Statement of Accounts

South Oxfordshire District Council

Listening Learning Leading

2010/11

Explanatory foreword to the 2010/11 statement of accounts

Introduction

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts and an explanation in overall terms of the council's financial position. This foreword includes an explanation of the purpose of each statement and does not form part of the actual statement. Whilst this foreword may refer to the policies and strategies of the council, its purpose is not to comment on them.

The foreword contains a summary of the council's financial outturn (service expenditure, interest payable and other operating costs and income from grants, local taxpayer and other sources) for the year compared to the budget.

To assist the reader, a glossary of financial terms is provided on pages 86-91.

The council's accounts

The council's Statement of Accounts (SoA) is prepared in accordance with the Chartered Institute of Public Finance and Accountancy/ Local Authority (Scotland) Accounts Advisory Committee (CIPFA/LASAAC) code of practice on local authority accounting in Great Britain ("the code"). The code requires that the accounts contain the following statements listed below. This year the accounts have been compiled under International Financial Reporting Standards (IFRS). Prior year comparator figures have also been restated under these standards.

Statement of responsibilities for the statement of accounts (page 14)

This statement sets out the respective responsibilities of the authority and the chief financial officer.

The primary accounting statements

a) The **Movement in Reserves Statement (MiRS)** (pages 17-18) shows the movement in the year on the different reserves held by the authority, analysed into 'useable reserves' (ie: those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the council's services, more details of which are shown in the comprehensive income and expenditure statement. These are different from the statutory amounts required to be charged to the general fund balance for council tax setting purposes. The net increase/decrease before transfers to earmarked reserves line shows the statutory general fund balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

b) The **Comprehensive Income and Expenditure Statement (CIES)** (page 19) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the MiRS.

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, in a format consistent with the council's revenue budget for the year. The direct service expenditure is then reconciled to the cost of services line of the CIES.

c) The **Balance Sheet (BS)** (page 20) shows the value (as at the balance sheet date) of the assets and liabilities recognised by the council. The net assets of the council (being assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie: those that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (eg: the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains and losses (eg: the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MiRS line 'adjustments between accounting basis and funding basis under regulations'.

d) The **Cash Flow Statement (CFS)** (page 21) shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (eg: borrowing) to the council.

Statement of accounting policies (pages 22- 38)

These show the accounting policies adopted in compiling the council's accounting statements and also explain the basis on which the figures in the accounts have been prepared.

Notes to the core financial statements

The core accounting statements are supported by comprehensive notes to the accounts, which are found on pages 22-82.

Supplementary financial statements

a) **The collection fund** (pages 83 - 85). As an 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 Police Authority and town and parish councils have been satisfied.

Annual governance statement

This statement sets out the council's responsibility for internal control and describes both the purpose of internal control and the internal control environment. The statement also summarises the council's review of the effectiveness of internal control and highlights significant internal control issues and actions to be addressed. The annual governance statement is published as a separate document and is available on the council's website.

Changes to the financial statements

In line with other government agencies, local authority accounts are required to be compiled for financial year 2010/11 under IFRS as interpreted for local government by the code; previously accounts were compiled in accordance with the UK General Accepted Accounting Practices (UK GAAP) and the CIPFA Statement of Recommended Practice (SoRP). This has meant some significant changes to the primary statements and notes to the accounts. It has also necessitated the restatement of the comparator accounts (2009/10), and where necessary a reconciliation back to the figures stated for 2009/10 under the SoRP has been provided.

Economic climate

The council, like all other organisations has not been immune to the current economic downturn. A large proportion of the council's gross revenues are derived from the supply of services to customers (eg: car parks, planning fees) and as such the council has seen a drop in these income levels and does not expect these to pick up to pre-downturn levels in the immediate future. Similarly, the austerity measures implemented by central government have manifested themselves in the council in terms of a reduction in levels of grant funding. In order to minimise the effect of these income reductions on the local taxpayer, council tax precepts have been kept as low as possible; however this has seen a major reduction in the council's expenditure (both in-year and also in future planned budgets) – wherever possible these reductions are being made without cutting frontline services. Further notes on the future budgets and levels of reserves are at the end of this foreword.

Financial performance 2010/11

The original budgeted medium term plan to 2014/15 provided for gradually reducing net budget requirements funded by stable, annual council tax increases, and the prudent use of funds and balances to help smooth out the cycle. Overall these trends will strengthen the council's financial base. However, they are principally dependent upon achievement of the council's ambitious programme of cost cutting measures.

Material items of income and expenditure

During the financial year the council made the following material items of expenditure:

	£000
Housing and council tax benefits	32,950
Direct staff costs	10,130
Waste management	5,441
Financial services	2,055
Joint working with Vale of White Horse DC	1,102
Concessionary fares reimbursement	762
Community investment fund grants	546
Total	**52,986**

and received the following material income amounts:

	£000
Housing and council tax benefits	(33,873)
Waste management	(1,913)
Rental income	(1,479)
Interest and investment income	(1,935)
Joint working with Vale of White Horse DC	(2,101)
Planning fees	(849)
Car park income	(756)
Total	**(42,906)**

The council also incurred material expenditure on the following capital projects / works:

	£000
Leisure centres (including refurbishment and equipment)	986
Disabled facilities grants	812
Total	**1,798**

Significant provisions or contingencies and material write-offs (including impairments)

There were no significant provisions or contingencies made during the past year and there were no material write-offs or impairments.

Revenue outturn 2010/11

At the beginning of the year the council's budget requirement was £14.8 million, after accounting for the use of reserves and investment income. Net revenue spend for the year was £3.5 million underspent against budget as shown in the table below, which is in a format consistent with the council's budget book.

Service expenditure	Budget £000	Actual £000	Variance £000
Commercial services	3,789	3,601	(188)
Corporate management team	861	79	(782)
Corporate strategy	1,583	1,278	(305)
Economy leisure and property	852	372	(480)
Finance	3,030	2,843	(187)
Housing and health	1,978	1,579	(399)
HR,IT and customer services	2,079	1,846	(233)
Legal and democratic services	869	752	(117)
Planning	2,037	1,595	(442)
Central contingency	389	0	(389)
Direct service expenditure	**17,467**	**13,945**	**(3,522)**
Area based grant	(29)	(37)	(8)
Charges to capital	(20)	0	20
	17,418	**13,908**	**(3,510)**
Interest	(1,500)	(1,500)	0
Transfer to/from other funds	(1,141)	(1,127)	14
Net revenue spend	**14,777**	**11,281**	**(3,496)**
Transfer of surplus to reserves	0	3,496	3,496
Budget requirement set by council	**14,777**	**14,777**	**0**
Parish precepts	3,732	3,732	0
Total funding requirement	**18,509**	**18,509**	**0**
Collection fund precept	10,652	10,652	0
General government grant	996	996	0
National non-domestic rates	6,861	6,861	0
	18,509	**18,509**	**0**

The major variations in outturn are detailed below:

Service expenditure	**Variance**	**Explanation**				
	£000	**Salary under spend £000**	**2010/11 growth under spend £000**	**2010/11 carry fwd under spend £000**	**Earmarked grant received £000**	**Other under spend £000**
Commercial services	(188)	(54)	0	0	(47)	(87)
Corporate management team	(782)	(1)	0	(188)	(531)	(62)
Corporate strategy	(305)	(86)	0	0	(40)	(179)
Economy, leisure & property	(480)	(39)	0	(33)	0	(408)
Finance	(187)	(60)	(7)	(10)	0	(110)
Health & housing	(399)	(124)	0	0	(45)	(230)
HR, IT & customer services	(233)	(39)	(5)	0	0	(189)
Legal & democratic services	(117)	(195)	0	(3)	0	81
Planning & building control	(442)	(212)	0	(5)	(51)	(174)
Central contingency	(389)	0	0	0	0	(389)
Net expenditure	**(3,522)**	**(810)**	**(12)**	**(239)**	**(714)**	**(1,747)**

The salary underspend is transferred to the vacancy reserve, and the carry forward underspend is transferred to the carry forward reserve. Under IFRS, earmarked revenue grant funding that has been received but has not been spent is also transferred to reserves – in previous years such funding would have been treated as a receipt in advance. 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 significant other underspends	£000
Income down against budget:	
Hackney carriage licence income – due to change to three year licencing	49
Income up against budget	
Rental income – additional income received	(138)
Planning income – additional income received	(228)
Other:	
Central contingency underspend	(389)
Car parking – reduced costs	(56)
Concessionary fares – take-up below budget	(98)
Economic development – reduced consultancy and professional costs	(57)
Facilities management – reduced utilities, NNDR and other costs	(101)
Hidden pension costs – reduction against budget	(51)
Homelessness – reduction in costs	(81)
Human resources – reduced recruitment and relocation expenses	(74)
Leisure – reduced maintenance and management costs and reduced bad debt provision	(99)
Policy and review – underspends on consultants	(112)
Write-off of income discrepancies in previous years	116
Net balance of other variations less than £50,000	(428)
Total other underspend	**(1,747)**

Capital outturn 2010/11

Capital expenditure totalled £4.0 million in 2010/11. At the start of the year the approved capital programme was £2.4 million, but by year end transfers from the provisional capital programme, and other additions to the capital programme, increased this amount to £5.7 million. Major capital projects have included spend on leisure centres (including refurbishment and equipment) £1.0 million, disabled facilities grants £0.8 million, Ladygrove Loop £0.3 million, Riverside moorings £0.3 million and Berinsfield Boxing Club £0.2 million.

Spend for the year was £1.7 million below budget. There was an overspend of £0.1 million on disabled facilities grants, whilst the most significant underspends were on social housing initiatives £0.6 million, Thame Football Partnership £0.3 million and Ladygrove Loop £0.1 million.

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 32.

Further details on both revenue and capital expenditure for 2010/11 will be provided in an outturn report to be presented to both cabinet and scrutiny committee during September 2011.

Treasury management 2010/11

By actively managing its investments, the council earned interest and investment income of £1.9 million against a budget of £1.8 million. The average rate earned on cash investments for the year was 2.0%. Of the interest and investment income earned, £0.2 million represented dividends accumulated on the council's unit trust holdings, which are distributed as additional units. The remaining interest and investment income has been appropriated, in accordance with the 2011/12 budget proposal[1], as follows:

2010/11 revenue budget funding	£1.2 million
Capital grants funding	£0.5 million

In addition to the interest and investment income, the council also disposed of a share of its unit trust holdings (£2 million), and £1 million of its corporate bond holdings matured in year. The £3 million received from these transactions represents an increase to the council's capital receipts.

Further details on revenue and capital expenditure, and treasury management for 2010/11 will be provided in an outturn report to be presented to both cabinet and scrutiny committee during September 2011.

Comprehensive income and expenditure statement

The CIES shows the true cost of the council's services as defined by accounting standards. It shows that council spent £52.9 million on the provision of services less income from fees and charges, sales, rents and contributions, resulting in a net cost of services of £12.3 million. Other accounting adjustments, including adjustments for the council's fixed assets, such as depreciation, along with adjustments for interest income and notional charges for the council's pension fund liability (under IAS 19), mean that after the total financing from government grants and local taxpayers of £20.5 million, the council's surplus on provision of services was £10.0 million. This surplus is then adjusted further to produce the total comprehensive income for the year which is £34.1 million. This figure corresponds to the total movement on the balance sheet for the year.

The CIES presents the council's financial performance based on accounting standards, rather than as the council's performance against revenue budget, which is based on what can be charged to council tax payers. The table below reconciles the direct service expenditure for the year shown in the net revenue spend table on page 8 to the cost of services shown in the CIES, showing the adjusting transactions.

