and
- note 28, reconciliation of net (surplus)/deficit on the income and expenditure account to net cash flow.

In previous years, the general fund balance for the council has been shown as standing at £750,000. As the general fund balance is intended to represent the reserves of the council that are unearmaked, the general fund balance has been restated to represent the £750,000, together with the enabling fund, and the interest received on capital receipts. Consequently, the statement of movement on the general fund balance, together with accompanying note 12, and note 23.1, summary of general fund balance and earmarked reserves, have been amended to take this into account.

There were no prior period adjustments disclosed in the 2007/08 statement of accounts.

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:

2007/08 £000	2007/08 restated £000	Commercial properties	2008/09 £000
(942)	(942)	Turnover income	(1,124)
331	331	Expenditure	346
(611)	(611)	(Surplus)/deficit before other charges	(778)
4,078	4,087	Charges for capital expenditure and other adjustments	3,891
3,467	**3,476**	**(Surplus)/deficit**	**3,112**

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 Section 137 of Local Government Act 1972

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.

2007/08 £000	Section 137 expenditure	2008/09 £000
151	Grants to Citizen Advice Bureau	78
78	Grants to One Stop Shops	82
253	Other revenue grants	366
482	**Total revenue grants**	**526**

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. The 2007/08 figure has been restated.

2007/08 £000	Expenditure on publicity	2008/09 £000
143	Recruitment advertising	81
22	Waste services	92
10	Didcot arts centre	86
173	Other publicity	108
348	**Total**	**367**

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 2007/08 £000	Non-chargeable 2007/08 £000	Total 2007/08 £000	Building control account	Chargeable 2008/09 £000	Non-chargeable 2008/09 £000	Total 2008/09 £000
			Expenditure			
470	51	521	Employee expenses	412	46	458
72	11	83	Supplies and services	54	12	66
144	16	160	Support services	166	18	184
686	**78**	**764**		**632**	**76**	**708**
			Income			
(625)	(0)	(625)	Building regulations	(650)	(0)	(650)
(0)	(4)	(4)	Other income	(0)	(3)	(3)
(625)	**(4)**	**(629)**		**(650)**	**(3)**	**(653)**
61	**74**	**135**	**(Surplus)/deficit**	**(18)**	**73**	**55**

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.

- accountancy, payroll and management services to Vale of White Horse DC – these are provided under shared management arrangements under which certain other services are provided by Vale of White Horse DC to the council;
- payroll services to Abingdon town council;

- disposal of abandoned vehicles - the council acts as an agent on behalf of Oxfordshire County Council for the disposal of abandoned vehicles; and
- car parking cash collection - the council has provided, via one of its contractors, a car parking cash collection service for Henley Town Council.

2007/08 £000	Agency services	2008/09 £000
281.8	Accountancy, payroll and management services - VWHDC	544.4
0.0	Payroll services – Abingdon TC	4.1
2.5	Disposal of abandoned vehicles - OCC	0.9
4.7	Car parking cash collection – Henley TC	2.5
289.0	**Total amount reimbursable**	**551.9**

7. Local Authority (Goods and Services) Act 1970

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

2007/08 £000	Expenditure under Local Authority (Goods and Services) Act	2008/09 £000
4.0	During 2007/08 a commercial property was leased to Didcot Town Council.	5.6
4.7	The council charges Henley Town Council and Oxfordshire County Council for car park cash collection services.	2.5
2.5	The council charges Oxfordshire County Council for the disposal of abandoned vehicles.	0.9
11.2	**Total income received**	**9.0**

8. Members' allowances

The Local Government Act 2000 and the Local Authorities (Members' Allowances) Regulations 2001 require the council to appoint an independent remuneration panel to review its scheme for members' allowances and to make recommendations to the council regarding the allowances scheme. Under the scheme, in 2008/09 a total of £204,313 (2007/08 £201,879) was paid to members. 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, was £50,000 or more in bands of £10,000 is shown in the table below. During 2008/09 the senior management of the council were restructured into a joint management team with Vale of White Horse District Council. As a result, a proportion of the costs of the chief executive, strategic directors and heads of service which are shown in full in the table below are shared with Vale of White Horse DC.

2007/08 Employees	Remuneration band	2008/09 Employees
0	£120,000 - £129,999	1
1	£110,000 - £119,999	0
0	£100,000 - £109,999	0
0	£90,000 - £99,999	2
1	£80,000 - £89,999	0
3	£70,000 - £79,999	2
5	£60,000 - £69,999	6
7	£50,000 - £59,999	3

10. Audit costs

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

2007/08 £000	Audit fees	2008/09 £000
96	Fees payable to the Audit Commission with regard to external audit services	161
16	Fees payable to the Audit Commission in respect of statutory inspection	1
35	Fees payable to the Audit Commission for the certification of grant claims and returns	39
147	**Total audit fees**	**201**

11. General government grants

From 2008/09 onwards, general government grant received by the council will comprise revenue support grant, and area based grant. This is shown in the table below:

2007/08 £000	General government grant	2008/09 £000
(1,097)	Revenue support grant	951
0	Area based grant	22
(1,097)	**Total**	**973**

Area based grant has replaced local area agreement grant, which the council previously received. Area based grant is a non-ringfenced grant with no special conditions attached on its use which is paid directly to the council, and is therefore included with revenue support grant as a general government grant.

Note to the statement of the movement on general fund balance

12. 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.

2007/08 £'000	2007/08 Restated £'000		2008/09 £'000	2008/09 £'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		
(203)	(203)	Amortisation of intangible fixed assets	(187)	
(1,576)	(1,576)	Depreciation of tangible fixed assets	(795)	
(5,452)	(9,044)	Impairment /downward revaluation of tangible fixed assets	(8,342)	
890	890	Government grants deferred amortisation matching depreciation & impairments	1,359	
(5,627)	(5,627)	Write down of deferred charges written off financed from capital resources	(4,546)	
50	50	Net gain or (loss) on sale of fixed assets	0	
747	747	Income from sale of housing to SOHA	69	
(2,136)	(1,620)	Net charges made for retirement benefits in accordance with FRS17	(1,820)	
(13,307)	(16,383)			(14,262)
		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.		
(24)	(24)	Transfer from usable capital receipts to meet payments to the housing capital receipts pool	(26)	
1,510	1,500	Employers contributions payable to pension fund and retirement benefits payable direct to pensioners (see note below)	6,670	
1,486	1,476			6,644
		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		
3,974	3,718	Net transfer to/(from) earmarked reserves		2,279
(7,847)	**(11,189)**	**Total**		**(5,339)**

Note: the employers contributions payable to pension fund figure includes the £5m one-off contribution to the Oxfordshire County Council pension fund

Notes to the balance sheet

13. Summary of capital expenditure and fixed assets

13.1. Movement of intangible fixed assets

Intangible assets

	Net book value 1 April 2008	New purchases	Written off to revenue (amortisation)	Balance as at 31 March 2009
	£000	£000	£000	£000
Software licences	**243**	177	(93)	**327**
E-Government	**82**	2	(38)	**46**
Planning delivery	**56**	152	(56)	**152**
Total	**381**	**331**	**(187)**	**525**

13.2. Movement of tangible fixed assets

Operational assets

	Other land & buildings	Vehicles, equipment & plant	Infra-structure	Community assets	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2008	24,247	1,525	326	1	26,099
Additions	1,937	137	106	0	2,180
Donations	0	0	0	0	0
Disposals	(1)	0	0	0	(1)
Reclassifications	5,000	0	0	0	5,000
Revaluations	59	0	(28)	0	31
At 31 March 2009	31,242	1,662	404	1	33,309
Depreciation and impairments					
At 1 April 2008	(838)	(308)	0	0	(1,146)
Charge for 2008/09	(5,176)	(317)	0	0	(5,493)
Disposals	0	0	0	0	0
Reclassifications	0	0	0	0	0
Revaluations	0	0	0	0	0
At 31 March 2009	(6,014)	(625)	0	0	(6,639)
Balance sheet amount at 31 March 2009	**25,228**	**1,037**	**404**	**1**	**26,670**
Balance sheet amount at 31 March 2008	**23,409**	**1,217**	**326**	**1**	**24,953**
Nature of asset holding					
Owned	25,228	1,037	404	1	26,670
Finance lease	0	0	0	0	0
PFI	0	0	0	0	0
	25,228	**1,037**	**404**	**1**	**26,670**

Non operational assets

	Investment properties/non operational £000	Assets under construction £000	Surplus assets held for disposal £000	Total £000
Cost or valuation				
At 1 April 2008	16,280	6,395	0	22,675
Additions	0	0	0	0
Donations	0	0	0	0
Disposals	(2)	0	0	(2)
Reclassifications	543	(5,543)	0	(5,000)
Revaluations	(912)	(37)	0	(949)
At 31 March 2009	15,909	815	0	16,724
Depreciation and impairments				
At 1 April 2008	(46)	0	0	(46)
Charge for 2008/09	(5,130)	(290)	0	(5,420)
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Revaluations	0	0	0	0
At 31 March 2009	(5,176)	(290)	0	(5,466)
Balance sheet amount at 31 March 2009	**10,733**	**525**	**0**	**11,258**
Balance sheet amount at 31 March 2008	**16,234**	**6,395**	**0**	**22,629**
Nature of asset holding				
Owned	10,733	525	0	11,258
Finance lease	0	0	0	0
PFI	0	0	0	0
	10,733	**525**	**0**	**11,258**

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

13.3. Capital expenditure and financing

2007/08 £000	Capital expenditure & financing	2008/09 £000
	Capital expenditure adding to fixed assets	
291	Intangible assets	331
5,092	Land and buildings	1,937
37	Vehicles, plant and equipment	72
83	IT systems and equipment	65
157	Infrastructure assets	106
5,660		**2,511**
	Capital expenditure not adding to fixed assets	
942	Grants	3,786
654	Improvement grants	744
7,352	Land and buildings	600
33	Vehicles, plant and equipment	0
9	Infrastructure assets	4
361	Intangible assets	16
15,011		**7,661**
	This was financed by:	
14,149	Capital receipts	6,295
776	Capital grants	1,304
86	Other contributions	62
15,011		**7,661**

13.4. 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.