1 "Revenue Budget 2011/12 and Capital Programme to 2015/16", Report of Head of Finance to Cabinet, 14 February 2011

2009/10 £000		2010/11 £000	
16,074	**Direct service expenditure**		**13,945**
	Net capital transactions:		
1,012	Depreciation, impairments and revaluations	1,018	
6,763	Revenue expenditure financed from capital under statute	3,475	
(234)	Prior year capital correction	197	
(313)	Revaluation of housing loans in year	(17)	
	Contributions	(61)	
7,228			**4,612**
(624)	Pension adjustments required under IAS 19		(7,733)
21	Short -term compensated absences accrual		(20)
	Less:		
4	Trading account transactions included in service expenditure		35
780	Surplus/deficit from investment properties included in service expenditure		1,425
4	Other adjustments		0
23,487	**Cost of services**		**12,264**

Balance sheet

The reported net worth of the council increased from £92.5 million to £126.6 million at 31 March 2011, an increase of £34.1 million. This movement, which is also detailed in the movement in reserves statement, is principally the result of the following:

a) **Fixed assets.** The council owned £45.3 million of fixed assets at 31 March 2011, a net increase of £1.8 million on the previous year. This increase in value is principally the result of the value of the council's assets increasing, reflecting a better economic climate than twelve months earlier. Also, as identified earlier, the council incurred capital expenditure and added £0.4 million to the value of its assets.

b) **Pension liability.** The statement of accounts identifies details of the council's future commitments with regard to pension provision for its current and former employees. The council's net pension liability decreased by £29.9 million to £18.3 million, as illustrated in note 37. Whilst the actuarial assumptions regarding the rate of return on scheme assets have increased, so too have assumptions regarding inflation, and the increase in salaries and pensions.

At the balance sheet date the council had usable reserves of £81.9 million, made up of £28.8 million general fund balance, £12.9 million in earmarked revenue reserves, £37.8 million in capital receipts and £2.4 million in unapplied capital grants. Of the usable reserves, the share identified as the community investment fund balance was £46.4 million, with a further £18.5 million invested in corporate bonds and unit trusts. The council has no external borrowing and none is planned save for temporary cash flow purposes.

The balance sheet does not reflect any assets or liabilities acquired during the year which are unusual in scale and which require specific reference.

Collection fund

Income of £124.8 million in 2010/11 from council tax payers and business ratepayers was distributed as precept/demands, and to the National Non-Domestic Rates Pool. The account is showing a net surplus of £1.2 million which will be re-distributed to all precepting authorities.

Future prospects

As part of the annual budget setting process for 2011/12, council agreed both its medium term financial strategy for 2011/12 to 2015/16, and the medium term financial plan for the same period. The medium term financial strategy sets out the objectives to be achieved and principles to be followed in setting the budget. The medium term financial plan meanwhile provides a forward budget model for the next five years, highlighting known estimated budget pressures for new responsibilities and changes in legislation, predicted investment and capital receipts.

Revenue

The medium term financial plan highlights significant pressure the council anticipates in setting its revenue budget during the period covered. These pressures include the following:

- reduction in government grant funding
- increased pension costs following the 2010 actuarial review
- reduced investment income.

Shown below are the ongoing savings that are required to be found in the forthcoming financial years to enable a budget to be set in accordance with the parameters stipulated in the medium term financial strategy:

	2012/13 £000	**2013/14 £000**	**2014/15 £000**	**2015/16 £000**
Ongoing savings required	867	995	151	658

It should be stressed that these savings are cumulative – to balance the 2012/13 budget £0.9 million of ongoing savings are required, then for 2013/14 a further £1.0 million of ongoing savings are required. By the end of the period the council will need to have found over £2.7 million of ongoing savings.

Officers consider that the pressures highlighted are manageable in this period, in light of the reserves and balances available to the council. The council has already made considerable revenue savings in recent years by:

- merging its management team with Vale of White Horse District Council
- undertaking joint procurement with Vale of White Horse on major contracts, including financial services and waste
- introducing “lean” business processes to save officer time.

Continuation of these initiatives is expected to help meet the financial challenges facing the council.

Capital, and council resources

As part of budget setting for 2011/12, cabinet agreed to a capital programme to 2015/16 costing £11.6 million. The agreed financing of this programme is as follows:

- £8.7 million - council resources
- £2.9 million - other contributions.

Based on the council's budget proposals for revenue and capital, and assumptions about earnings on investment income, it is forecast that by 31 March 2016 the council will hold £64.5 million in usable reserves, made up of £21.1 million general fund balance, £9.7 million in earmarked revenue reserves, and £33.7 million in capital receipts. The community investment fund share of the usable reserves, not including the investments in corporate bonds and unit trusts, is forecast to be £44.4 million.

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;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the statement of accounts.

The statement of accounts was considered and approved at the audit and corporate governance committee meeting on 29 September 2011.

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Chairman of audit and corporate governance committee 29 September 2011

2. Responsibilities of the strategic director and chief finance officer

The strategic director and chief finance officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the code).

In preparing this statement of accounts, the 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 local authority code.

The strategic director and 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.

I certify that this statement of accounts presents a true and fair view of the financial position of the authority at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

…………………………………………………...
Steve Bishop CPFA
Strategic director and chief finance officer 29 September 2011

Independent auditor's report to the members of South Oxfordshire District Council

Opinion on the authority accounting statements

I have audited the accounting statements of South Oxfordshire District Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the movement in reserves statement, the comprehensive income and expenditure statement, the balance sheet, the cash flow statement and collection fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the statement of accounting policies.

This report is made solely to the members of South Oxfordshire District Council in accordance with part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the statement of responsibilities of auditors and audited bodies published by the Audit Commission in March 2010.

Respective responsibilities of the strategic director and chief finance officer and auditor

As explained more fully in the statement of responsibilities, the strategic director and chief finance officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and international standards on auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's ethical standards for auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of South Oxfordshire District Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

I am required under section 5 of the Audit Commission Act 1998 to satisfy myself that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The code of audit practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the code of audit practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the code of audit practice in satisfying myself whether the authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the code of audit practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, South Oxfordshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

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

Maria Grindley
District Auditor
Unit 5, Isis Business Centre,
Horspath Road
Cowley OX4 2RD
September 2011

Movement in reserves statement

For the year ended 31 March 2011

	General fund balance £000	Earmarked general fund reserves £000	Capital receipts reserve £000	Capital grants unapplied £000	Total usable reserves £000	Unusable reserves £000	Total authority reserves £000
Balance - 31 Mar 2010	(27,576)	(13,653)	(34,828)	(1,115)	(77,172)	(15,365)	(92,537)
Movement in reserves during 2010/11							
(Surplus)/deficit on provision of services	(10,047)	0	0	0	**(10,047)**	0	**(10,047)**
Other comprehensive income and expenditure	0	0	0	0	**0**	(24,067)	**(24,067)**
Total comprehensive income and expenditure	**(10,047)**	**0**	**0**	**0**	**(10,047)**	**(24,067)**	**(34,114)**
Adjustments between accounting basis and funding basis under regulations (note 7)	5,052	2,407	104	(1,235)	**6,328**	(6,328)	**0**
Net increase/decrease before transfers to earmarked reserves	**(4,995)**	**2,407**	**104**	**(1,235)**	**(3,719)**	**(30,395)**	**(34,114)**
Transfers to/from earmarked reserves	3,744	(1,693)	(3,061)	0	**(1,010)**	1,010	**0**
Increase/decrease (movement) in year	**(1,251)**	**(714)**	**(2,957)**	**(1,235)**	**(4,729)**	**(29,385)**	**(34,114)**
Balance - 31 Mar 2011	**(28,827)**	**(12,939)**	**(37,785)**	**(2,350)**	**(81,901)**	**(44,750)**	**(126,651)**

Movement in reserves statement (continued)

For the year ended 31 March 2010

	General fund balance £000	Earmarked general fund reserves £000	Capital receipts reserve £000	Capital grants unapplied £000	Total usable reserves £000	Unusable reserves £000	Total authority reserves £000
Balance - 31 Mar 2009	**(27,479)**	**(19,937)**	**(32,372)**	**0**	**(79,788)**	**(23,375)**	**(103,163)**
IFRS adjustment	**0**	**0**	**0**	**(804)**	**(804)**	**19**	**(785)**
Balance - 1 Apr 2009	**(27,479)**	**(19,937)**	**(32,372)**	**(804)**	**(80,592)**	**(23,356)**	**(103,948)**
Movement in reserves during 2009/10							
(Surplus)/deficit on provision of services	36	0	0	0	**36**	**0**	**36**
Other comprehensive income and expenditure	0	0	0	0	**0**	11,375	**11,375**
Total comprehensive income and expenditure	**36**	**0**	**0**	**0**	**36**	**11,375**	**11,411**
Adjustments between accounting basis and funding basis under regulations (note 7)	(2,615)	6,352	(663)	(311)	**2,763**	(2,763)	**0**
Net increase/decrease before transfers to earmarked reserves	**(2,579)**	**6,352**	**(663)**	**(311)**	**2,799**	**8,612**	**11,411**
Transfers to/from earmarked reserves	2,482	(68)	(1,793)	0	**621**	(621)	**0**
Increase/decrease (movement) in year	**(97)**	**6,284**	**(2,456)**	**(311)**	**3,420**	**7,991**	**11,411**
Balance - 31 Mar 2010	**(27,576)**	**(13,653)**	**(34,828)**	**(1,115)**	**(77,172)**	**(15,365)**	**(92,537)**

Comprehensive income and expenditure statement

2009/10				2010/11			
Exp £000	Inc £000	Net £000		Exp £000	Inc £000	Net £000	Note
9,652	(6,671)	2,981	Central services to the public	9,132	(7,009)	2,123	
19,204	(4,572)	14,632	Cultural, environmental, regulatory and planning services	17,583	(5,900)	11,683	
1,668	(1,219)	449	Highways and transport services	1,981	(1,089)	892	
27,765	(25,264)	2,501	Other housing services	28,916	(26,573)	2,343	
3,645	(17)	3,628	Corporate and democratic core	3,072	(66)	3,006	
17	0	17	Non distributed costs	190	0	190	
0	0	0	Exceptional pension valuation adjustment	(7,973)	0	(7,973)	1(vi)
0	(741)	(741)	Exceptional income - VAT recovered	0	0	0	1(v)
24	0	24	IFRS cost of service adjustments	0	0	0	
61,975	**(38,484)**	**23,491**	**Cost of services**	**52,901**	**(40,637)**	**12,264**	
3,643	(196)	3,447	Other operating expenditure	3,542	(439)	3,103	9
(3,498)	(3,886)	(7,384)	Financing and investment income and expenditure	282	(5,188)	(4,906)	10
0	(19,518)	(19,518)	Taxation and non-specific grant income	0	(20,508)	(20,508)	11
62,120	**(62,084)**	**36***	**(Surplus) / deficit on provision of services**	**56,725**	**(66,772)**	**(10,047)**	25
		(324)	(Surplus) / deficit on revaluation of non current assets			(2,411)	
		(5,249)	(Surplus) / deficit on revaluation of available for sale financial assets			1,368	
		16,948	Actuarial (gains) / losses on pension assets / liabilities			(23,024)	
		11,375	**Other comprehensive income and expenditure**			**(24,067)**	
		11,411	**Total comprehensive income and expenditure**			**(34,114)**	

1,374	**Net (surplus)/deficit for the year as at March 2010 under SORP**
(1,220)	Changes in fair value of investment properties
(146)	Change in capital grants and contributions taken to CIEA
3	Additional depreciation of fixed assets
21	Short-term accumulating compensated absences additional provision
4	S106 expenditure charges to services
36*	**(Surplus) / deficit on provision of services as at March 2010 under IFRS**