2007/08 £000	Capital financing requirement	2008/09 £000
(21,767)	Opening capital financing requirement as per balance sheet movement	**(21,219)**
	Fixed assets	
2,261	Operational assets	1,717
3,094	Non-operational assets	(11,371)
(38)	Mortgages	(24)
88	Intangible assets	144
(878)	**Capital adjustment account**	6,062
(4,297)	**Revaluation reserve**	3,544
28	**Deferred capital grant**	(6)
290	**Deferred capital receipts**	193
(21,219)		**(20,960)**

14. Information on assets held

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

2007/08	Asset held	2008/09
19	Car parks	19
11	Public conveniences	11
2	Depots and stores	2
2	Swimming pools	2
3	Camping and caravan sites	3
1	Administrative buildings	1
0	Arts centre	1
2	Cemeteries	2
3	Industrial estates	3
1	Enterprise centre	1
5	Shops, garages, offices	5

Community assets shown on the balance sheet are held at a nominal value of £1 each and are 127 small areas of land.

15. 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:

2007/08 £000	Operating leases	2008/09 £000
3	Hand wash systems in public conveniences	3
0	Vending machines	0
4	Franking machines	4
16	Photocopiers	12
23	**Total**	**19**

The operating leases have the following financial commitments:

Rental values payable under operating leases

2007/08 £000	Amounts due:	2008/09 £000
7	Within 1 year	15
16	Within 2-5 years	4
0	> 5 years	0
23	**Total**	**19**

16. Valuation information

Valuations at current value	2002/03 £000	2003/04 £000	2004/05 £000	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000	Total £000
Land & buildings								
Car parks	0	0	6,946	584	(543)	(499)	(1,984)	**4,504**
Public conveniences	0	0	959	148	(46)	(251)	(44)	**766**
Swimming pools	0	0	4,840	433	0	0	(106)	**5,167**
Arts centre (see note)	0	0	0	0	0	0	7,000	**7,000**
Cemetery buildings	0	0	119	0	0	211	(9)	**321**
Allotments	0	0	0	10	0	(2)	(6)	**2**
Mobile home sites	0	0	0	1,440	0	2,060	(983)	**2,517**
Office assets	0	0	6,980	0	0	20	(2,049)	**4,951**
	0	**0**	**19,844**	**2,615**	**(589)**	**1,539**	**1,819**	**25,228**
Non operational assets								
Industrial estates	0	0	5,569	0	1,283	0	(2,495)	**4,357**
Depots	0	0	0	229	0	0	(39)	**190**
Commercial assets	109	396	184	0	104	0	(313)	**480**
Leisure assets	0	0	0	370	(153)	(49)	(47)	**121**
Mobile home sites	0	0	0	345	0	(15)	(93)	**237**
Land	1	0	0	7,620	(1,854)	665	(1,084)	**5,348**
Other (see note)	205	258	0	1,591	3,865	1,906	(7,300)	**525**
	315	**654**	**5,753**	**10,155**	**3,245**	**2,507**	**(11,371)**	**11,258**

Note: with the completion of Didcot Arts Centre, the value of this asset transferred from non operational assets (other) to operational assets during 2008/09.

The non-operational portfolio was revalued at 31 March 2009 by Cluttons (FRICS).

All operational properties were revalued at 31 March 2008 by Cluttons (FRICS). 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. Valuations of investment properties, being the cinema in Didcot, and the two mobile home parks were also undertaken at that time by Cluttons (FRICS) and Lambert Smith Hampton (FRICS) respectively. The remaining investment assets other than Market House, Thame and the Orchard Centre, Didcot, were revalued by external valuers John Carroll (FRICS) and the District Valuation Office. They have relied on previous records of measurements and lease 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 David Parkes (FRICS), for the 2007 statements based on investment value.

In respect of the investment and operational portfolio, revaluations have not been undertaken as at 31 March 2009, but in the current economic climate it is realised that the value of some of these assets has reduced. In order to estimate the approximate level of this impairment we have recalculated valuations based on the IPD indices from the date of the last valuation to 2009. The appropriate index for industrial, retail or offices has been used or the general index where the property type does not fit into these categories.

The investment portfolio will be formally revalued as at 31 March 2010.

17. 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 2007/08	Asset type	Useful life (for depreciation purposes)	Total depreciation charged for 2008/09
£000			£000
	Land & buildings		
133	Car parks	15 years	223
34	Public conveniences	10-55 years	44
74	Leisure assets - swimming pools	15-60 years	106
0	Camping and caravan site	nil	0
3	Cemeteries (building only)	20-40 years	10
121	Offices	35 years	95
2	Recycling bank	25 years	2
367			480
	Vehicles, plant and equipment		
141	Computer hardware	5 years	135
0	Lawn Mower	5 years	1
0	Car parking machines	5 years	3
0	Cigarette litter bins	2 years	1
161	CCTV	7 years	165
6	Vehicles	nil	10
308			315

Non-operational assets held for investment are exempt from depreciation

18. Commitments under capital contracts

The council has authorised and contractually agreed significant expenditure in future years of £4.6m under its capital programme. These commitments relate to the following schemes.

Capital commitments as at 31 March 2009	£000
Redevelopment of Didcot town centre	160
Capital grants awarded	1,266
New waste management contract	2,500
Financial services contract	137
Disabled facilities grants	234
Social housing initiatives	265
Total capital commitments	**4,562**

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.

2007/08 £000	2007/08 Restated £000	Net assets employed	2008/09 £000
123,433	124,162	General fund	93,166
16,673	16,673	Trading operations	10,843
140,106	**140,835**		**104,009**

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 2008 £000	Transfers in £000	Transfers out £000	31 March 2009 £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.

2007/08 £000	Capital grants unapplied	2008/09 £000
(289)	Opening balance on 1 April	(422)
0	Transfer to grants deferred	0
114	Transfer from creditors	0
125	Transfer to other reserves	0
(1,148)	Amounts received	(1,129)
776	Applied in year	1,399
(422)		**(152)**

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.

2007/08 £000	Deferred government grants	2008/09 £000
(206)	Opening balance on 1 April	(178)
0	New capital grants and contributions deferred	(20)
28	Written off to capital financing	14
(178)		**(184)**

23. Reserves

23.1. Summary of general fund balance and 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 2008 £000	Interest £000	Transfers in £000	Transfers out £000	31 Mar 2009 £000	Purpose
General fund balance						
General fund balance	(750)	0	0	0	(750)	
Enabling fund - unallocated	(17,492)	(2,260)	(152)	3,461	(16,443)	Accumulated surpluses in previous years, which have not yet been earmarked.
Interest allocated as principal	(15,609)	0	0	5,000	(10,609)	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.
Total general fund balance	**(33,851)**	**(2,260)**	**(152)**	**8,461**	**(27,802)**	
Earmarked reserves						
Vacancy reserve - unallocated	(729)	0	(418)	270	(877)	Accumulated savings on employee costs in previous years, which are used to fund future revenue expenditure
CIF Interest - capital unallocated	(10,895)	(1,620)	0	83	(12,432)	To hold interest distributed on CIF balances for capital expenditure
Enabling fund - job evaluation	(75)	0	0	25	(50)	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.
CIF interest - distributed	(3,994)	(935)	(939)	939	(4,929)	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	(985)	0	(511)	985	(511)	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	48	0	0	5	53	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	(20)	0	0	20	0	To fund future costs of e-Government Programme expenditure
Pension revaluation reserve	(300)	0	0	100	(200)	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
Total earmarked reserves	**(18,304)**	**(3,555)**	**(1,868)**	**3,427**	**(20,300)**	

23.2. Capital adjustment account

The capital adjustment account records the historical cost of acquiring, creating or enhancing fixed assets and the resources set aside to finance capital expenditure.

2007/08 £000	Capital adjustment account	2008/09 £000
(60,806)	Opening balance as at 1 April	**(56,335)**
879	Less depreciation	826
(890)	Government grant amortisation	(1,359)
856	Capital expenditure	604
5,627	Revenue expenditure funded from capital under statute	4,546
9,089	Revaluation and impairment of assets	7,737
56	Disposals in year	3
(11,146)	Resources set aside to finance capital expenditure	(6,295)
(56,335)		**(50,273)**

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.

2007/08 £000	Usable Capital Receipts Reserve	2008/09 £000
(48,759)	Opening balance on 1 April	**(38,692)**
	Capital receipts	
(747)	SOHA sales	(69)
(356)	Other	(92)
11,146	Applied in year	6,295
24	Pooled receipts	26
(38,692)		**(32,532)**

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.

2007/08 £000	Deferred Capital Receipts Reserve	2008/09 £000
(2,477)	Opening balance on 1 April	**(2,556)**
(327)	New loans raised	(217)
248	Repaid in year	24
(2,556)		**(2,749)**

23.5. Pensions reserve

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

Original 2007/08 £'000	Restated Funded 2007/08 £'000	Restated Unfunded 2007/08 £'000	Pension Liability	Funded 2008/09 £'000	Unfunded 2008/09 £'000
17,707	13,840	3,520	Opening Balance as at 1st April	13,920	3,640
			Revenue Account Costs		
1,180	1,180	0	Current service cost	890	0
(1,510)	(1,290)	0	Employer's contribution payable	(6,440)	0
1,096	590	0	Past service cost	220	0
0	0	(230)	Net benefits paid out	0	(230)
(144)	0	0	Hidden Cost Adjustment	0	0
4,100	3,920	180	Interest on Pension Scheme Liabilities	4,620	240
(4,240)	(4,230)	0	Expected return on Employer Assets	(4,150)	0
482	170	(50)		(4,860)	10
			Actuarial Gain/(Loss) in year		
100	(90)	170	Actual return less expected return on assets	16,890	(100)
582	80	120	Total movement in Reserve	12,030	(90)
18,289	**13,920**	**3,640**		**25,950**	**3,550**

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.

2007/08 £000	Revaluation reserve	2008/09 £000
0	Opening balance as at 1 April	**(7,890)**
(7,890)	Revaluation upwards	(181)
0	Depreciation on assets previously revalued	155
0	Revaluation downwards and impairment	3,480
(7,890)		**(4,436)**

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.

2007/08 £000	Available for sale financial instrument reserve	2008/09 £000
0	Opening balance on 1 April	(674)
(2,403)	Re-measurement of unit trust value	0
162	Loss on revaluation of corporate bonds	1,511
1,567	Loss on revaluation of unit trusts	3,893
(674)		**4,730**

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.

2007/08 £000	Financial instrument adjustment account	2008/09 £000
0	Opening balance on 1 April	(109)
(109)	Re-measurement of long term investments	0
(109)		**(109)**

24. Financial instruments

The purpose of the financial instruments 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 2008 £000	31 March 2009 £000	31 March 2008 £000	31 March 2009 £000
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	48,500	13,500	37,770	63,510
Loans and receivables at amortised cost (see note)	**48,500**	**13,500**	**37,770**	**63,510**
Available-for-sale financial assets	20,215	14,641	0	0
Financial Assets at fair value through the I & E	0	0	0	0
Total Investments	**68,715**	**28,141**	**37,770**	**63,510**

Note: under accounting requirements the financial instrument value shown in the balance sheet includes the principal amount borrowed or lent plus accrued interest and further adjustments for breakage costs or stepped loans (measured by an effective interest rate calculation). The figures above represent the principal amount.

24.2. Long term debtors

31 March 2008 £000		31 March 2009 £000
119	Mortgages	94
2,110	Transferred loan debt	1,889
2,229		**1,983**
66	Staff loans	52
380	Housing loans	651
1	Other loans	0
2,676	**Total long term debtors**	**2,686**

24.3. Debtors

31 March 2008 £000		31 March 2009 £000
4,939	Local tax	5,528
1,428	Central government	3,144
603	Other local authorities	1,173
67	Payments in advance	104
0	Interest on investments	61
767	SOHA capital receipts	0
240	Housing loans	0
43	Staff loans	43
2,618	Sundry debtors	2,225
10,705		12,278
	Less provision for bad debts	
(2,251)	Local tax	(2,794)
(1,191)	Other	(1,546)
(3,442)		(4,340)
7,263	**Total debtors**	**7,938**

24.4. Receipts in advance and creditors

31 March 2008 £000		31 March 2009 £000
	Receipts in advance	
(346)	General	(691)
(2,089)	Local tax	(2,893)
(2,435)		**(3,584)**
	Creditors	
(1,566)	Central government	(287)
(2,141)	Local tax	(2,599)
(465)	Other local authorities	(1,518)
(8)	House purchasers	(23)
(2,966)	Sundry creditors	(2,845)
(7,146)		**(7,272)**

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 2008 £000	Current 31 March 2008 £000		Long term 31 March 2009 £000	Current 31 March 2009 £000
66	43	Car loans to employee's	52	43
51	4	Loans to local residents for rent deposits	105	84
1	0	Others	1	0
118	47	Total soft loans	158	127

Equity loans to Catalyst and SOHA included as soft loans within this note in the 2007/08 accounts were issued on a commercial basis and as such are now excluded. The repayment value of these loans reflects a proportion of the value of the relevant property.

24.6. Financial instrument gains/losses

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

24.7 Impairment of financial assets

On the 2 July 2007 the council agreed to deposit £2.5 million with Kaupthing Singer & Friedlander Ltd for the period 14 December 2007 to 12 December 2008 at an interest rate of 6.41%. The bank went into administration at the start of October 2008, and as a result the repayment of the deposit has not been made.

The creditor process report issued by the administrators Ernst & Young on 17 April 2009, outlined that the return to creditors was estimated to be a minimum of 10p in the £, and that a current final projection was estimated at 50p in the £. Based on this information the council has decided to recognise an impairment in the 2008/09 accounts based on a recovery of 50p in the £ up to October 2012.The first distribution of 10p in the £ is expected in July 2009.

At December 2008, the amount due to be repaid was the principal amount of £2,500,000 plus interest of £159,811, giving a total amount of £2,659,810.96. However the insolvency regulations only allow a claim up to the date that KSF went into administration on 7 October 2008. This means that the authority can only claim for £2,630,834.

Based on this information, the authority estimates it will receive payments based on the following schedule:

Date:	*%*	*Repayment*	*Discount Factor*	*Present Value*
July 2009	10%	£263,083.43	0.978916	£257,536.58
December 2009	10%	£263,083.43	0.953184	£250,766.92
December 2010	10%	£263,083.43	0.894155	£235,237.36
December 2011	10%	£263,083.43	0.838781	£220,669.38
October 2012	10%	£263,083.43	0.795265	£209,221.04
Total – Recoverable Amount				**£1,173,431.29**

The authority will recognise impairment at the balance sheet date (31 March 2009). The carrying amount of the deposit at the balance sheet date (prior to the impairment) is £2,659,810.96. This is then compared with the recoverable amount to give the amount to be impaired. The recoverable amount is calculated on a discounted cash flow basis, using the original effective interest rate of the deposit as required by paragraph 4.67 of the SORP and FRS 26.

The difference between the carrying amount and the recoverable amount is to be recognized as an impairment in the 2008/09 accounts and the carrying amount of the deposit is written down to the recoverable amount as follows:

Carrying Amount	A	£2,659,810.96
Less: Recoverable Amount	B	£1,173,431.29
Impairment	C	£1,486,379.67

The amortised cost method requires that the interest continues to be credited to the Income and Expenditure Account until the financial instrument is derecognized. This will be the point at which the final payment in respect of the deposit is received, which is currently estimated at October 2012.

24.8 Disclosure of nature and extent of risk arising from financial instruments

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;
- re-financing risk – the possibility that the council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- 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.

24.8.1 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 council's 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; and

- 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 council's 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.

24.8.2 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 set out within the Annual Investment Strategy.

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.

31 March 2008			31 March 2009			
Invested amount	Estimated maximum exposure to default	Deposits with banks and financial institutions	Invested amount	Historical experience of default	Adjustment for market conditions at 31 March 2009	Estimated maximum exposure to default
£000	£000		£000	%	%	£000
0	0	AAA rated counterparties	0	0.0%	0.0%	0
15,270	15	AA rated counterparties (1 year)	35,510	0.0%	0.0%	0
10,500	42	AA rated counterparties (2 year)	10,500	0.0%	0.0%	0
11,500	621	AA rated counterparties (3 year)	3,000	0.0%	0.0%	0
9,500	1,083	AA rated counterparties (4 year)	0	0.0%	0.0%	0
7,000	1,120	AA rated counterparties (5 year)	0	0.0%	0.0%	0
18,500	1,388	A rated counterparties	25,500	0.6%	0.6%	153
14,000	1,316	Other counterparties	2,500	0.69%	0.69%	17
86,270	**5,585**		**77,010**			**170**

The historical experience of default has been taken from Fitch, a credit rating organisation used by the council and applies to the period 1990 – 2007.

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.

The council has an investment with Northern Rock plc, whose rating grade is A, and has been included in this category above. Northern Rock 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.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £2.5million invested in this sector at that time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. The impact of the principal invested has been mitigated in the accounts according to government regulations. Further details are shown in note 24.7.

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

24.8.3 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.

24.8.4 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:

2007/08 £000	**Maturity analysis of financial assets**	**2008/09 £000**
37,770	Less than one year	63,510
20,500	Between one and two years	4,500
11,500	Between two and three years	6,000
16,500	More than three years	3,000
86,270		**77,010**

24.8.5 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 will affect the general fund balance, subject to influences from government grants. Movements in the fair value of fixed rate investments will be reflected in the statement of total recognized gains and losses, unless the investments have been designated as at 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 as follows:

2007/08 £000		**2008/09 £000**
(21)	Increase in interest receivable on variable rate investments	(19)
(21)	Impact on income and expenditure account	(19)
43	Decrease in fair value of fixed rate investment assets	95
43	Impact on statement of total recognized gains and losses	95

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

24.8.6 Price risk - The council, excluding the pension fund, holds an investment in equity shares to the value of £9m 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 statement of total recognized gains and losses. 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 statement of total recognized gains and losses for 2008/09.

24.8.7 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. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that the employees earn their future entitlement.

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.

Change of accounting policy

Under the 2008 SORP the council has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the pension fund are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £54.9m to £54.7m, whilst the value of scheme liabilities at 31 March 2008 has been restated from £73.1m to £72.3m. Current and prior year surpluses have been unaffected by this change.

Transactions relating to retirement benefits

The cost of retirement benefits is recognised in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so that the real cost of retirement benefits is reversed out in the statement of movement in the general fund balance. The following transactions have been made in the income and expenditure account and statement of movement in the general fund balance during the year:

2007/08 Restated			2008/09	
Funded	**Unfunded**	**FRS17 transactions in I&E and in SMGFB accounts**	**Funded**	**Unfunded**
£000	**£000**		**£000**	**£000**
		Income and expenditure account		
		Net cost of services		
1,180	0	Current service cost	890	0
590	0	Past service cost	220	0
		Net operating expenditure		
3,920	180	Interest cost	4,620	240
(4,230)	0	Expected return on scheme assets	(4,150)	0
1,460	**180**	**Net charge to the income and expenditure account**	**1,580**	**240**
		Statement of movement on the general fund balance		
(1,460)	(180)	Reversal of net charges made for retirement benefits in accordance with FRS17	(1,580)	(240)
1,290	**0**	**Actual amount charged against the general fund balance for pensions in the year (employers contributions payable to the scheme)**	**6,440**	**0**

In addition to the recognised gains and losses recognised in the income and expenditure account, actuarial losses in respect of both the funded and unfunded liabilities of £16.790m (2007/08 £0.08m as restated) were included in the statement of total recognised gains and losses. The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £17.1m.