Balance sheet

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000	31 March 2011 £000	Notes
27,539	27,429	Property, plant & equipment		28,765	12
10,389	15,724	Investment property		16,277	13
525	297	Intangible assets		225	14
0	0	Assets held for year (after 1 year)		0	
28,648	24,242	Long term investments		33,390	15
2,686	2,601	Long term debtors		2,071	17
69,787	**70,293**	**Long term assets**		**80,728**	
57,173	51,800	Short term investments	53,330		15
12	122	Inventories	65		16
5,094	5,646	Short term debtors	5,552		17
9,822	23,258	Cash and cash equivalents	13,876		18
0	0	Assets held for sale (within 1 year)	0		
72,101	**80,826**	**Current assets**		**72,824**	
(8,171)	(8,436)	Short term creditors	(8,337)		20
(203)	(224)	Provisions	(204)		21
(50)	(1,741)	Capital grants receipts in advance	(48)		
(8,424)	**(10,401)**	**Current liabilities**		**(8,589)**	
(16)	(15)	Provisions		(15)	21
(29,500)	(48,166)	Net pension liability		(18,296)	37
(29,516)	**(48,181)**	**Long term liabilities**		**(18,311)**	
103,948*	**92,537***	**Net assets**		**126,651**	
(27,479)	(27,576)	Non-earmarked revenue reserves		(28,827)	
(19,937)	(13,653)	Earmarked revenue reserves		(12,939)	
(32,372)	(34,828)	Usable capital receipts reserve		(37,785)	
(804)	(1,115)	Capital grants unapplied		(2,350)	
(80,592)	**(77,172)**	**Usable reserves**		**(81,901)**	22
(18,928)	(10,727)	Adjustment accounts		(37,866)	
(4,428)	(4,638)	Revaluation reserve		(6,884)	
(23,356)	**(15,365)**	**Unusable reserves**		**(44,750)**	23
(103,948)	**(92,537)**	**Total reserves**		**(126,651)**	

31 March 2009 £000	31 March 2010 £000	Reconciliation to SORP accounts
103,163	**91,634**	**Total of balance sheet under SORP**
804	532	Capital grants unapplied moved to reserves
0	583	Developers contributions moved to usable capital receipts reserve
0	(3)	Additional depreciation of fixed assets
(203)	(224)	Short-term accumulating compensated absences additional provision
184	15	Deferred government grants moved to reserves
103,948	**92,537***	**Total of balance sheet under IFRS**

Cash flow statement

31 March 2010 £000		31 March 2011 £000	Note
36	**Net (surplus) / deficit on the provision of services**	**(10,047)**	
2,996	Adjust net surplus or deficit on the provision of services for non-cash movements	4,538	
(5,266)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,043	
(2,234)	**Net cash flows from operating activities**	**(4,466)**	24a
(11,224)	Investing activities	13,375	24b
22	Financing activities	473	24c
(13,436)	**Net (increase)/decrease in cash and cash equivalents**	**9,382**	
9,822	Cash and cash equivalents at the beginning of the reporting period	23,258	
23,258	**Cash and cash equivalents at the end of the reporting period**	**13,876**	18

Notes to the accounts 2010/11

1. Statement of accounting policies

(i) General principles

The statement of accounts summarises the council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The council is required to prepare an annual statement of accounts by 30 June 2011 and for the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2010/11 and the Service Reporting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Accounts and Audit Regulations 2003 Act.

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

(ii) 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:

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council;

- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council;

- 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 inventories on the balance sheet;

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and

- Where revenue 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

(iii) Acquisitions and discontinued operations

Acquired operations - there have been no acquired operations (or transferred operations under governmental re-organisation of local government) during the financial year.

Discontinued operations - there have been no discontinued operations (or transferred operations under governmental re-organisation of local government) during the financial year.

(iv) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are defined as follows:

- Cash and cash equivalents shall include bank overdrafts that are an integral part of the council's cash management;
- Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes;
- Investments that can be liquidated or accessed within 30 days i.e. money market funds, call accounts and deposit accounts with a notice period of 30 days or less; and
- Fixed term deposits with a maturity period of 30 days or less.

Equity investments are excluded from the definition.

(v) Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the CIES or in the notes to the accounts, depending on how significant the items are to an understanding of the council's financial performance.

In 2009/10 the CIES included a one off exceptional VAT receipt relating to claims the council made to have overpaid VAT refunded from 1973 to 1986. Previously the council had been unable to claim back more than three years when the VAT treatment of items changed.

Details of the exceptional item included in 2010/11 can be found under changes to the local government pension scheme below.

(vi) Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Changes to the Local Government Pension Scheme (LGPS)

The government has announced that from 1 April 2011 future pensions will be increased in line with the consumer price index (CPI) rather than the retail price index (RPI). This has resulted in a revision of the financial assumptions made by the actuary in valuing the defined benefit obligation (pension liability) as at 31 March 2011. The resultant £7,973,000 past service gain, has been credited to the cost of services in the comprehensive income and expenditure account as an exceptional item in 2010/11.

(vii) Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off; and
- Amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing required. As at 31 March 2011 this council has no borrowing requirement, so this contribution is not required. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement.

(viii) Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees. They are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements and additional hours earned by employees but not taken as time off before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. The council estimates the amount of this accrual based on a sample of ten per cent of the workforce, the results of which are extrapolated across all staff.

Termination benefits

Termination benefits are amounts payable either as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Such benefits are charged on an accruals basis to the non distributed costs line in the CIES when the council is demonstrably committed to the termination of the employment of an officer or group of officers or to making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The Local Government Pension Scheme (LGPS)

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Oxfordshire County Council pension fund 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 5.5% (based on the yield on the iBoxx AA rated over 15 years corporate bond index;

- The assets of Oxfordshire County Council pension fund attributable to the council are included in the balance sheet at their fair value:

  - Quoted securities - current bid price
  - Unquoted securities - professional estimate
  - Unitised securities - current bid price
  - Property - market value.

- 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 this year - allocated in the CIES to the services for which the employees worked.
  - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the surplus or deficit on the provision of services in the CIES as part of non distributed costs.

- interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the financing and investment income and expenditure line in the CIES.
- 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 the financing and investment income and expenditure line in the CIES.
- gains or 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 or credited to the surplus or deficit on the provision of services in the CIES 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 pensions reserves.
- contributions paid to the Oxfordshire County council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement this means that there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid a the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits

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

(ix) Events after the balance sheet date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the statement of accounts is adjusted to reflect such events; and

- Those that are indicative of conditions that arose after the reporting period - the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

(x) Financial instruments

Financial liabilities

Financial liabilities are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are 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 currently has no borrowings and has issued no bonds to bond holders.

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; and

- 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 recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, if the council has made loans to voluntary organisations at less than market rates (soft loans), then a loss is recorded in the CIES (debited to the appropriate service) 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. Interest is credited to the financing and investment income and expenditure line in the CIES 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 CIES to the net gain required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the movement in reserves statement. However, the loss attributable to a loan of less than £20,000 is not material and at the current date the council has no material loans.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the financing and investment income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. This figure is shown in the accounts for trade debtors as a provision for bad and doubtful debts. 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.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the financing and investment income and expenditure line in the CIES.

Available-for-sale assets

Available-for-sale assets are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the financing and investment income and expenditure line in the CIES 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 CIES 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; and

- 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 reserve and the gain/loss is recognised in the surplus or deficit on revaluation of available-for-sale financial assets. The exception is where impairment losses have been incurred - these are debited to the financing and investment income and expenditure line in the CIES, along with any net gain or loss for the asset accumulated in the available-for-sale financial instrument 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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the financing and investment income and expenditure line in the CIES. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the financing and investment income and expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the available-for-sale reserve.

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

Instruments entered into before 1 April 2006

The council has not entered into any financial guarantees that are not required to be accounted for as financial instruments (i.e. before 1 April 2006).

(xi) Foreign currency translation

The council makes a number of small purchases in foreign currency. However the transaction is made at the current prevailing exchange rate, the goods or services are received immediately and, therefore, there are no gains or losses as a result of variances in the exchange rate, required to be recorded.

(xii) Government grants and contributions

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

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

Amounts recognised as due to the council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified. If this is not the case then future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income (non-ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the general fund balance in the movement in reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. When it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

Area Based Grant (ABG)

ABG is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to taxation and non-specific grant income in the CIES.

(xiii) Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the council can be determined by reference to an active market. In practice, no intangible asset held by the council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and the capital receipts reserve.

(xiv) Interests in companies and other entities – jointly controlled operations and jointly controlled assets

The council has no material interests in other companies or entities that have the nature of subsidiaries, associates or jointly controlled entities and there is therefore no requirement to prepare group accounts.

Jointly controlled operations are classified as activities undertaken by the council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. They are items of property, plant or equipment that are jointly controlled by the council and other venturers, with the assets being used to obtain benefits for the venturers. Whilst the council has entered into joint arrangements on the provision of services with Vale of White Horse District Council, none of the assets of that council can be said to be under joint control of the two councils.

(xv) Inventories and long term contracts

Inventories are included in the balance sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the CIES with the value of works and services received under the contract during the financial year.

(xvi) Investment property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and the capital receipts reserve.

(xvii) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

In 2009/10 the council adopted the requirements of the IFRS Interpretations Committee Update 12 (IFRIC 12), which concerns "service concession arrangements". Under the requirements of IFRIC 12, it is possible that the assets of contractors providing services on behalf of councils may need to be brought onto the balance sheets of councils where those assets are used primarily or solely on activities on behalf of those councils as, in accounting terms, those councils are effectively leasing the assets from the contractor. A review of this council's contracts has determined that no assets need to be brought on to the balance sheet.

The council as lessee

Finance leases

Property, plant and equipment held under finance leases is recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability; and
- A finance charge (debited to the financing and investment income and expenditure line in the CIES).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period).

The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

Operating leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment.

The council as lessor

Finance leases

Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the balance sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received); and

- Finance income (credited to the financing and investment income and expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the general fund balance and is posted out of the general fund balance to the capital receipts reserve in the movement in reserves statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the general fund balance to the deferred capital receipts reserve in the movement in reserves statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the general fund balance in the movement in reserves statement.

Operating leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is a creditor to the other operating expenditure line in the CIES.

(xviii) Overheads and support services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2010/11. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and democratic core - costs relating to the council's status as a multi-functional, democratic organisation;

- Non distributed costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

These two cost categories are defined in the service reporting code of practice 2010/11 and accounted for as separate headings in the CIES as part of net expenditure on continuing services.

(xix) Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The council would not capitalise borrowing costs if required to be incurred for assets under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the CIES, they are reversed out of the general fund balance to the capital adjustment account in the movement in reserves statement.

Assets are then carried in the balance sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction - depreciated historical cost;
- All other assets - fair value, determined as the amount that would be paid for the asset in its existing use.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- where the balance on the revaluation reserve is less than the decrease in value the carrying amount of the asset is written down firstly against the balance on the revaluation reserve and the remaining balance against the relevant service line(s) in the CIES;

- where there is no balance in the revaluation reserve the carrying amount of the asset is written down straight to the relevant service line(s) in the CIES.

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

Impairment

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

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- Where the balance on the revaluation reserve is less than the impairment the carrying amount of the asset is written down firstly against the balance on the revaluation reserve and the remaining balance against the relevant service line(s) in the CIES;

- Where there is no balance in the revaluation reserve the carrying amount of the asset is written down straight to the relevant service line(s) in the CIES.

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

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- Buildings and infrastructure assets – straight line allocation over the useful life of the property as estimated by the valuer;

- Vehicles, plant, furniture and equipment – on a straight line basis, generally over five years.

More detail on depreciation rates for asset categories is included in note 12 to the accounts.

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous loss recognised in the surplus or deficit on provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal are categorised as capital receipts. Receipts are appropriated to the reserve from the general fund balance in the movement in reserves statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the general fund balance in the movement in reserves statement.

(xx) Private Finance Initiative (PFI) and similar contracts

The council has no PFI or other similar contracts.

(xxi) Provisions, contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the council settles the obligation.

Contingent liabilities

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

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

Contingent assets

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

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

(xxii) Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the general fund balance in the movement in reserves statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the CIES. The reserve is then appropriated back into the general fund balance in the movement in reserves statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the council - these reserves are explained in the relevant note.