Assets and liabilities in relation to retirement benefits

- **Reconciliation of present value of the scheme liabilities**

2007/08 Restated Funded £000	2007/08 Restated Unfunded £000	Reconciliation of scheme liabilities	2008/09 Funded £000	2008/09 Unfunded £000
(74,520)	(3,520)	Opening balance on 1 April	(68,640)	(3,640)
(1,180)	0	Current service cost	(890)	0
(3,920)	(180)	Interest cost	(4,620)	(240)
(400)	0	Contributions by scheme participants	(510)	0
8,850	(170)	Actuarial gains and losses	1,430	100
3,120	230	Benefits paid	3,120	230
(590)	0	Past service costs	(220)	0
(68,640)	**(3,640)**	**Closing balance on 31 March**	**(70,330)**	**(3,550)**

- **Reconciliation of fair value of the scheme assets**

2007/08 Restated £000	Reconciliation of scheme assets	2008/09 £000
60,680	Opening balance on 1 April	54,720
4,230	Expected rate of return	4,150
(8,760)	Actuarial gains and losses	(18,320)
1,290	Employer contributions	6,440
400	Contributions by scheme participants	510
(3,120)	Benefits paid	(3,120)
54,720	**Closing balance on 31 March**	**44,380**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual loss on scheme assets in the year was £14.170m (2007/08 £4.530m)

Scheme history

	2004/05 not restated £000	2005/06 not restated £000	2006/07 restated £000	2007/08 restated £000	2008/09 £000
Present value of liabilities					
• Funded	(68,622)	(75,420)	(74,520)	(68,640)	(70,330)
• Unfunded				(3,640)	(3,550)
Fair value of assets	48,440	58,280	60,680	54,720	44,380
Surplus/(deficit)	**(20,182)**	**(17,140)**	**(13,840)**	**(17,560)**	**(29,500)**

The council has elected not to restate the fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (as revised). In accordance with FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. For periods ending prior to this date liabilities are not separated into funded and unfunded.

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £29,500 m has a substantial impact on the net worth of the council as recorded in the balance sheet, resulting in reduction in net worth of 22%. However, statutory arrangements for funding the deficit, which will require increased employer contributions over the remaining working life of the employees, as assessed by the scheme actuary, mean that the financial position of the council remains healthy.

The total contribution expected to be made to the scheme by the council in the year to 31 March 2010 towards both the funded and the unfunded benefits is £1.520m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, and other factors. The liabilities have been assessed by Hewitt Associates Limited, and independent firm of actuaries. For the funded benefits, this is based on the latest full actuarial valuation of the scheme as at 31 March 2007. For the unfunded benefits the latest actuarial valuation took place as at 31 March 2009.

The principal assumptions used by the actuary are as follows:

2007/08	Principal actuarial assumptions	2008/09
	Long-term expected rate of return on assets in the scheme: (see note below)	
7.6%	Equities	7.0%
6.6%	Property	6.0%
4.6%	Government bonds	4.0%
6.8%	Corporate bonds	5.8%
6.0%	Cash/other	1.6%
7.1%	**Total**	**5.8%**
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1 yrs	• men	23.1 yrs
24.1 yrs	• Women	25.0 yrs
	Longevity at 65 for future pensioners:	
24.0 yrs	• men	25.4 yrs
25.3 yrs	• Women	27.3 yrs
	Other assumptions	
3.7%	Inflation	3.3%
5.2%	Rate of general increase in salaries	4.8%
3.7%	Rate of increase to pensions	3.3%
6.8%	Discount rate	6.7%

Note: South Oxfordshire District Council employs a building block approach in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out above. The total expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at 31 March 2009.

The scheme's assist consist of the following categories, by proportion of the total assets held:

2007/08 %	Scheme assets by category	2008/09 %
70.0	Equities	62.3
6.2	Property	4.5
10.7	Government bonds	14.0
6.2	Corporate bonds	7.9
6.9	Cash/other	11.3
100		**100**

History of experience gains and losses

The actuarial gains and losses identified as movements on the pensions reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	2004/05 not restated £000	2005/06 not restated £000	2006/07 not restated £000	2007/08 restated £000	2008/09 £000
Differences between the expected and actual return on assets	2,350	7,870	330	(8,760)	(18,320)
Experience gains/(losses) on liabilities (excluding changes in liabilities in respect of changes to actuarial assumptions)					
• Funded liabilities	3,940	40	(210)	190	(400)
• Unfunded liabilities				(350)	80

In accordance with FRS17 (as revised), unfunded liabilities are disclosed separately for financial years beginning on or after 6 April 2007. The history of experience gains / (losses) on liabilities shown has not been restated for periods ending 2007, 2006 and 2005 and includes the experience relating to unfunded liabilities.

26. Contingent liabilities and contingent assets

For 2008/09 the council has the following contingent assets and contingent liabilities:

Contingent asset

During 2007/08 the council sold off a sports ground at Bishopwood. Under the terms of the sale, if planning permission is subsequently granted for further development of the site then the following sums will be payable to the council:

- pavilion - £50,000;
- floodlighting - £10,000;
- all weather pitch - £30,000.

Contingent liability

One operator under the council's concessionary fares scheme for 07/08 is in the course of judicially reviewing the decision of the Secretary of State in respect of the outcome of its appeal against the level of reimbursement in the council's scheme. The finding in the Judicial Review proceedings may result in a financial liability.

For 2007/08, no contingent assets and contingent liabilities were disclosed.

27. Post balance sheet event

For 2008/09 there are no post balance sheet events.

In 2007/08, the council disclosed the following 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.

Notes to the cash flow statement

28. Reconciliation of net (surplus)/deficit on the income & expenditure account to net cash flow

2007/8 £'000	2007/08 Restated £'000		2008/09 £'000
		(Surplus)/deficit for year	
7,847	10,936	On the income and expenditure account	11,388
		Non cash transactions	
(782)	(782)	Movement in debtors provisions	(898)
(2,136)	(1,489)	Pensions cost adjustment per FRS17	4,850
144	0	Pension provision movement	0
(203)	(203)	Amortisation of intangible assets	(187)
(1,576)	(1,576)	Depreciation & impairment charges	(795)
(5,627)	(5,627)	Net deferred charges	(4,546)
(5,452)	(9,044)	Revaluation of assets downwards	(8,342)
50	50	Gain/loss on disposal of fixed assets	0
0	0	Revaluation of investments downwards	(1,561)
747	747	Income from sale of housing to SOHA	69
890	890	Government grants deferred	1,359
0	0	Net increase in specific reserves	0
		Revenue accruals	
(109)	(109)	(Decrease)/increase in stock	(19)
540	540	Decrease/(increase) in revenue creditors	(1,659)
2,520	2,520	(Decrease)/Increase in revenue debtors	1,115
		Items included under other classifications	
5,032	5,032	Interest received	7,167
1,885	**1,885**	**Net movement in cash**	**7,941**

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

2007/08 £000		2008/09 £000
(114)	Balance on 1 April	63
177	Cash flow	(96)
63	**Balance on 31 March**	**(33)**

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

	31/03/2008 £000	31/03/2009 £000	Movement £000
Short term investments - cash	37,780	51,010	13,230
KSF deposit impairment	0	(1,486)	(1,486)
Investments re-categorised from long term in year	0	15,000	15,000
Short term investments – accrued interest	1,217	2,393	1,176
Short term investments	**38,997**	**66,917**	**27,920**

31. Analysis of government grants shown in the cash flow statement

2007/08 £000		2008/09 £000
	Revenue grants	
6,535	NNDR grant	6,828
	Area based grant	23
1,097	Revenue support grant	951
24,582	Housing benefit - subsidy	23,648
657	Housing benefit - admin	612
25,239	**Total DWP grant for benefits**	**24,260**
195	NNDR collection allowance	199
56	Affordable housing	40
31	Homelessness prevention/rent deposit guarantee	39
111	Safer stronger communities	37
53	Anti-smoking grant	0
50	Defective housing grant	46
0	Contaminated land grant	5
94	DEFRA grant - waste efficiency	0
45	Planning delivery grant	0
42	Performance reward grant	21
62	Concessionary travel grant	317
3	Rural communities grant	4
18	SALIX energy efficiency grant	22
0	Parliamentary elections	55
0	Growth points	275
760	**Total other government grants**	**1060**
33,631	**Total revenue grants**	**33,122**
	Capital grants	
480	Disabled facilities	480
0	Growth points	222
0	Register of elections	3
247	Planning delivery grant	10
0	Performance reward grant	21
727	**Total capital grants**	**736**

Other notes to the statement of accounts

32. 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.

Name of member	Details of relationship declared
Councillor Mrs J Murphy	Personal connection with Total Pest Control (UK) ltd who have undertaken works for 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. In 2008/09 no relationships were declared.

In 2007/08, the following relationship was declared by a senior officer who left the employment of the council during the 2008/09 financial year.

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 2008/09 the council provided a revenue grant of £124,000 (£280,075 in 2007/08) 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.

33. 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 29 June 2009.

34. 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 the council is 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.

2007/08 £000		2008/09 £000	Notes
	Income		
(70,461)	Council tax	(73,754)	
(37,819)	Income collectable from business ratepayers	(38,550)	
(4,596)	Transfers from general fund - council tax benefits	(4,963)	
	Expenditure		
74,594	Precepts and demands	77,604	*2*
	Business ratepayers:		
37,624	Payment to national pool	38,355	
195	Collection costs allowance	195	
688	Contributions towards previous year's estimated collection fund surplus	196	*2*
241	Provision for bad and doubtful debts	362	
466	**Deficit/(surplus) for year**	**(555)**	
(343)	Balance b/f	123	
466	Deficit/(surplus) for year	(555)	
123	**Collection fund deficit/(surplus)**	**(432)**	*4*

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 2008	100,349,587
NNDR rateable value as at 31 March 2009	99,467,982

National multipliers:	**2007/08**	**2008/09**
Small business non-domestic rating multiplier	44.1p	45.8p
Non-domestic rating multiplier	44.4p	46.2p

2. Precepts and demands

2007/08 Precept	**2007/08 Share of estimated surplus**	**2007/08 Total**		**2008/09 Precept**	**2008/09 Share of estimated surplus**	**2008/09 Total**
£	£	£		£	£	£
57,354,612	528,418	57,883,030	Oxfordshire County Council	59,643,871	150,559	59,794,430
7,609,722	69,452	7,679,174	Thames Valley Police Authority	7,922,821	19,976	7,942,797
			South Oxfordshire District Council:			
6,351,047	90,275	6,441,322	District Council requirement	6,580,940	25,278	6,606,218
3,278,346		3,278,346	Parish Precepts	3,456,235		3,456,235
9,629,393	90,275	9,719,668		10,037,175	25,278	10,062,453
74,593,727	**688,145**	**75,281,872**		**77,603,867**	**195,813**	**77,799,680**

3. Council tax base calculation

Council tax income is derived from charges according to the value of residential properties. Properties are classified into eight 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	1,835	6/9	1,223
B	4,010	7/9	3,119
C	12,633	8/9	11,229
D	11,645	9/9	11,645
E	8,479	11/9	10,363
F	5,383	13/9	7,776
G	5,112	15/9	8,521
H	696	18/9	1,392
	49,793		55,268
Class O *			571
Sub total			55,839
Assumed losses on collection			1,107
Council tax base			54,732

* = 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:

2007/08 £000		2008/09 £000
94	Oxfordshire County Council	(348)
13	Thames Valley Police Authority	(46)
16	South Oxfordshire District Council	(38)
123	**Debtor/(creditor)**	**(432)**

ANNUAL GOVERNANCE STATEMENT 2008/09

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 its first local code of corporate governance in 2003. The council adopted a revised local code of governance with effect from 1 April 2008. This local code of governance is consistent with the "*Delivering Good Governance in Local Government*" publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), which was published in July 2007.

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.

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

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.

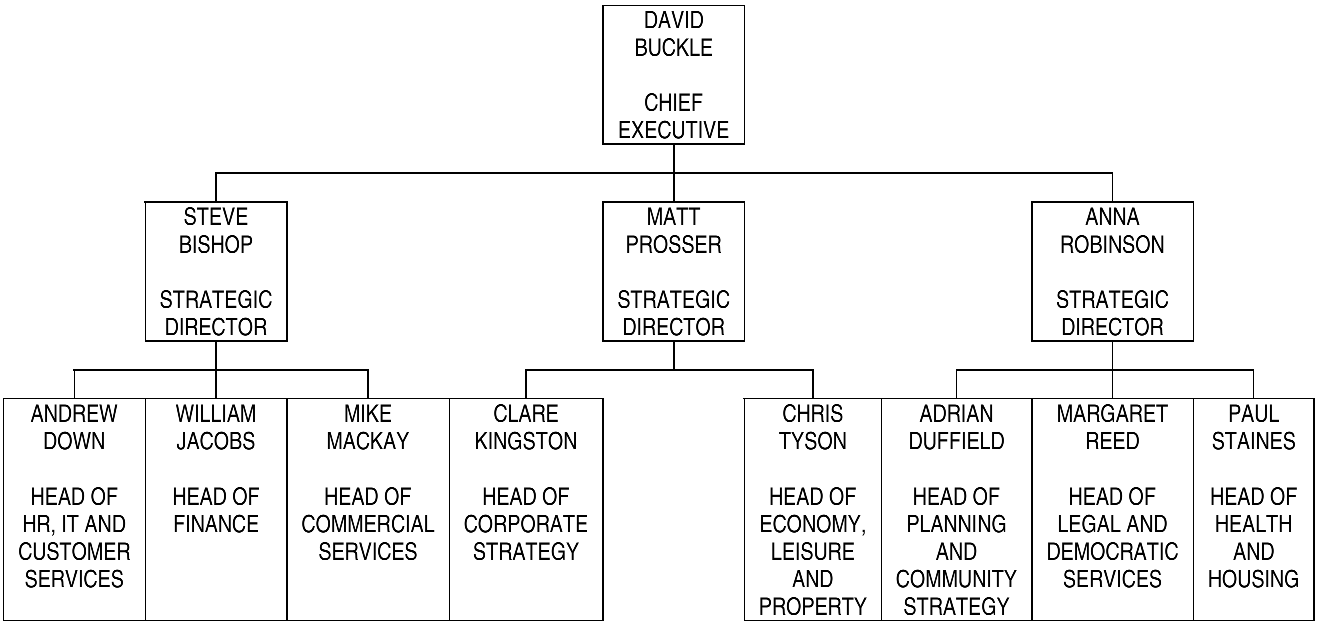
The council has had the governance framework described below in place for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

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, who was appointed joint chief executive of this council and Vale of White Horse District Council in September 2008, 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 a management team that is shared with Vale of White Horse District Council. The head of finance, the monitoring officer and heads of service 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 management structure is as follows:



Our governance framework for 2008/09 was based on our local code of governance, which was adopted in 2008. Within the framework we aim to meet the principles of good governance in all aspects of the council's work giving particular attention to the main principles, which are:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Councillors and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of councillors and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

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 Statement of Strategic Intent sets out our long term vision, which is "**to work in partnership to maintain and improve the quality of life in South Oxfordshire**". 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 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. 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.

Our Corporate Plan sets out the council's strategic objectives and corporate priorities, which are as follows:

STRATEGIC OBJECTIVE	CORPORATE PRIORITIES
Managing our business effectively	• Provide value for money services that meet the needs of our residents and service users • Provide equality of access to our services
Protecting our environment	• Reduce the amount of waste we send to landfill • Reduce energy use from our own operations • Keep the district clean and tidy, and tackle environmental crime such as litter, graffiti, fly tipping and abandoned cars
Delivering homes for all	• Increase the supply of housing in the district, including affordable housing • Prevent homelessness and improve housing options, particularly for vulnerable groups such as young people and older people
Supporting economic growth	• Support creation of vibrant market towns • Promote business growth and the creation of new jobs
Transforming Didcot	• Plan for the expansion of Didcot as a major centre of population and employment in Southern Oxfordshire • Develop a thriving town centre with a wider range of facilities
Helping people feel safe and secure	• Tackle crime and antisocial behaviour • Maintain low levels of fear of crime and antisocial behaviour
Improving opportunities, activities and support for young people	• Increase access to a wide range of activities for young people, which meet their needs; and support young people at risk of committing antisocial behaviour and crime
Strengthening local communities	• Support local groups to provide services and solutions in their local communities • Advocate and influence on behalf of our communities on important local issues for which we are not the main provider

Our four year Corporate Plan, along with Oxfordshire-wide plans, guide our decisions on how we invest our financial and staffing resources. These plans determine the types of projects we support through grant funding. 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 the Corporate Plan, we set national indicators and local performance targets. To ensure we meet these targets and objectives, we have one-year service plans, workplans and, from 2009/10, service targets, 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 performance 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.

As the council outsources a significant number of services, we have operated since 2002 a formal framework for monitoring the performance of contractors, and reporting these to a scrutiny committee.

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 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 at least annually or during the year if it becomes necessary to do so. This strategy 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 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.

Management team is responsible for the identification, analysis and management of strategic risks and undertakes a quarterly review of those risks. The operational risk registers are reviewed by management team on a quarterly basis.

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.

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 governance framework 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, in 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 our four-year Corporate Plan and shape the new strategic objectives and corporate priorities. We have a set of strategic objectives and 16 corporate priorities which provide a framework for the council's work over the next three years, as set out in Section 3.

- **Performance management and service planning**

In recent years, we have looked to improve the consistency of performance management throughout the council. To do this, we published a performance management handbook, and promoted its uptake via an interactive intranet site. Together, these highlight the links between related functions such as corporate planning, service planning, reporting, risk management, budget planning and individual performance review. They also clarify the annual cycle of all of the above, with a dynamic display of what actions are required in the current month, together with links to all months that show when various actions are due. The handbook also lists the key responsibilities of specific roles, and we will be updating this in 2009/10 to reflect the new management structure and future harmonisation of performance management with Vale of White Horse District Council.

The performance management handbook contains a data security policy. We implement this policy by assigning data owners to every National Indicator (NI) and Local Performance Target (LPT). For each NI, the performance officer collects signed statements each year from heads of service covering the methodology, calculation and outturn.

We make performance reports available on the website. This year we reviewed and improved public documents by presenting clearer graphical pie charts summarising overall performance. We also took the view that it would be helpful for committees and the public to see the progress of all targets rather than just the exceptions (those 'below target') so we changed the structure of reports to include all NIs and LPTs. At the same time, we have asked target owners to provide explanations in plain English which are jargon free to make the reports more readable by the public. Both Corporate Improvement Scrutiny Committee (CISC) and Cabinet have commented favourably on the new format.

We have continued our approach of asking target and action owners to forecast whether they are on track to deliver year end outcomes. For each target or action that is 'below target', we ask the owner to provide an action to get back on track. Management team review these actions and we present them to CISC who challenge data owners on underperformance and the robustness of their proposed actions.

The council's approach to performance management has received critical acclaim from an independent report by the Advanced Performance Institute. South Oxfordshire District Council has made significant progress over the past years and has implemented a performance management system based on clearly defined output deliverables and priorities.

Our latest innovation is to respond to a request from management team to create a dashboard of real time management information. We have now agreed these lists with management team, selected some free software to deliver the system, and the corporate information officer is tasked to deliver this in 2009/10.

Towards the end of the year, as the details of the shared management team emerged, the business improvement team was asked to take on responsibility for managing and reporting performance for Vale of White Horse District Council as well. The council is due to start working with the current Vale principal performance officer to harmonise the two councils' approaches to performance reporting, which should achieve some economies of effort.