(xxiii) Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources, a transfer in the movement in reserves statement from the general fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

(xxiv) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Accounting standards that have been issued but have not yet been adopted

The code has introduced a change in accounting policy in relation to the treatment of heritage assets held by the council, which will need to be adopted fully by the council in the 2011/12 financial statements.

The council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption of a new standard that has been issued, but is not yet required to be adopted by the council, in this case heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the council's balance sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the council principally for their contribution to knowledge or culture. The only assets that the council owns that could fall into this category are items of civic regalia. These assets are not shown in the council's balance sheet, but as the items have an insurance value of less than £10,000, they would not increase the council's net asset position by a material amount.

3. Critical judgements in applying accounting policies

In applying the accounting policies set out in note 1, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of the need to close facilities and reduce levels of service provision;

- In 2007 the council placed a deposit of £2,500,000 with Kaupthing Singer & Friedlander Ltd, an Icelandic bank which is in administration. A creditor progress report issued by the administrators Ernst and Young in May 2011 indicates that the estimated return to creditors to be in the range of 78 to 98p in the pound. More details are contained in note 15.

4. Assumptions made about the future and other major sources of estimation uncertainty

The statement of accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, the actual result could be materially different from the assumptions and estimates.

The items in the council's balance sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property plant and equipment	Assets are valued in the balance sheet at depreciated historic cost based on estimates of value and useful life.	The value of the assets in the balance sheet will change if the estimates of value and useful life are changed.
Investment properties	Investment properties are revalued annually according to market conditions at year end.	The value of investment property in the balance sheet will change depending on market conditions.
Long term investments	The council has long term investments in the form of corporate bonds and unit trusts which are valued at fair value at year end.	The value of the long term investments in the balance sheet will vary with market conditions.
Pensions	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by Oxfordshire County Council pension fund to provide the council with expert advice about the assumptions to be applied.	Any change to any of the assumptions used by the actuary can significantly change the value of the net liability.

5. Material items of income and expenditure

Material items of income and expenditure were disclosed on pages 6 and 7 of the explanatory foreword.

6. Events after the balance sheet date

The statement of accounts was certified by the strategic director and chief finance officer on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between accounting basis and funding basis under regulations

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

31 March 2010					31 March 2011			
Usable reserves					Usable reserves			
Gen fund bal & earmarked rev reserves	Capital receipts reserve	Capital grants unapplied	Movement in unusable reserves		Gen fund bal & earmarked rev reserves	Capital receipts reserve	Capital grants unapplied	Movement in unusable reserves
£000	£000	£000	£000		£000	£000	£000	£000
				Adjustments primarily involving the capital adjustment account:				
				Reversal of items debited or credited to the CIES:				
3,495	0	0	(3,495)	Charges for depreciation and impairment of non-current assets	(913)	0	0	913
0	0	0	0	Revaluation losses on property, plant and equipment	(458)	0	0	458
1,221	0	0	(1,221)	Movements in the market value of investment properties	542	0	0	(542)
(303)	0	0	303	Amortisation of intangible assets	(188)	0	0	188
(6,765)	0	5	6,760	Revenue expenditure funded from capital under statute	(3,476)		32	3,444
				Insertion of items not debited or credited to the CIES:				
6,352	0	722	(7,074)	Capital expenditure charged against the general fund	2,408	0	633	(3,041)
				Adjustments primarily involving the capital receipts reserve:				
199	(199)	0	0	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES.	717	(877)	0	160
0	0	0	0	Use of the capital receipts reserve to finance new capital expenditure	0	988	0	(988)
(37)	37	0	0	Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool.	(17)	17	0	0
				Adjustments primarily involving the deferred capital receipts reserve				
0	(501)	0	501	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0	(24)	0	24
231	0	0	(231)	Transfer of deferred capital receipt relating to equity loans credited to the CIES	16	0	0	(16)
				Adjustments primarily involving the capital grants unapplied account				
1,038	0	(1,038)	0	Capital grants and contributions unapplied credited to the CIES	1,900	0	(1,900)	0
				Adjustments primarily involving the pensions reserve:				
(3,383)	0	0	3,383	Reversal of items relating to retirement benefits debited or credited to the CIES	5,161	0	0	(5,161)
1,664	0	0	(1,664)	Employer's pensions contributions and direct payments to pensioners payable in the year.	1,685	0	0	(1,685)
				Adjustments primarily involving the collection fund adjustment account:				
46	0	0	(46)	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements.	63	0	0	(63)
				Adjustment primarily involving the accumulated absences account:				
(21)	0	0	21	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	19	0	0	(19)
3,737	**(663)**	**(311)**	**(2,763)**	**Total adjustments**	**7,459**	**104**	**(1,235)**	**(6,328)**

8. Transfers to/from general fund balance and earmarked reserves

This note details all movements in the reserves that comprise the general fund balance and earmarked reserves.

31st March 2010					31st March 2011			
1 Apr 09 balance brought forward £000	Transfers in £000	Transfers out £000	31 Mar 10 Balance carried forward £000		1 Apr 10 balance brought forward £000	Transfers in £000	Transfers out £000	31 Mar 11 Balance carried forward £000
				General fund balance				
(750)	0	0	(750)	General fund balance	(750)	0	0	(750)
(16,120)	(2,640)	2,543	(16,217)	Enabling fund (a)	(16,217)	(2,107)	856	(17,468)
(10,609)	0	0	(10,609)	Interest allocated as principal (b)	(10,609)	0	0	(10,609)
(27,479)	**(2,640)**	**2,543**	**(27,576)**	**Total general fund balance**	**(27,576)**	**(2,107)**	**856**	**(28,827)**
				Earmarked reserves				
(878)	(512)	270	(1,120)	Vacancy reserve (c)	(1,120)	(810)	270	(1,660)
(12,068)	0	6,605	(5,463)	CIF Interest - capital unallocated (d)	(5,463)	0	1,673	(3,790)
(50)	0	25	(25)	Job evaluation reserve (e)	(25)	0	25	0
(1,000)	(1,500)	1,000	(1,500)	Revenue funding (f)	(1,500)	(1,200)	1,500	(1,200)
(4,929)	(500)	1,252	(4,177)	CIF interest - distributed (g)	(4,177)	(500)	734	(3,943)
(130)	0	0	(130)	Planning inquiry (h)	(130)	0	0	(130)
(511)	(352)	511	(352)	Carry forwards (i)	(352)	(239)	352	(239)
(76)	0	0	(76)	Redundancy & early retirement (j)	(76)	0	0	(76)
53	(55)	0	(2)	Building control (k)	(2)	(52)	0	(54)
(123)	0	0	(123)	Commuted lump sum (l)	(123)	0	0	(123)
(200)	(512)	100	(612)	Pension revaluation reserve (m)	(612)	(425)	100	(937)
0	(48)	0	(48)	Performance reward grant reserve (n)	(48)	0	0	(48)
(25)	0	0	(25)	Didcot arts centre reserve (o)	(25)	0	0	(25)
0	0	0	0	Revenue grants reserve (p)	0	(714)	0	(714)
(19,937)	**(3,479)**	**9,763**	**(13,653)**	**Total earmarked reserves**	**(13,653)**	**(3,940)**	**4,654**	**(12,939)**

The purpose of each reserve is as follows:

(a) Accumulated surpluses in previous years, which have not yet been earmarked.
(b) 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.
(c) Accumulated savings on employee costs in previous years, which are used to fund future revenue expenditure
(d) To hold interest distributed on CIF balances for capital expenditure
(e) As a contribution towards the future salary costs of employees who have been re-graded downwards and whose salary is subject to protection.
(f) From CIF interest earnings in previous years, which will be used to support the general fund revenue budget.
(g) From interest earned on the CIF principal to be used to fund the capital programme.
(h) To meet the cost of any inquires that have to be set up as a result of the updating of the local plan.
(i) By departments from underspends to cover future specific costs.
(j) To help meet the redundancy and early retirement costs associated with any future restructuring.
(k) From ring fencing the building control trading account.
(l) To fund expenditure covered from commuted sums paid by developers

(m) To fund future costs of pension regulation changes
(n) To fold performance reward grant income received
(o) To fund future running costs of the Arts Centre
(p) To fund revenue expenditure from grants received in advance

There have been no changes to the general fund balance, or to earmarked reserves, arising from the transition to IFRS accounts.

9. Other operating expenditure

2009/10 £000		**2010/11 £000**
3,609	Parish council precepts	3,732
37	Payments to the government housing capital receipts pool	18
(199)	(Gain)/loss on the disposal of non-current assets	(647)
3,447	**Total**	**3,103**

10. Financing and investment income and expenditure

2009/10 £000		**2010/11 £000**
(605)	Interest payable and similar charges	(327)
2,343	Pensions interest cost and expected return on pensions assets	887
(2,906)	Interest receivable and similar income	(1,935)
(6,212)	Income and expenditure in relation to investment properties and changes in their fair value	(1,426)
0	(Gain)/loss on disposal of investments	(2,000)
(0)	(Gain)/loss on disposal of investment properties	(70)
(4)	(Gain)/loss on trading accounts	(35)
(7,384)	**Total**	**(4,906)**

11. Taxation and non specific grant incomes

2009/10 £000		**2010/11 £000**
(1,038)	Recognised capital grants and contributions	(1,900)
(10,541)	Council tax income	(10,715)
(6,352)	Distributed non domestic rate income	(6,860)
(1,587)	Non-ringfenced government grants	(1,033)
(19,518)	**Total**	**(20,508)**

12. Property, plant and equipment

Table 12a Movements in property plant & equipment 2010/11					
	Other land & buildings £000	Vehicles, plant & equipment £000	Infra-structure assets £000	Community assets £000	Total PP&E £000
Cost or valuation					
At 1 April 2010	**32,870**	**1,817**	**488**	**1**	**35,176**
Additions	367	71	19	0	**457**
Donations	0	0	0	0	**0**
Revaluation increases/(decreases) to RR	2,279	0	0	0	**2,279**
Revaluation increases/(decreases) to SDPS	(542)	0	0	0	**(542)**
Disposals	(161)	0	0	0	**(161)**
Other movements in cost or valuation	0	0	0	0	**0**
At 31 March 2011	**34,813**	**1,888**	**507**	**1**	**37,209**
Depreciation and impairments					
At 1 April 2010	**(6,537)**	**(946)**	**(264)**	**0**	**(7,747)**
Depreciation charge for 2010/11	(542)	(287)	(84)	0	**(913)**
Impairment losses/reversals to RR	0	0	0	0	**0**
Impairment losses/reversals to SDPS	216	0	0	0	**216**
Disposals	0	0	0	0	**0**
Other movements in impairment & depreciation	0	0	0	0	**0**
At 31 March 2011	**(6,863)**	**(1,233)**	**(348)**	**0**	**(8,444)**
Balance sheet amount at 31 March 2011	**27,950**	**655**	**159**	**1**	**28,765**
Balance sheet amount at 31 March 2010	**26,333**	**871**	**224**	**1**	**27,429**

RR= Revaluation reserve
SDPS=Surplus or deficit on the provision of services

Table 12c Movement on fixed assets 2009/10 – variance between SORP and IFRS						
Property plant & equipment	**Land & buildings £000**	**Plant & equipment £000**	**Infra-structure £000**	**Com-munity assets £000**	**Assets under con - struction £000**	**Total PP&E £000**
SORP balance sheet amount at 31 March 2010	25,386	871	224	1	0	**26,482**
Reclassification under IFRS at 1 April 2009	869	0	0	0	0	**869**
Revaluation during 2009/10	81	0	0	0	0	**81**
Additional depreciation on reclassified assets during 2009/10	(3)	0	0	0	0	**(3)**
IFRS balance sheet amount at 31 March 2010	**26,333**	**871**	**224**	**1**	**0**	**27,429**

Other	**Intangible £000**	**Investment properties £000**	**Surplus assets £000**
SORP balance sheet amount at 31 March 2010	297	16,674	0
Reclassification under IFRS at 1 April 2009	0	(869)	0
Revaluation during 2009/10		(81)	
Additional depreciation on reclassified assets during 2009/10	0	0	0
IFRS balance sheet amount at 31 March 2010	**297**	**15,724**	**0**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other land and buildings – 6 to 45 years
- Vehicles, plant, furniture and equipment – 1 to 21 years
- Infrastructure – 1 year.

Capital commitments

At 31 March 2011, the council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2011/12 and future years. The estimated cost of these commitments is £1.865 million. The commitments are:

- capital grants awarded - £872,000
- Didcot station forecourt - £812,000
- financial services contract - £33,000
- leisure centres refurbishment - £45,000
- town centre initiatives - £103,000.

Revaluations

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

All operational properties were revalued at 31 March 2011 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.

The investment portfolio with the exception of the mobile home parks was formally revalued as at 31 March 2010 by Cluttons (FRICS).

For the purposes of the 2008/09 accounts, the values for the investment properties and part of the operational property portfolio (notably car parks and council offices) were adjusted from their original valuations to reflect the reduction in value due to the prevailing economic uncertainties and its affect on the property market. IPD indices were used to estimate the level of impairment. For the purposes of the 2009/10 and 2010/11 accounts indices have again been used to reflect the recovery in values that has occurred, although where new formal valuations have been provided this is of course unnecessary.

Table 12d Revaluations property, plant and equipment

	Land & buildings £000	Vehicles, plant and equipment £000	Infrastructure & community assets £000	Total £000
Carried at historical cost	21,630	1,405	169	**23,204**
Valued at fair value as at:				
31 March 2008	2,565	(216)	158	**2,507**
31 March 2009	158	(166)	79	**71**
31 March 2010	1,818	(180)	(180)	**1,458**
31 March 2011	1,779	(188)	(66)	**1,525**
Total value	**27,950**	**655**	**160**	**28,765**

13. Investment properties

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the CIES:

Table 13a Investment property income and expense		
2009/10 £000		**2010/11 £000**
(867)	Rental income from investment property	(1,009)
85	Direct operating expenses arising from investment property	125
(782)	**(Surplus)/deficit**	**(884)**
(5,430)	Charges for capital expenditure and other adjustments	(542)
(6,212)	**Net gain / (loss)**	**(1,426)**

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

Table 13b Investment properties movement in fair value		
2009/10 £000		**2010/11 £000**
10,389	**Balance at 1 April**	**15,724**
	Additions:	
0	Purchases	0
0	Construction	0
0	Subsequent expenditure	12
(27)	Disposals	0
5,362	Net gains/losses from fair value adjustments	541
15,724	**Balance at 31 March**	**16,277**

The closing balance at 31 March 2009 under the SORP was £11.258 million. The balance at 1 April 2009 above under IFRS is after the reclassification of £0.869 million to property, plant and equipment, which is detailed in note 12c.

14. Intangible assets

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful life assigned to all the major software suites used by the council is three years

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £188,000 charged to revenue in 2010/11 was charged as an overhead to those services using the asset in the net expenditure of services.

There were no adjustments to the value of the council's intangible assets required under the transition to IFRS.

2009/10				2010/11		
Internally generated assets £000	**Other assets £000**	**Total £000**		**Internally generated assets £000**	**Other assets £000**	**Total £000**
			Balance at start of year:			
0	711	711	Gross carrying amounts	0	787	787
0	(186)	(186)	Accumulated amortisation	0	(490)	(490)
0	**525**	**525**	**Net carrying amount at start of year**	**0**	**297**	**297**
0	76	76	Purchases	0	116	116
0	(304)	(304)	Amortisation for the period	0	(188)	(188)
0	0	0	Other changes	0	0	0
0	**297**	**297**	**Net carrying amount at end of year**	**0**	**225**	**225**
			Comprising:			
0	787	787	Gross carrying amounts	0	903	903
0	(490)	(490)	Accumulated amortisation	0	(678)	(678)
0	**297**	**297**	**Net carrying amount at end of year**	**0**	**225**	**225**

15. Financial instruments

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments:

Table 15a Categories of financial instrument

	Long term		Current	
	31 March 2010 £000	**31 March 2011 £000**	**31 March 2010 £000**	**31 March 2011 £000**
Investments				
Loans and receivables (principal amount)	3,494	14,472	51,000	53,219
Cash equivalents*	0	0	22,973	14,485
Plus accrued interest	0	0	809	479
+/- other accounting adjustments	0	0	0	0
Loans and receivables at amortised cost (1)	**3,494**	**14,472**	**74,782**	**68,183**
Available-for- sale-financial assets	20,745	18,550	0	0
Financial assets at fair value through profit and loss	0	0	0	0
Total investments	**24,239**	**33,022**	**74,782**	**68,183**
Debtors				
Loans and receivables	0	0	0	0
Financial assets carried at contract amounts	2,601	2,071	5,646	5,552
Total debtors	**2,601**	**2,071**	**5,646**	**5,552**
Soft loans provided (3)	122	106	67	77
Borrowings				
Financial liabilities at amortised cost (2)	0	0	0	0
Financial liabilities at fair value through the I&E	0	0	0	0
Total borrowings	**0**	**0**	**0**	**0**
Other long term liabilities				
PFI and finance lease liabilities	0	0	0	0
Total other long term liabilities	**0**	**0**	**0**	**0**
Creditors				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities carried at contract amount	0	0	8,436	8,337
Total creditors	**0**	**0**	**8,436**	**8,337**
Soft loans received	0	0	0	0

* Cash equivalents exclude cash at bank and overdraft.

(1) Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs including accrued interest. Accrued interest is

shown separately in current assets/liabilities where payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

(2) Fair value has been measured by direct reference to published price quotations in an active market.

(3) The council has made a number of loans to voluntary organisations at less than market rates (soft loans). These are included within debtors and are detailed in table 15b below.

Table 15b Soft loans

Long term	**Current**		**Long term**	**Current**
31 March 2010 £000	**31 March 2010 £000**		**31 March 2011 £000**	**31 March 2011 £000**
16	25	Car and cycle loans to employee's	9	13
105	42	Loans to local residents for rent deposits	97	64
1	0	Others	0	0
122	**67**	**Total soft loans**	**106**	**77**

Financial instrument gains/losses

The gains and losses recognised in the income and expenditure account in relation to financial instruments are made up as follows;

Table 15c Financial instrument gains and losses 2010/11					
	Financial liabilities	**Financial assets**			
	Liabilities measured at amortised cost £000	**Loans and receivables £000**	**Available-for-sale assets £000**	**Fair value through the I & E £000**	**Total £000**
Interest expense Losses on derecognition Reduction in fair value Impairment losses	0 0 0 0	0 0 0 327	0 0 0 0	0 0 0 0	**0** **0** **0** **327**
Total expense in surplus or deficit on the provision of services	**0**	**327**	**0**	**0**	**327**
Interest income Increase in fair value Gains on derecognition	0 0	1,177 0	758 2,000	0 0	**1,935** **2,000**
Total income in surplus or deficit on the provision of services	**0**	**1,177**	**2,758**	**0**	**3,935**
Gains on revaluation Losses on revaluation Amounts recycled to the CIES after impairment	0 0 0	0 0 0	1,476 (108) 0	0 0 0	**1,476** **(108)** **0**
Surplus arising on revaluation of financial assets	**0**	**0**	**1,368**	**0**	**1,368**
Net gain/loss for the year	**0**	**1,504**	**4,126**	**0**	**5,630**

(1) Available for sale assets – the council holds corporate bonds to the value of £5.2 million. During the year one bond matured and the nominal value of £1 million was received. The council holds £13.3 million in unit trusts with Legal & General. In September £2 million was disposed of and the gain taken to the CIES.

Table 15d Financial instrument gains and losses 2009/10					
	Financial liabilities	**Financial assets**			
	Liabilities measured at amortised cost £000	**Loans and receivables £000**	**Available-for-sale assets £000**	**Fair value through the I & E £000**	**Total £000**
Interest expense	0	0	0	0	0
Losses on derecognition	0	0	0	0	0
Reduction in fair value	0	0	0	0	0
Impairment losses	0	605	0	0	605
Total expense in surplus or deficit on the provision of services	**0**	**605**	**0**	**0**	**605**
Interest income	0	2,077	829	0	2,906
Increase in fair value		0	0	0	0
Gains on derecognition	0	0	0	0	0
Total income in surplus or deficit on the provision of services	**0**	**2,077**	**829**	**0**	**2,906**
Gains on revaluation	0	0	5,248	0	5,248
Losses on revaluation	0	0	0	0	0
Amounts recycled to the CIES after impairment	0	0	0	0	0
Surplus arising on revaluation of financial assets	**0**	**0**	**5,248**	**0**	**5,248**
Net gain/loss for the year	**0**	**2,682**	**6,077**	**0**	**8,759**

Fair values of assets and liabilities

Financial liabilities and financial assets represented by loans and receivables, long-term debtors and creditors are carried in the balance sheet at amortised cost. (in long term assets / liabilities with accrued interest in current assets / liabilities). Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans receivable prevailing benchmark rates have been used to provide the fair value;
- Where an instrument will mature within the next 12 months, the fair value is taken to be the carrying amount;
- No early repayment or impairment is recognised;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Table 15e Fair values of assets and liabilities carried at amortised cost.				
31 March 2010			**31 March 2011**	
Carrying amount £000	**Fair value £000**		**Carrying amount £000**	**Fair value £000**
0	0	Total debt	0	0
5,646	5,646	Trade creditors	5,552	5,552
5,646	**5,646**	**Total financial liabilities**	**5,552**	**5,552**
51,000	51,000	Money market loans < 1 yr	53,219	53,219
3,494	3,494	Money market loans > 1yr	14,472	14,300
6,292	6,292	Bonds	5,031	5,031
8,436	8,436	Trade debtors	8,337	8,337
69,222	**69,222**	**Total loans and receivables**	**81,059**	**80,887**

The fair value of loans and receivables is lower than the carrying amount because the council's portfolio includes a number of fixed term deposits where the interest rate payable is higher than the prevailing rates at the balance sheet date.

The fair values for loans and receivables have been determined by reference to the Public Works Loans Board (PWLB) redemption rules which provide a good approximation for the fair value of a financial instrument and includes accrued interest.

The comparator market rates prevailing have been taken from indicative investment rates at the balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is likely to be immaterial.

Available for sale assets are carried in the balance sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

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.

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.

At 27 April 2010 the total amount to be received was estimated to be between 65 and 78% of the claim. The creditor progress report issued by the administrators Ernst & Young on 16 May 2011 now indicates that the estimated return to creditors to be in the range of 78 to 86p in the pound.

The current position on actual payments received and estimated future payments are shown below:

Table 15f Financial asset impairment - payments received	
Date received	**Amount £**
July 2009	526,254.66
09 December 2010	263,127.33
30 March 2010	131,563.66
28 July 2010	263,127.33
10 December 2010	210,501.86
Total received to date	**1,394,574.84**

In view of the latest information and dividend payments received to date, CIPFA Local Authority Accounting Panel bulletin 82 recommends that the following payment schedule is used to estimate the recoverable amount at 31 March 2011.
The schedule is based on a recovery of 82% of the claim, which is equivalent to £2,157,283.

Therefore, the council recognises an impairment based on a recovery of 82p in the pound up to January 2013.