In the meantime, we have improved our approach to service planning. In January 2009, we held two externally facilitated workshops for all (the then) heads of service and service managers, designed to make targets and actions SMART. Following the management restructure, we then needed to combine the two councils' approach to service planning, with the objective of creating joint service plans for 2009/10.

We have continued to improve our performance management system to ensure that managers receive information to help them manage. We have created 'programmes' for cross-cutting themes such as equality and sustainability. This enables the programme managers to oversee actions owned by others and thus maximise the chances of the programme meeting its targets.

We are also working more widely with all the councils and other partners in Oxfordshire to harmonise our approach to performance management. In this work, we have drafted a partnership performance guide to map the flows of data between organisations, and clarify roles. By this means, we can eliminate the risk of data inconsistency and duplication of effort, and provide a consistent set of management information that partners can use to drive improvement.

The combination of all of the approaches listed above is that the council has a strong focus on delivering priorities, managing performance against targets, and progressing actions. The 2007/08 annual audit and inspection letter recognises that the council ranked 10th out of 388 authorities for the percentage of performance indicators, which improved over the previous three years.

Action(s):

The handbook also lists the key responsibilities of specific roles, and we will be updating this in 2009/10 to reflect the new management structure and future harmonisation of performance management with Vale of White Horse District Council.

- **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. In December 2008, strategic directors were appointed to the shared management team and in February 2009 heads of service were appointed. At the outset, the council's monitoring officer was satisfied that the procedure 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, strategic directors and heads of service 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. Following the appointment of the strategic directors and heads of service in 2008 and 2009 respectively, the Constitution will be subject to extensive review to meet the requirements of joint working with Vale of White Horse District Council.

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 May 2009 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.

Action(s):

- To review the Constitution to meet the requirements of joint working with Vale of White Horse District Council.

- **Financial framework**

FINANCIAL REPORTING

We produce budget monitoring information for both revenue and capital expenditure every month from July onwards during the financial year. We distribute budget monitoring reports from the financial management system, which are profiled, to heads of service and managers every month, within a week of the end of the period. This allows accountancy to ensure that the information is as up to date as possible, for example by ensuring that all cash received up to the end of the previous period is reflected in the figures.

For all months, except September, heads of service are required to submit a return to accountancy, which provides reasons for current variances, and forecasts the end of year outturn position.

We collate the heads of services' returns into one overall return, which we distribute to management team and Cabinet, which forms the basis of a quarterly report that we present to a formal Cabinet meeting. These summaries highlight the key variances to allow management to focus on them. The quarterly budget monitoring reports to Cabinet are considered on the same Cabinet agenda as the quarterly performance monitoring reports, enabling Cabinet to consider the council's performance at the same time as it considers its budgetary position.

Contrary to previous practice, in future we will include details of any virements considered necessary within the quarterly budget monitoring reports. We evidenced this reporting method by the quarter three budget monitoring report, which Cabinet considered in March 2009. This reporting method will enable corrective action to be taken in an even more timely manner in future. By making budget transfers in-year, we are able to realign resources to ensure that overspends do not impact on our ability to deliver other services. This is assisted by the prudent inclusion of a £300,000 contingency budget.

Budgetary control is subject to internal audit review every two years. The review carried out during 2008/09 gave budgetary control activities a satisfactory assurance level.

For all committee reports for which a decision is required, a "financial implications" section is included which details the actual, and potential, financial consequences of the decision being taken. We ensure that this information is accurate and relevant by clearing it through an accountant.

The council's financial information systems are still fairly new and we expect further development of them during 2009/10. This development activity will be specifically around making the systems more accessible to service managers. We anticipate that this will assist managers by providing them with the ability to view financial information when, and in a format, they want.

On 30 June 2008, Audit and Corporate Governance Committee approved the council's financial statements for 2007/08, and received an unqualified audit opinion. This opinion was, however received on 12 November 2008, after the statutory deadline of 30 September 2008. This was the result of a number of problems that were experienced by the accountancy team in undertaking the closedown of the 2007/08 accounts.

These problems, together with actions that have been taken to mitigate against them recurring, are detailed in the table below.

Action(s):		
PROBLEM ENCOUNTERED	DETAILS	MITIGATING ACTIONS
Reconciling Agresso (general ledger) and Academy (revenues and benefits) systems	Both the Agresso and Academy systems were newly implemented within the previous 12 months. Reconciling cash received between the two systems in respect of council tax and NNDR proved problematic, and was the principal cause of the delay in the production of the financial	Accountancy worked closely with the contractor (Capita) to understand the issues. We have employed additional resources in accountancy to review reconciliations. Accountancy has undertaken much of the 2008/09 reconciliation work already,

PROBLEM ENCOUNTERED	DETAILS	MITIGATING ACTIONS
	statements	which has identified that most of the problems of the transitional year have been resolved.
Staff resources issues in accountancy	During 2007/08 the accountancy team had been through a restructuring exercise, meaning that many staff, including the newly appointed chief accountant, were undertaking some closedown tasks for the first time. Under the restructure, an experienced principal accountant had transferred to Vale of White Horse District Council, and his replacement only commenced in April. Another principal accountant had a long period of sickness absence and could only return to work part-time. This, combined with another officer working part-time hours, meant that the team was at least one full time equivalent down for much of the closedown period.	From 1 April 2009 the accountancy team is at full establishment. Whilst there are three newly employed members of staff, the remaining officers all worked through the previous financial year end and will be building on experience gained in the previous year on tasks which previously they had not undertaken.
Initial accounts contained significant errors	The inexperience of the accountancy team, coupled with being under-resourced and the diversions caused by the reconciliation problems identified above, meant that the closedown timetable slipped. This impacted upon the amount of review that we could undertake, which allowed significant errors to go unchecked.	The accountancy team is at full establishment and most officers are building on experience gained previously. The closedown timetable builds in review time. Slippage against timetable will be reported to the head of finance and strategic director.

Officers keep up to date with the latest developments in accounting, which enable them to be prepared for the changes in accounting practice that affect the preparation and presentation of the financial statements. All of the council's principal accountants attended a chief accountants' workshop, held by the Audit Commission in January 2009, which focussed on the 2008/09 accounts. The council also subscribes to the CIPFA finance advisory network (FAN) and accountants regularly attend FAN events, which enable them to be prepared for changes to the accounts. The chief accountant attended a FAN event in March 2009 regarding the 2008/09 closedown.

The 2007/08 accounts and annual audit letter are available to the public and are published on the council's web site. We can make them available in accessible formats. To assist the public in understanding the accounts, we have included an explanatory foreword in the financial statements that explains the purpose of the accounts and summarises the key messages arising from them. We have included a glossary of terms within the accounts to aid understanding. A summary of the 2007/08 financial statements is included within the council's 2007/08 annual report.

BUDGET MONITORING

Accountants meet with all service heads or their staff, generally on a monthly basis during the financial year, to discuss performance against budget, and to highlight areas of potentially significant over or under spend. We use this information to prepare the quarterly budget monitoring reports presented to Cabinet, and to substantiate any in-year budget transfers or supplementary estimates required to meet changing circumstances. The in-year monitoring of budgets enables the budget setting process to be based on the very latest estimates of expenditure.

Every year the council sets a comprehensive and balanced budget, which is proved to be realistic by the absence of overspends against total budget in recent years. In doing so, it achieved the CPA assessment of "excellent" during 2007/08.

The council's budget planning cycle is well established. We complete the annual budget for consideration by Cabinet in early February, before it is discussed and approved at full Council later that month. The budget is subject to review by Corporate Improvement Scrutiny Committee during December, and also in the period between its consideration by Cabinet and full Council during February. Throughout the budget setting process the council's financial position, and budget proposals, are regularly discussed informally by Cabinet and management team, which ensures that they have a good understanding of the financial situation.

When the budget is set, the monitoring of expenditure against budget continues throughout the financial year by both the corporate management team and councillors. Cabinet formally receives budget monitoring reports every quarter, culminating in an outturn report that reflects on the overall performance against budget for the previous year. These are based on returns provided by the heads of service.

MEDIUM TERM FINANCIAL STRATEGY AND MEDIUM TERM FINANCIAL PLAN

Supporting the annual budget setting process, we produce a medium term financial strategy (MTFS), and a medium term financial plan (MTFP) annually. The MTFS identifies the parameters within which the council's finances are managed, and states that new or additional expenditure will be agreed with reference to the council's priorities. We update it annually and it therefore keeps abreast of changes in the political and economic climate. We discuss its preparation with the Cabinet member for finance, and both Cabinet and Council agree it. It also underpins other council strategies, such as the capital strategy.

The MTFP provides a forward-looking budget model that estimates the council's budgets in future years, and in the process also indicates the required level of savings needed in future years to balance the budget in accordance with the parameters enshrined in the MTFS. This is based on assumptions of the most likely levels of such critical factors as inflation, and the level of investment interest. The latter in particular are subject to current uncertainty. We highlighted the impact of fluctuating interest rates on the investment income the council will earn in the MTFS through a sensitivity analysis, which took into account both the expected levels of interest rates, and the future level of council reserves and balances. We have included the risk of fluctuating interest rates in our risk register.

Based on the MTFP produced for 2008/09 budget setting, we were able to identify the level of savings that would be required to set the 2009/10 council tax to reflect an increase in council tax that was within the parameters of the MTFS. To ensure that the council can continue to focus on delivering services more efficiently during difficult economic times, it has taken a pro-active approach to identifying and delivering efficiency savings. It has merged its management team with that of neighbouring district council Vale of White Horse, which generated ongoing savings of £465,000, and has embraced "Lean" business process re-engineering. This initiative, internally branded as "fit for the future", will come to embrace all services, with the specific intention of delivering the current level of service more efficiently. For the first phase of this project, three services were subject to review during 2008/09, and the outcome was that over £550,000 of ongoing savings were realised. These savings and others generated by service managers themselves, and the results from procurement exercises ensured that the eventual council tax increase for 2009/10 was below that permitted with the MTFS. All the savings identified for 2009/10 are reasonable, having been subject to review by the management team and Cabinet.