The authority estimates it will receive payments based on the following schedule:

Table 15g Financial asset impairment – expected payments schedule				
Date	**%**	**Repayment**	**Discount Factor**	**Present Value**
May 2011	5%	£131,541.71	0.98940	£130,148
January 2012	8%	£210,466.74	0.94812	£199,548
January 2013	8%	£210,466.74	0.91829	£193,270
January 2014	8%	£210,466.74	0.88940	£187,190
Total recoverable amount				**£710,156**

The authority will recognise impairment at the balance sheet date (31 March 2011). The carrying amount of the deposit at the balance sheet date prior to any reassessment is:

	the balance at 31 March 2010
plus	interest credited to the I & E account in 2010/11
less	any repayments received during 2010/11

This is then compared with the recoverable amount to give the amount to be impaired. The recoverable amount is calculated on a discounted cashflow 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 revised recoverable amount is to be recognised as an impairment in the 2010/11 accounts and the carrying amount of the deposit is written down to the recoverable amount as follows:

Table 15h Financial asset impairment	
	£
Carrying amount b/fwd 31 March 2010	1,738,865
Plus interest credited to the I & E a/c in 2010/11	0
Less: repayments received in 2010/11	
28 July 2010 (£263,127)	
10 December 2010 (£210,502)	(473,629)
	1,265,236
Less: revised recoverable amount	710,156
Impairment	**555,080**

16. Inventories

The council's inventories are made up of consumable stores

2009/10 £000		2010/11 £000
12	**Balance outstanding at start of year**	**122**
2,566	Purchases	163
(2,456)	Recognised as an expense in the year	(220)
122	**Balance outstanding at year-end**	**65**

17. Debtors

Table 17a below shows the council's long term debt, whilst table 17b shows the short-term debt.

Table 17a Long-term debtors

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
0	0	Central government bodies	0
1,889	1,657	Other local authorities	1,158
797	944	Other entities and individuals	913
2,686	**2,601**	**Total long-term debt**	**2,071**

Table 17b Short-term debtors

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
2,828	2,504	Central government bodies	1,466
1,173	1,483	Other local authorities	2,292
1,093	1,659	Other entities and individuals	1,794
5,094	**5,646**	**Total short-term debt**	**5,552**

Table 17c below analyses the debtor figure of short-term debt figure of £5.552 million above by age of debt:

Table 17c Short term debtors aged debt analysis				
	Central Government bodies £000	Other local authorities £000	Other entities and individuals £000	Total £000
Less than three months	121	2,288	1,194	**3,603**
Three months to six months	0	0	226	**226**
Six months to one year	645	0	237	**882**
Over one year	700	4	137	**841**
Total	**1,466**	**2,292**	**1,794**	**5,552**

18. Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements:

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
2	2	Cash held by the council	2
4,820	18,256	Bank current and instant access deposit accounts	7,871
5,000	5,000	Bank short term deposit accounts	1,468
0	0	Money market funds	4,535
9,822	**23,258**	**Total cash and cash equivalents**	**13,876**

31 March 2009 £000	31 March 2010 £000	Reconciliation to SORP accounts
(33)	**281**	**Total of cash and cash equivalents under SORP**
9,855	22,977	Reclassification of short-term investments as cash and cash equivalents
9,822	**23,258**	**Total of cash and cash equivalents under IFRS**

19. Assets held for sale

At the balance sheet date, the council has no assets held for sale.

20. Short –term creditors

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
(287)	(241)	Central government bodies	(298)
(2,290)	(1,462)	Other local authorities	(2,824)
(5,594)	(6,733)	Other entities and individuals	(5,215)
(8,171)	**(8,436)**	**Total short-term creditors**	**(8,337)**

The total short-term creditors figure above represents the receipts in advance, creditors and post balance sheet event creditor lines shown under current liabilities in the SORP accounts.

21. Provisions

	Accumulated absences £000	Other provisions £000	Total £000
Balance at 1 April 2010	**224**	**15**	**239**
Additional provisions made in 2010/11	204	0	204
Amounts used in 2010/11	0	0	0
Unused amounts reversed in 2010/11	(224)	0	(224)
Unwinding of discounting in 2010/11	0	0	0
Balance at 31 March 2011	**204**	**15**	**219**

The accumulated absences provision is included within current liabilities, whilst the other provisions are included within long-term liabilities.

The council maintains a provision for the cost of accumulated absence through holiday leave or annualised hours entitlement owed to its staff as at 31 March 2011. This is a new requirement under IFRS – no such provision was required under the SORP. All other provisions are individually insignificant.

22. Usable reserves

Movements in the council's usable reserves are detailed in the movement in reserves statement and notes 7 and 8.

23. Unusable reserves

Table 23a Unusuable reserves

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
(4,428)	(4,638)	Revaluation reserve	(6,884)
4,730	(628)	Available for sale financial instruments reserve	739
(50,465)	(55,925)	Capital adjustment account	(54,486)
(109)	0	Financial instruments adjustment account	0
(2,749)	(2,479)	Deferred capital receipts reserve	(2,472)
29,500	48,166	Pensions reserve	18,296
(38)	(84)	Collection fund adjustment account	(148)
203	224	Accumulated absences account	205
(23,356)	**(15,365)**	**Total unusable reserves**	**(44,750)**

Adjustments to the unusable reserves required by the transition to IFRS are detailed in the notes below.

Revaluation reserve

The revaluation reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment (including intangible assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost

- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

Table 23b Revaluation reserve

2009/10 £000		2010/11 £000
(4,428)	**Balance at 1 April**	**(4,638)**
(325)	Upward revaluation of assets	(4,878)
0	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	2,467
0	Surplus or deficit on revaluation of non current assets not posted to the surplus or deficit on the provision of services	0
93	Difference between fair value depreciation and historical cost depreciation	99
0	Accumulated gains on assets sold or scrapped	0
22	Amount transferred to the capital adjustment account – disposal of asset in prior year	66
(4,638)	**Balance at 31 March**	**(6,884)**
	Reconciliation with SORP balance sheet at 31 March 2010	
(8)*	Investment property revaluation as at 31 March 2009 transferred to capital adjustment account.	
(1,220)	Investment property revaluations during 2009/10 transferred to capital adjustment account.	
(22)	Amount transferred to the capital adjustment account – disposal of asset in prior year	
(5,888)	**Revaluation reserve as per SORP balance sheet 31 March 2010**	

The closing balance under SORP accounts at 31 March 2009 was £4.436 million. It is adjusted by £0.008 million by the transaction marked * above to arrive at the opening balance at 1 April 2009 under IFRS of £4.428 million.

Available for sale financial instruments reserve

The available for sale financial instruments reserve contains the gains made by the council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

Table 23c Available for sale financial instruments reserve		
2009/10 £000		**2010/11 £000**
4,730	**Balance at 1 April**	**(628)**
(5,358)	Upward revaluation of investments	(701)
0	Downward revaluation of investments not charged to the surplus/deficit on the provision of services	68
0	Accumulated gains on assets sold and maturing assets written out to the CIES as part of other investment income	2,000
(628)	**Balance at 31 March**	**739**

Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

Table 23d Capital adjustment account		
2009/10 £000		**2010/11 £000**
(50,465)	**Balance at 1 April**	**(55,925)**
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
1,015	Charges for depreciation and impairment of non-current assets	814
(4,603)	Revaluation (gains) / losses on property, plant and equipment	458
303	Amortisation of intangible assets	188
6,759	Revenue expenditure funded from capital under statute	3,444
54	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES.	95
(22)	Adjusting amounts written out of the revaluation reserve	0
	Capital financing applied in the year:	
0	Use of the capital receipts reserve to finance new capital expenditure	(988)
(722)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(633)
(6,352)	Capital expenditure charged against earmarked reserves	(2,408)
(672)	Use of interest receipts to purchase financial instruments	(200)
(1,220)	Movements in the market value of investment properties debited or credited to the CIES	(542)
0	Other adjustments	1,211
(55,925)	**Balance at 31 March**	**(54,486)**
	Reconciliation with SORP balance sheet at 31 March 2010	
8*	Investment property revaluation as at 31 March 2009 transferred to capital adjustment account.	
184*	Deferred government grants transferred to capital adjustment account at 1 April 2009	
(3)	Additional depreciation charged on reclassified asset during 2009/10	
1,220	Investment property revaluations during 2009/10 transferred to capital adjustment account.	
22	Amount transferred to the capital adjustment account – disposal of asset in prior year	
(170)	Deferred government grants transferred to capital adjustment account at 1 31 March 2010	
(54,664)	**Capital adjustment account as per SORP balance sheet 31 March 2010**	

The closing balance under SORP accounts at 31 March 2009 was £50.273 million. It is adjusted by £0.192 million by the transaction marked * above to arrive at the opening balance at 1 April 2009 under IFRS of £50.465 million.

Financial instruments adjustment account

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. (E.g. The council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the CIES when they are incurred, but reversed out of the general fund balance to the account in the movement in reserves statement. Over time, the expense is posted back to the general fund balance in accordance with statutory arrangements for spreading the burden on council tax.)

Table 23e Financial instruments adjustment account		
2009/10 £000		**2010/11 £000**
(109)	**Balance at 1 April**	**0**
	Premiums incurred in the year and charged to the CIES	
109	Re-measurement of long term investments	0
0	Write out of potential loss on investment through the CIES	0
0	**Balance at 31 March**	**0**

Pensions reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Table 23f Pensions reserve		
2009/10 £000		**2010/11 £000**
29,500	**Balance at 1 April**	**48,166**
16,948	Actuarial gains or losses on pensions assets and liabilities	(23,024)
3,382	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the CIES.	(5,161)
(1,664)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,685)
48,166	**Balance at 31 March**	**18,296**

Deferred capital receipts reserve

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

Table 23g Deferred capital receipts reserve		
2009/10 £000		2010/11 £000
(2,749)	**Balance at 1 April**	**(2,479)**
(232)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES.	(17)
502	Transfer to the capital receipts reserve upon receipt of cash	24
0	Other adjustments	0
(2,479)	**Balance at 31 March**	**(2,472)**

Collection fund adjustment account

The collection fund adjustment account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the general fund from the collection fund.

Table 23h Collection fund adjustment account		
2009/10 £000		2010/11 £000
(38)	**Balance at 1 April**	**(84)**
(46)	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(64)
(84)	**Balance at 31 March**	**(148)**

Accumulated absences account

The accumulated absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account. This account is new under IFRS and did not feature in SORP accounts.

Table 23i Accumulated absences account		
2009/10 £000		2010/11 £000
203	**Balance at 1 April**	**224**
(203)	Settlement or cancellation of accrual made at the end of the preceding year	(224)
224	Amounts accrued at the end of the current year	205
21	**Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements**	**(19)**
224	**Balance at 31 March**	**205**

24. Cash flow statement

The cash flows for operating activities include the following items:

Table 24a Operating activities		
2009/10 £000		**2010/11 £000**
(2,234)	Net cash flows from operating activities	(4,466)
(4,091)	Interest received	(2,138)

Investing activities are shown in table 24b below.

Table 24b Investing activities		
2009/10 £000		**2010/11 £000**
400	Purchase of property, plant and equipment, investment property and intangible assets	585
155,260	Purchase of short-term and long-term investments	163,274
6,367	Other payments for investing activities	5,476
(163)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(658)
(1,429)	Capital grants	(1,538)
(169,708)	Proceeds from short-term and long-term investments	(153,379)
(1,951)	Other receipts from investing activities	(385)
(11,224)	**Net cash flows from investing activities**	**13,375**

Financing activities are shown in table 24c below

Table 24c Financing activities		
2009/10 £000		**2010/11 £000**
0	Cash receipts of short- and long-term borrowing	0
	Other receipts from financing activities:	
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
0	Repayments of short- and long-term borrowing	0
22	Other payments for financing activities	473
22	**Net cash flows from financing activities**	**473**

25. Amounts reported for resource allocation decision

The analysis of income and expenditure by service on the face of the CIES is that specified by the Service Reporting Code of Practice 2010/11. However, decisions about resource allocation are taken by the council on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the CIES);

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;

- Expenditure on some support services is budgeted for centrally and not charged to services.