The council's policy on reserves and balances is enshrined in the MTFS, which councillors approve. The budget report we present to Cabinet includes a summary of the estimated balance on key reserves at the end of the capital programme period. Assumptions underpinning the estimates of reserves are reasonable.

The council communicates key messages from its financial planning process to staff and stakeholders. New staff undertake an induction process that includes an introduction to local government finance module. This makes staff aware of how the council's budgets are constructed and of the financial pressures the council faces. For line managers, a separate module goes into more detail on the financial planning process, and covers their responsibilities. In 2008 we held a series of presentations for staff to explain the budget process and the pressures the council faces as part of the budget setting process. We also sought the views of stakeholders during the budget process. We held a consultation workshop for council taxpayers to discuss budget issues and, for the business community, we held a business breakfast. We seek feedback on all of these mechanisms to what value staff and stakeholders place on these activities.

TREASURY MANAGEMENT STRATEGY

The council's treasury management strategy, which council agrees annually, sets out the council's policy on managing its investments, which ensures that it has sufficient cash to meet its needs, and that returns are maximised whilst maintaining the security of the council's assets. The strategy makes regard to the Code of Practice for Treasury Management, and the CIPFA Prudential Code. We report performance against the strategy to Council annually.

The council enjoys a healthy financial position. We have significant reserves that generate interest income, which we use to support both the revenue budget and the capital programme. The council takes a prudent approach to its use of investment interest, by using it in the year after it is earned. This means that we will use the interest earned during the 2008/09 financial year to support the 2009/10 revenue budget. This provides a more stable platform on which to plan, and means that the dramatic falls in interest rates that have been experienced during 2008/09 do not impact on in-year service delivery.

All the arrangements detailed above demonstrate that the Cabinet and corporate management team exercise collective responsibility for financial matters. All members of the corporate management team accept individual and collective responsibility for the stewardship of use of resources and financial accountability.

- **Councillors' and senior officers' development**

We offer councillors a comprehensive induction programme. In the months following the elections in 2007 we arranged, amongst other things, sessions on planning, licensing, scrutiny, finance, customer service, risk management and business continuity, equality and diversity and sustainable development. Thereafter the council provides ongoing training according to need. For example, in 2008/09 members of the Audit and Corporate Governance Committee undertook a self assessment of their training needs in relation to finance, internal and external audit, risk management and governance. This assessment helped the council to identify where to focus training. During the year, we offered committee members development sessions on risk, internal and external audit and governance. The committee also took the opportunity to observe another audit committee in action. In June 2009, the committee will take part in a development session on the financial statements with the Vale of White Horse District Council's audit committee. In 2009/10, we will offer further development sessions.

Senior officers take part in induction sessions with all staff. Their development opportunities include support towards a nationally recognised qualification e.g. MBA. They can take part in the Common Purpose Matrix (a county wide senior management development programme) and they can attend programmes such as *aiming to be a corporate director*. Attendees evaluate these programmes; provide feedback at the end of each session and line managers review training during the appraisal and formal one to one process. We are launching a management development programme for service managers in 2009/10.

The council will continue to develop councillors' roles through a councillor and committee excellence review. The review will result in actions to develop the effectiveness of councillors in their different roles. It will have the added objective of making decision making in Council and committee meetings more effective. The review will encourage councillors to engage in training to meet their needs as well as the council's needs.

In relation to the needs of scrutiny committee members, they undertook their own comprehensive review of the effectiveness of the committees. One element of the review recommended training. Officers are currently progressing an initiative to engage the Centre for Public Scrutiny to facilitate a training session with scrutiny committee members.

- **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. The internal audit services are now completely harmonised 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.

Based on the scope of its reviews, an area with strong control processes and clear evidence of adherence to best practice is corporate governance. Noted improvements in this financial year are NNDR and Sundry Debtors. Areas of concern in the control environment mainly centre on key financial systems (general ledger, creditor payments, housing and council tax benefits and payroll), corporate areas (consultation, disaster recovery and emergency planning) and brown bins. Where Internal Audit identified significant weaknesses which require remedial action, recommendations have been made and discussed with officers.

During the year the internal audit manager also undertook a review of the council's anti-fraud and corruption arrangements. The council has implemented some anti-fraud and corruption processes, but it is the internal audit manager's opinion that improvements need to be made to fully embed an adequate process. Officers have been identified to lead on the implementation of the recommendations.

Internal audit offers assurance that it has complied with the CIPFA Code and a formal quality assurance programme continues to be in place. Internal audit has completed a self-assessment against the code to identify areas for further improvement, and an action plan is in place and is being monitored by the Audit and Corporate Governance Committee. The Audit Commission will be reviewing internal audit's performance in 2009/2010.

Action(s):
- To complete the improvement actions identified as part of the self-assessment exercise.

Risk management

We have harmonised our risk management approach with Vale of White Horse District Council. The harmonisation process allowed us to enhance our approach to risk management by incorporating recommendations made by internal audit and considering the comments made by the Audit Commission during their recent use of resources review. We have revised our Risk Management Strategy to incorporate the harmonised approach and to create a joint strategy for both councils. We will submit the strategy to Cabinet for approval in June.

The new risk management approach ensures that all risks are linked to strategic objectives, the likelihood and impact is assessed, the gross and net risk are identified and assigns responsibility for mitigating actions to appropriate officers.

We are currently reviewing the operational risk registers for all service areas, which heads of service will regularly review and include any mitigating actions required for operational risks in service plans where appropriate. The process requires management team to review the operational risk registers on a quarterly basis and also requires us to present a report detailing the contents of operational risk registers to Audit and Corporate Governance Committee (ACGC).

We have a strategic risk register, owned by management team, with clear links between risks and strategic objectives. We are currently updating the strategic risk register and any one of the strategic directors or the chief executive has been assigned responsibility for implementing required mitigating actions. The new process requires management team to review the strategic risk register on a quarterly basis, facilitated by the strategic risk champion who will include the strategic risk on the agenda of management team meetings. We will present the strategic risk register to ACGC every six months.

Members of ACGC have received training and risk management is included in the induction package given to new employees. Guidance documents and procedures are available to all staff via a designated risk management area on the council's intranet. The council has designated risk champions who receive training as required and the corporate risk officer supports the champions in their duties.

Management team has identified partnerships as a strategic risk and included this in the strategic risk register. It is likely we will undertake a separate exercise to address this strategic risk in that we look at the process of how we currently manage and respond to partnership risks and how we mainstream this process into the quarterly management review of existing operational risk registers. The council's partnership manager has included partnership risks within her service team's operational risk register. Internal audit will be undertaking a review of partnership performance monitoring between April 2009 and September 2009.

Risk management has been incorporated into the council's approach to writing report synopses where officers are required to detail the risks that the council faces in making its decision.

Anti-fraud and corruption, whistleblowing and money laundering

The council has an anti-fraud and corruption policy in place, supported by an anti-fraud and corruption response plan. We also have a whistleblowing policy in place. We are in the process of reviewing, updating and strengthening both policies. Work is currently ongoing to produce an anti money laundering policy by the audit manager and the head of legal and democratic services. ACGC will endorse the policies for approval by Cabinet / Council and the expected date for completion is September 2009.

Internal audit reviews each service's anti-fraud and corruption awareness and arrangements during their work and makes recommendations to address any weaknesses that they identify. Internal audit's rolling audit plan includes areas such as gifts and hospitality and register of interests. The audit plan for 2009/2010 includes a pro-active anti-fraud review with 15 days allocated to each council. The review will include the integration of dummy staff members and inappropriate significant payments by internal audit and testing will identify if existing management controls are sufficient. The audit plan indicates that internal audit will undertake its review between April 2009 and September 2009. The council is reviewing its training provision in relation to anti-fraud and corruption and is raising the profile of this area by increasing the visibility of policies through their inclusion on the council's website, placing notices on internal display boards and the inclusion of anti-fraud and corruption arrangements in induction packages for new employees.

The council actively participates in the National Fraud Initiative; publicises successful cases of fraud; has effective working arrangements; and, shares intelligence with relevant partner organisations e.g. the Police, Department for Work and Pensions (DWP) and the Housing Benefit Matching Service (HBMS). The council has a good record for prosecuting fraudsters and administration penalties and cautions. It undertakes active recovery of fraudulent overpayments and ensures policies are applied consistently.

The internal control arrangements in place include the Constitution, the provision of an internal audit service, the presence of an Audit and Corporate Governance Committee, transparent governance reporting through an assurance framework and compliance with relevant laws and regulations.

Business continuity

We will be commencing a full review of our business continuity arrangements in late April 2009 to take into account the recent management restructure and the decision to rationalise the business continuity arrangements between South Oxfordshire District Council and Vale of White Horse District Council. We have a project plan to guide us through the process and the review is included within our service plan. We have a business continuity strategy in place and business continuity plans supported by the disaster recovery plan and the crisis management plan. We have a timetable for the review of business continuity plans with reviews commencing in August 2009. During June 09, we will conduct an exercise to determine the most suitable testing options for the council and create a testing timetable for implementation. All contract specifications include a requirement for potential suppliers to provide the council with details of their business continuity arrangements. As per our business continuity project plan, we will conduct a separate exercise to obtain business continuity details from the council's top suppliers in June 09.

Governance code

South Oxfordshire District Council adopted its revised code from 1 April 2008. We said that during 2008/09 South Oxfordshire District Council would 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, the democratic services team is working with the corporate risk officer to deliver appropriate performance measures on the local code of governance that do not replicate work on the use of resources monitoring.

Action(s):

- To devise performance measures against the local code of governance when the outcome of the corporate risk officer's work on use of resources has been agreed by management team.

Audit and Corporate Governance Committee

Our Audit and Corporate Governance Committee undertakes the core functions of an audit committee as set out in CIPFA's Audit Committees – Practical Guidance for Local Authorities (2005), as set out below.

- To consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- To seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- Be satisfied that the authority's assurance statements, including the Statement on Internal Control (Annual Governance Statement), properly reflect the risk environment and any actions required to improve it.
- To approve (but not direct) internal audit's strategy, plan and monitor performance.
- To review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- To receive the annual report of the head of internal audit.
- To consider the reports of external audit and inspection agencies.
- To ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- To review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

From May 2008, the committee was reduced in size to seven members to accord with good practice guidance. In the council's 2008/09 Annual Governance Statement we undertook 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.

In undertaking to do this the new, smaller committee undertook a self assessment in the autumn of 2008. Committee members and substitutes, eligible to sit on the committee, responded to questions on their understanding of internal and external audit, risk management and finance and also evaluated their own skills and those of the committee in carrying out its role. The outcome of the assessment has allowed officers to start a programme of development sessions targeting committee members' areas of greatest need. During this reporting period, members of the committee have attended development sessions on risk and internal/external audit. They also attended the Vale of White Horse District Council's audit committee in January 2009 to observe another committee in operation.

Action(s):
- To provide ongoing development sessions for the Audit and Corporate Governance Committee

Corporate Improvement Scrutiny Committee and Customer and Community Scrutiny Committee

The scrutiny committees help develop council policy and review performance in meeting council objectives. The recommendations are not for a fundamental change of the way we do scrutiny; rather they propose a number of changes to processes, procedures and documents which, taken together, will bring scrutiny into the main planning and business processes of the council, in line with national and local expectations. The following is a summary of the main recommendations:

- an annual workshop to include all councillors, particularly scrutiny and cabinet members, in agreeing the scrutiny work plan
- revised terms of reference of the scrutiny committees to link them more closely to corporate plan themes
- introduction of an annual report to scrutiny on each corporate plan theme
- consideration of the appropriate level and timing for scrutiny involvement in each new/revised policy
- a review of scrutiny involvement in the corporate planning and budget-setting process
- a standard process and template for strategy development
- development of communications plans to raise awareness of the council's decision-making processes, including scrutiny; and for communications and consultation on each scrutiny review
- amendment of the public speaking rules in relation to scrutiny, to allow members to fully consider all points of view
- guidance and training on external scrutiny
- a programme of briefings and skills training for scrutiny members
- a separate review of the objectives for, and role of scrutiny briefing meetings

The report was accompanied by an action plan, which officers will continue to deliver during 2009/10.

Action(s):
- To implement the action plan to improve the effectiveness of the scrutiny committees following publication of the report on the review of scrutiny.

- **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.

In April 2008 the Standards Committee considered an 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 anticipation of the introduction of the local assessment of code of conduct in May 2008, the committee prepared for its enhanced role. In preparing for this role, Council agreed to increase the number of independent representatives and parish representatives on the committee to enable it to have sufficient membership to undertake the assessment and review of complaints. After successful exercises to recruit independent and parish representatives, the committee now consists of 10 members. The committee is made up of four district councillors, three parish representatives and three independent representatives.

In relation to the local assessment of complaints, the committee adopted guidance notes and a complaint form, which were subsequently made publicly available on the council's webpages. Parish and town councils were advised of changes to the procedures. During the year, Standards Committee members attended training events, facilitated by the Standards Board for England, to help them in their role on the local filter of complaints. They will continue to take up training opportunities as they become available. The committee will continue to review its procedures in order to enable the smooth-running of the complaints process. Since the local assessment of complaints regime started, the Standards Committee has considered one complaint against 29 district councillors, which was not referred for investigation. One additional complaint was referred for investigation.

In November 2008, the committee responded to a further consultation on revisions to the model code of conduct.

The Standards Committee is keen to uphold the high standards of ethical governance within the council and is embarking on a project to enter the ethics and standards award at the LGC awards in 2011. A task group has been convened and has met twice. It has considered a project brief with the main project benefits being:

To reinforce the culture of high standards of ethical governance amongst councillors
To support members in the highest standards of conduct
To raise awareness of ethical governance amongst officers, its partners and the general public
The council is assessed as performing well on the Use of Resources Assessment
To improve links and understanding with town and parish councils and councillors.

Action(s):
- To adopt the provisions of the revised code of conduct, which was consulted upon in November 2008.
- To develop an action plan to lead the council towards the shortlist of the LGC ethics and standards award in 2011.

External sources of assurance on the governance framework

- AUDIT COMMISSION: ANNUAL AUDIT AND INSPECTION

The Audit Commission's key message was that the council continues to make good progress in delivering its main priorities and is improving outcomes for local people. The council demonstrates strong community leadership, improved customer satisfaction and is delivering better value for money.

Key improvements during 2007/08 included:

- increasing the number of affordable homes and reducing homelessness
- higher levels of recycling
- reducing fear of crime related to personal safety
- continued economic development of Didcot
- identifying opportunities for shared services.

However, there were some areas where the council needed to improve outcomes for local people and strengthen its processes for delivering improvements:

- processing of housing benefits; and
- reducing violent crime, criminal damage and common assaults further.

There were again significant difficulties in completing the audit of the financial statements. The accounts produced contained significant and multiple errors, and as a result the opinion could not be given until 12 November, considerably after the due date of 30 September. The additional work necessary to deliver the opinion resulted in an additional audit fee of £43,372.

Additional problems arising from multiple changes of system in year, and in particular the main accounting system, also led to an 'except for' conclusion on the council's value for money opinion and reduced scores for the use of resources assessment.

Action(s):

- To evaluate the effectiveness of community safety initiatives aimed at reducing levels of crime further;
- To monitor improvements within housing benefits and take action to address shortfalls; and
- To review the processes and staffing in place to deliver robust financial statements in 2008/09

- THE AUDIT OF THE ACCOUNTS AND VALUE FOR MONEY

The Audit Commission reported separately to the Audit and Corporate Governance Committee on the issues arising from its 2007/08 audit and issued its report on 12 November 2008, providing an unqualified opinion on the accounts and a conclusion on the value for money arrangements to say that these arrangements were adequate, except for:

- the arrangements within the system of internal control for the preparation of procedure notes and reconciliations of all key financial systems;
- the reporting arrangements to enable members to fulfil their responsibilities to match performance against budgets; and
- there was no up to date capital strategy or asset management plan for management of the asset base.

Value for Money Conclusion

There were three areas where the council was assessed as not meeting the criteria on which the value for money conclusion is based. The Audit Commission therefore issued an 'except for' conclusion on the council's arrangements for securing economy, efficiency and effectiveness in the use of resources. The Audit Commission made four recommendations as a result:

- Link corporate risks to strategic priorities and develop action plans to manage these risks;
- Document procedures for all key financial systems and undertake regular system reconciliations;
- Strengthen financial reporting to members; and
- Prepare a capital strategy and asset management plan.

- USE OF RESOURCES

The findings of the auditor are an important component of the CPA framework. In particular the use of resources score is derived from the assessments made by the auditor in the following areas.

- Financial reporting (including the preparation of the accounts of the council and the way these are presented to the public).
- Financial management (including how financial management is integrated with strategy to support council priorities).
- Financial standing (including the strength of the council's financial position).
- Internal control (including how effectively the council maintains proper stewardship and control of its finances).
- Value for money (including an assessment of how well the council balances the costs and quality of its services).

For the purposes of the CPA the Audit Commission assessed the council's arrangements for use of resources in five areas. The scores are lower than those in the previous year and the areas covered by the qualifications on the value for money conclusion above cover some of the reasons for this. In particular the issues around the production of the financial statements were covered in detail in the Audit Commission's Annual Governance Report.

The impact of changes in financial systems, problems with the audit of financial statements and staffing pressures resulted in reduced scores in four criteria, and an overall score of 1 for use of resources.

Action(s):
- To progress the actions as set out in the report to Audit and Corporate Governance Committee on 25 March 2009.

- 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 letter showed that the Ombudsman *received* 16 complaints during the year, a significant reduction on the previous year. The Ombudsman expects to see such fluctuations over time.

Seventeen complaints were *decided* during the year. Of these, three were outside the Ombudsman's jurisdiction for a variety of reasons. Four were premature and one was settled locally. Of the remaining nine, seven were not pursued because no evidence of maladministration could be seen. In a further two cases the Ombudsman exercised discretion not to pursue the complaint further mainly because no significant injustice flowed from the fault alleged.

Nine complaints related to planning and building control and two were about public finance. The remaining five were classed as 'other', two of them being about drainage.

The number of premature complaints (four) shows a reduction on the number received last year (seven). This is below the national average of 27 per cent and may reflect the clear way the council explains its complaints procedure on its website. The Ombudsman was pleased to note that the website helpfully contains a hyperlink to the Commission's website to assist complainants, and signposts the role of the Planning Inspectorate and the Standards Board for England.

The Ombudsman made enquiries to the council on six complaints during the year and the average time for responding was 29.5 days. This is a slight improvement on last year but falls slightly short of the target time of 28 days. However, one response took 43 days and this had a significant impact on the average response time.

The Ombudsman found that the council's responses are generally comprehensive and hopes that the increased use of email and scanned documents will enable the council to continue the gradual improvement in its response times in the coming year.

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 29 September 2009

David Buckle
Chief Executive

Signature ______________________ Date 29 September 2009

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.

AREA BASED GRANT

Together with revenue support grant (see below) this comprises the council's general government grant income.

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.

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 are assets of the council that continue 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 to it. The government 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 EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure funded from capital under statute arises where

(i) expenditure is charged to capital but there is no tangible asset e.g. improvement grants, compensatory payments. When the expenditure is incurred it is charged to the income and expenditure account with a compensating entry in the statement of movement on the general fund balance to ensure that there is no impact on the council tax.

(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.

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. Together with area based grant (see above) this comprises the council's general government grant income.

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.