The income and expenditure of the council's principal services recorded in the budget reports for the year is as follows:

Table 25a Income and expenditure of principal services in budget format

2009/10			Service group	2010/11		
Gross exp £000	Gross Inc £000	Net exp £000		Gross exp £000	Gross Inc £000	Net exp £000
1,453	(611)	841	Corporate management team	1,104	(1,025)	79
7,519	(3,762)	3,756	Commercial services	7,357	(3,755)	3,602
1,849	(297)	1,552	Corporate strategy	1,662	(385)	1,277
3,227	(1,918)	1,308	Economy, leisure & property	2,787	(2,415)	372
34,680	(32,757)	1,924	Finance	36,211	(33,368)	2,843
2,394	(384)	2,010	Health & housing	2,111	(532)	1,579
1,992	(77)	1,915	HR, IT and customer services	2,339	(493)	1,846
1,431	(641)	791	Legal & democratic	1,513	(761)	752
2,687	(711)	1,977	Planning	2,644	(1,050)	1,594
57,232	**(41,158)**	**16,074**	**Direct service expenditure (explanatory foreword page 8)**	**57,728**	**(43,784)**	**13,944**

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the CIES.

Table 25b Reconciliation to subjective analysis (single entity)		
2009/10 Service analysis £000		**2010/11 Service analysis £000**
(41,158)	Fees, charges and other service income	(43,784)
1,530	Allocation of recharges	1,838
164	Other service income	187
(196)	Income from sale of housing to SOHA	(439)
(2,906)	Interest and investment income	(1,935)
(10,541)	Income from council tax	(10,715)
(1,038)	Applicable capital receipts	(1,900)
0	Other contributions	(61)
0	Gain or loss on disposal of investments	(2,070)
(7,939)	Government grants and contributions	(7,893)
(62,084)	**Total income**	**(66,772)**
57,232	Service expenditure	57,728
(1,530)	Support service recharges	(1,838)
(86)	Other service expenses	10
892	IFRS adjustment to move capital grants from services	0
(313)	Revaluation of housing loans in year	(17)
21	Movement in provision for accumulated absences	(20)
542	Depreciation, amortisation and impairment	4,166
3,609	Precepts and levies	3,732
1,719	Pensions adjustments required under IAS 19	(6,846)
37	Payments to housing capital receipts pool	18
(3)	Gain or loss on disposal of fixed assets	(208)
62,120	**Total operating expenses**	**56,725**
36	**(Surplus) / deficit on the provision of services**	**(10,047)**

26. Agency services

The council undertook work for Vale of White Horse District Council in respect of provision of accountancy, payroll and management services. The value of this work undertaken this year was £1,052,000 (£1,131,000 in 2009/10).

The council also provides payroll services for Abingdon Town Council at cost of: £5,049 and car park cash collection for Henley Town Council at a cost of £2,027. (£4,230 and £3,630 respectively for 2009/10).

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27. Members' allowances

The council paid the following amounts to members of the council during the year.

2009/10 £000		**2010/11 £000**
138	Basic allowance	137
72	Special responsibility allowance	66
210	**Total**	**203**

28. Officers' remuneration

A senior employee is one who earns a salary in excess of £150,000 (there are none of these in the council), or holds a designated position (with a salary in excess of £50,000) – these are detailed in the table below:

Table 28a Senior officers emoluments

Post title	Financial year	Salary (including fees & allowances) £	Expenses £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration including pension contributions £
Head of paid service	2010/11	129,092	1,115	130,207	21,300	151,507
	2009/10	129,092	413	129,505	21,300	150,805
Chief finance officer (section 151 officer)	2010/11	98,544	624	99,168	24,045	123,213
	2009/10	97,734	0	97,734	24,045	121,779
Monitoring officer	2010/11	79,623	78	79,701	13,138	92,839
	2009/10	79,623	55	79,678	13,138	92,816

In addition to these appointments the council also has two other strategic directors and seven other heads of service. The spot point pay level for strategic directors and heads of service is as follows:

Table 28b Spot pay point – strategic director and heads of service

2009/10 £		2010/11 £
98,544	Strategic directors	98,544
73,824	Heads of service	73,824

In 2010/11, these twelve posts were shared on a 50:50 basis with Vale of White Horse District Council; therefore the council only incurred 50% of the costs shown above. One head of service resigned with effect from 31 December 2010 and his post was not filled pending further re-organisation of services.

The council is also obliged to disclose the numbers of other employees that were paid a salary in excess of £50,000 (these numbers do not include the senior officers detailed above).

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Table 28c Employee remuneration over £50,000			
Remuneration band £	**Number of employees**		
	2009/10	**2010/11**	
	Total	**Shared with VOWHDC**	**SODC only**
50,000 - 54,999	9	4	0
55,000 - 59,999	1	1	3
60,000 - 64,999	0	0	0
65,000 - 69,999	0	0	0
70,000 - 74,999	4	0	0
75,000 - 79,999	2	0	0
150,000 - 154,999	1	0	0

Note: it is considered that there is no requirement to disclose Acting Returning Officer (ARO) payments for the general election held in May 2010, for the following reasons:

- No employee of the council is required as part of their job description to carry out the duties of an ARO;
- No direct payment has been made by the council to an officer of the council (or anyone else for that matter) for their work as an ARO, other than as part of their salary which is already disclosed in full;
- Anyone involved in the parliamentary election had any additional remuneration met in full by central government;
- To include the ARO remuneration in a statement of accounts for the council, when that remuneration was not paid for by the council, would be incorrect.

29. External audit costs

The council has incurred the following costs in relation to the audit of the statement of accounts, certification of grant claims and statutory inspections and to non-audit services provided by the council's external auditors.

2009/10 £000		2010/11 £000
114	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	103
0	Fees payable to the Audit Commission in respect of statutory inspections	0
46	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	47
0	Fees payable in respect of other services provided by the Audit Commission during the year	0
160	**Total**	**150**

30. Grant income

The council credited the following grants, contributions and donations to the CIES in 2010/11.

2009/10 £000		2010/11 £000
	Credited to taxation and non specific grant income	
1,466	Revenue support grant	996
6,352	Re-distributed national non domestic rate income	6,861
23	Area based grant	37
9	Housing planning delivery grant	0
89	Local council business growth delivery grant	0
563	Disabled facilities grant	484
0	Flood alleviation grant	145
0	Growth point grant	906
169	E-government	0
0	Riverside moorings	38
106	Play area provision	3
25	Planning delivery grant	0
8,802	**Total**	**9,470**
	Credited to services	
29,864	Housing benefit - subsidy	31,385
679	Housing benefit - admin	648
213	NNDR collection allowance	201
0	Affordable housing	12
82	Homelessness prevention/rent deposit guarantee	156
48	Partnerships and community safety	85
0	Waste	47
324	Concessionary travel grant	177
21	Planning delivery grant	0
0	Habitats	51
0	Growth point CLG	531
56	Leader	62
94	Improving grant subsidy	6
36	Other	41
31,417	**Total**	**33,402**

The council has received no individually material grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or properties to be returned to the giver.

31. Related parties

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

Related parties include:

Central government. Central government has effective control over the general operations of the council – it is responsible for providing the statutory framework, within which the council operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Details of transactions with Government departments are set out in a note to the cash flow statement.

Precepts. Precept transactions in relation to Oxfordshire County Council, Thames Valley Police Authority and the various town and parish councils, are shown within a note to the collection fund.

Other local authorities. Payments to or from other local authorities are detailed in note 26.

Members of the council. Members have direct control over the council's financial and operating policies. During the year no members have undertaken any declarable, material transactions with the council. Details of any transactions would be recorded in the register of members' Interests, open to public inspection at the council's offices. This is in addition to a specific declaration obtained from all councillors in respect of related party transactions. Members have declared an interest in one of the following organisations:

- Oxfordshire Rural Community Council
- Sustainable Wallingford
- Total Pest Control (UK) ltd

In addition, one member has declared that they have received an equity loan for first-time buyers from Catalyst, under the council's equity loan scheme.

As at publication five elected members had yet to return their declarations:

- Councillor John Cotton
- Councillor Lyndon Elias *
- Councillor Lorraine Hillier
- Councillor Robin Pierce
- Councillor Pamela Tomlinson *

Councillors marked * resigned in November 2010. A check of previous year's declarations showed that previously these councillors had not declared any related party transactions.

Members represent the council on various organisations. Appointments are reviewed annually, unless a specific termination date for the term of office applies. None of these appointments places the member in a position to exert undue influence or control.

Officers of the council. 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 2010/11 nothing was declared.

Other organisations. The council awards grants to support a number of voluntary or charitable bodies and individuals. It does not attempt to exert control through this.

32. Capital expenditure and capital financing

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

2009/10 £000		2010/11 £000
(21,050)	**Opening capital financing requirement**	**(21,050)**
	Capital investment:	
239	Property, plant and equipment	457
0	Investment properties	12
76	Intangible assets	116
6,759	Revenue expenditure funding from capital under statute	3,444
	Sources of finance	
0	Capital receipts	(988)
(722)	Government grants and other contributions	(633)
(6,352)	Sums set aside from revenue	(2,408)
(21,050)	**Closing capital financing requirement**	**(21,050)**
0	**Increase/(decrease) in capital financing requirement**	**0**

33. Leases

Council as lessee

Finance leases – the council has no finance leases.

Operating leases – the council uses operating leases on a limited basis for the following equipment:

- water coolers
- franking machines
- printers / photocopiers.

The future minimum lease payments due under non-cancellable leases in future years are:

Table 33a Minimum lease payments		
31 March 2010 £000		**31 March 2011 £000**
24	Not later than one year	65
10	Later than one year and not later than five years	185
0	Later than five years	0

The expenditure charged to the economy, leisure and property service, and to human resources, information technology and customer services in the CIES during the year in relation to these leases was:

Table 33b Expenditure charged to CIES		
2009/10 £000		**2010/11 £000**
5	Minimum lease payments	14
0	Contingent rents	0
5	**Total**	**14**

Council as lessor

Finance leases – the council has no property or equipment leased out under finance leases as at 31 March 2011.

Operating leases – the council leases out property and equipment under operating leases for the following purposes:

- for economic development purposes to provide suitable affordable accommodation for local business, and
- for the provision of community services, such as sports facilities and community centres.

The future minimum lease payments receivable under non-cancellable leases in future years are:

Table 33c Future minimum lease payments receivable		
31 March 2010 £000		**31 March 2011 £000**
1,083	Not later than one year	1,124
5,212	Later than one year and not later than five years	4,088
54,116	Later than five years	54,116

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £63,964 contingent rents were receivable by the council (2009/10 £18,677).

34. Capitalisation of borrowing costs

The council has not capitalised borrowing costs during 2010/11.

35. Termination benefits

The council terminated the contracts of 15 employees in 2010/11 incurring liabilities of £338,507 (£184,153. in 2009/10). This sum was in the form of compensation for loss of office and enhanced pension benefits as a part of the council's continuing programme of shared services with Vale of White Horse District Council.

36. Pensions schemes accounted for as defined contribution schemes

The council has no staff employed in defined contribution schemes.

37. Defined benefit pension schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Oxfordshire County Council Pension Fund (the fund) – this is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets;

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they fall due.

Transactions relating to retirement benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against council tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the general fund via the movement in reserves statement. The following transactions have been made in the CIES and the general fund balance via the movement in reserves statement during the year:

Table 37a Transactions relating to retirement benefits		
2009/10 £000		**2010/11 £000**
	CIES	
	Cost of services:	
785	Current service cost	1,719
0	Past service cost	(7,973)
255	Settlements and curtailments	206
	Financing and investment income and expenditure	
4,894	Interest cost	4,912
(2,551)	Expected return on assets in the scheme	(4,025)
3,383	**Total post employment benefit charged to the surplus or deficit on the provision of services**	**(5,161)**
	Other post employment benefit charged to the surplus or deficit on the provision of services	
16,948	Actuarial (gain)/loss	(23,024)
20,331	**Total post employment benefit charges to the CIES**	**(28,185)**
	Movement in reserves statement	
(3,383)	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the code	5,161
	Actual amount charged against the general fund balance for pensions in the year:	
1,664	Employers' contributions payable to scheme	1,685

The cumulative amount of actuarial gains and losses recognised in the CIES to the 31 March 2011 is a loss of £7.704 million.

Assets and liabilities in relation to post-employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Table 37b Scheme liabilities				
Funded liabilities	**Unfunded liabilities**		**Funded liabilities**	**Unfunded liabilities**
2009/10 £000	**2009/10 £000**		**2010/11 £000**	**2010/11 £000**
(70,330)	**(3,550)**	**Balance at 1 April**	**(103,525)**	**(4,144)**
(785)	0	Current service cost	(1,719)	0
(4,056)	(838)	Interest cost	(4,691)	(221)
(526)	0	Contributions by scheme participants	(501)	0
(30,340)	0	Actuarial (gain)/loss	20,549	711
2,767	244	Benefits paid	4,058	242
0	0	Past service cost	7,754	219
(255)	0	Curtailments	(206)	0
(103,525)	**(4,144)**	**Balance 31 March**	**(78,281)**	**(3,193)**

Reconciliation of fair value of the scheme assets:

Table 37c Scheme assets		
2009/10 £000		**2010/11 £000**
44,380	**Balance at 1 April**	**59,503**
2,551	Expected rate of return	4,025
13,393	Actuarial gains/losses	1,764
1.664	Employer contributions	1,443
526	Contributions by scheme participants	501
(3,011)	Benefits paid	(4,058)
59,503	**Balance at 31 March**	**63,178**

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2010 for the year to 31 March 2011). The returns on gilts and other bonds are based on the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The returns on equities and property are then based on a margin above gilt yields.

The actual return on scheme assets in the year was £4.970 million (2009/10 £15.944m).

Scheme history

Table 37d Scheme history					
	2006/07 £000	**2007/08 £000**	**2008/09 £000**	**2009/10 £000**	**2010/11 £000**
Present value of liabilities Local government pension scheme	(74,520)	(68,640)	(70,330)	(103,525)	(78,281)
Discretionary benefits		(3,640)	(3,550)	(4,144)	(3,193)
Fair value of assets in the Local government pension scheme	60,680	54,720	44,380	59,503	63,178
Surplus/(deficit) in the scheme	**(13,840)**	**(17,560)**	**(29,500)**	**(48,166)**	**(18,296)**

The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total liability of £18.296 million has a substantial impact on the net worth of the council as recorded in the balance sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 are £1.241 million.

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, etc. The latest actuarial valuation of South Oxfordshire District Council's liabilities took place as at 31 March 2010. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the fund were:

Table 37e Principal actuarial assumptions

2009/10		2010/11
	Long-term expected rate of return on assets in the scheme: (see note below)	
7.5%	Equity investments	7.4%
6.5%	Property	6.4%
4.5%	Government bonds	4.4%
5.5%	Corporate bonds	5.5%
0.0%	Alternative Assets	7.4%
3.0%	Cash/other	3.0%
6.8%	**Total**	**6.8%**
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
23.1yrs	• Men	21.5yrs
25.0yrs	• Women	24.1yrs
	Longevity at 65 for future pensioners:	
25.4yrs	• Men	23.4yrs
27.3yrs	• Women	25.9yrs
	Other assumptions	
3.9%	Inflation - RPI	3.5%
na	Inflation - CPI	2.7%
5.4%	Rate of general increase in salaries	5.0%
3.9%	Rate of increase to pensions	2.7%
5.5%	Discount rate	5.5%

The discretionary benefits arrangements have no assets to cover its liabilities. The local government pension scheme's assets consist of the following categories, by proportion of the total assets held:

Table 37f Breakdown of scheme assets

2009/10 %	Scheme assets by category	2010/11 %
73.0	Equities	72.0
5.0	Property	6.0
12.0	Government bonds	9.0
6.0	Corporate bonds	5.0
0.0	Alternative assets	5.0
4.0	Cash/other	3.0
100		**100**

History of experience gains and losses

The actuarial gains identified as movements on the pensions reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

Table 37g History of experience gains and losses

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Difference between the expected and actual return on assets	0.6	(16.0)	(41.3)	22.5	1.5
Experience gains/(losses) on liabilities	0	(0.2)	(0.5)	0	8.18

38. Contingent liabilities

At 31 March 2011, the council had the following contingent liabilities:

- A compensation claim arising from the development of Didcot town centre may result in the council paying £25,000. A budget has been set aside to cover the claim;

- Compensation claims for injury and or damage. The majority of claims for compensation are individually immaterial. They relate to personal injuries sustained where the Authority is alleged to be at fault (eg through a failure to repair a pavement properly). Provision has not been made for such claims as the authority’s liability is limited to the individual excess on the policy, which in most cases is £2,500. Until claims are settled by the authority's insurers, the cost of the excess cannot be recognised;

- The council have agreed a payment and performance mechanism with the financial services contractor that would compensate the council should performance targets for council tax , business rates and benefits administration fall below specified standards. Similarly, should performance exceed specified standards then the council would be liable to pay the contractor a performance related bonus;

  Performance for 2010/11 has yet to be finalised. Based on provisional data the contractor would be entitled to receive a performance bonus in respect of council tax collection and benefits processing of around £20,000. However, performance against other benefits indicators is subject to audit, the outcome of which may result in a change in the payment situation. Provision has not been made for these items as the amount cannot be reliably estimated at this time.

39. Contingent assets

At 31 March 2011, the council had the following contingent assets

Under the terms of sale agreed for the sports ground at Bishopwood further development of the site will result in further sums totalling £40,000 to be paid to the council. The timing of payments is subject to third party funding of the development.

Under the terms of sale of a site in Wallingford, a sum of approximately £70,000 will be payable to the council upon completion of the development.

40. Nature and extent of risks arising from financial instruments

The council's activities expose it to a variety of risks. The main risks 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 rates and stock market movements.

The council's overall risk management procedures focus on the unpredictability of financial markets, and seek to minimise potential adverse effects on the resources available to fund services.

The central treasury team carry out the procedure for risk management which are set out in the approved policies which cover specific areas such as interest rate risk, credit risk and the investment of surplus cash.

The procedures are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the council to comply with the CIPFA prudential code, the CIPFA code of practice on treasury management in the public services and investment guidance issued through the Act.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the council's customers.

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's and Standard & Poors credit ratings services. The Annual Investment Strategy also sets out the maximum amounts and time limits to be invested with a financial institution within each category.

The credit criteria in respect of financial assets held by the authority are as detailed as follows:

Table 40a Credit criteria							
Financial asset category	**Criteria**	**Short term**	**Long term**	**Support**	**Maximum investment**	**Maximum limit per counterparty £m**	**Maturity limit**
Deposits with banks	Short term	F1	A	3	80% of portfolio	15	1 year
	Long term	F1	A	3	20% of portfolio	15	2 year
	Long term	F1	A+	2	20% of portfolio	15	3 year
	Long term	F1	AA-	2	20% of portfolio	15	4 year
	Long term	F1	AA+	1	50% of portfolio	15	5 year
	Active in sterling markets						
	Sovereign Guarantee AAA						Term of guarantee
Deposits with building societies	Short term	F1+			20% of portfolio	15	1 year
	Long term	A					
	Minimum total assets			£500m	20% of portfolio	15	6 months
	Minimum total assets			£1bn	20% of portfolio	10	9 months
	Sovereign guarantee UK only 'Eligible Institution'						6 months
Deposits with money market funds	AAA				£10m	5	n/a
UK government gilts					15m	15	10 year
UK local authority deposit	n/a						5 year
UK equities					£10m		No limit

The full annual investment strategy for 2010/11 was approved by full council on 19 February 2010 and is available on the council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The councils maximum exposure to credit risk in relation to its investments in banks and building societies of £100 million cannot be assessed generally as the risk of any institution failing to repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the councils' deposits but there was no evidence at 31 March 2011 that this was likely to crystallise.

The following analysis summarise the councils potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect market conditions.

Table 40b Potential exposure – credit risk				
	Amount at 31 March 2011 **£000**	**Historical experience of default** **%**	**Adjustment for market** **%**	**Estimated maximum exposure** **£000**
Bonds rated				
AAA rated counterparties		0.00%	0.00%	
AA rated counterparties – (1 year)	804	0.06%	0.00%	0
AA rated counterparties – (2-3 year)	2,302	0.07%	0.00%	2
AA rated counterparties – (4-6 year)	2,121	0.00%	0.00%	0
Customers*		0.00%	0.00	0
	5,227			**2**

*Excluding statutory debtors – council tax/NNDR.

The table above excludes the deposit made with Kaupthing Singer and Friedlander, as this deposit is already in default.

The credit limits were not exceeded during the reporting period and the council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds, except the deposit made with Kaupthing Singer and Friedlander, which is reported in detail in note 15.

The council does not generally allow credit for its customers. A provision is made for bad debt based on the debtors information at the year end. The past due amount is analysed in table 17c. During the reporting period the council held no collateral as security.

Liquidity risk

The council manages its liquidity position through the risk management procedures set out in the treasury management strategy, as well as comprehensive cash management system that seeks to ensure that cash is available as needed.

If unexpected movements happen, the council is able to access borrowing from the money markets and the Public Works Loans Board.

The council is required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Therefore there is no significant risk that the council will be unable to raise finance to meet its commitments under financial instruments.

The council has no debt and therefore is not exposed to refinancing risk of loans at this time. All trade and other payables are due to be paid in less than one year.

Refinancing and maturity risk

The council maintains a significant investment portfolio. There is a longer – term risk to the council which relates to managing the exposure to replacing financial instruments as they mature.

The approved treasury indicator limits placed on investments for over one year in duration are used to manage this risk. The council approved treasury and investment strategies address the main risks and the central treasury team manage the operational risks within the approved limits. This includes:

- 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 in relation to longer term cash flow needs.

The council has no longer term financial liabilities. The maturity analysis of financial assets, excluding sums due from customers is as follows:

Table 40c Refinancing & maturity risk

31 March 2010 £000		**31 March 2011 £000**
74,966	Less than one year	68,289
0	Between one and two years	9,000
2,500	Between two and three years	7,302
0	More than three years	15,444
77,466	**Total**	**100,035**

Note: the 2009/10 comparators exclude available for sale financial instruments.

Market risk

a) Interest rate risk

The council is exposed to some risk in terms of its exposure 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. A rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise

- investments at fixed rates – the fair value of the assets will fall.

Changes in interest receivable on variable rate investments will be posted to the surplus or deficit on the provision of services and affect the general fund balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other CIES.

The council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together council's prudential and treasury indicators and its expected treasury operations, including forecast interest rate movements.

According to this assessment strategy, at 31 March 2011, if interest rates had been one per cent higher with all other variables held constant, the financial effect would be:

Table 40d Interest rate risk		
2009/10 £000		**2010/11 £000**
0	Increase in interest payable on variable rate borrowings	0
17	Increase in interest receivable on variable rate investments	14
0	Increase in government grant receivable for financing costs	0
17	**Impact on surplus or deficit on the provisions of services**	**14**
170	Decrease in fair value of fixed rate investment assets Impact on other CIES	99
170	**Impact on Other Comprehensive Income & Expenditure**	**99**
0	Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or deficit on the provision of services or other CIES.	0

The impact of a one per cent fall in interest rates would be as above but with the movements being reversed.

b) Price risk

The council, excluding the pension fund, holds an investment in equity shares to the value of £13.3 million. Whilst this investment holding is generally liquid, the council is exposed to losses and gains arising from the movement in prices of the unit trusts.

The shares are classified as available-for-sale financial assets. This means that all movements in price will impact on gains and losses recognised in the Available for Sale Reserve.

A movement of five per cent in the price of shares (positive or negative) would result in a £665,000 gain or loss being recognised in the Available for Sale Reserve.

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

c) 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.

Collection fund account

2009/10 £000		2010/11 £000	Notes
	Income		
(76,282)	Council tax	(78,700)	
(40,286)	Income collectable from business ratepayers	(39,634)	
(5,633)	Transfers from general fund – council tax benefits	(5,908)	
	Expenditure		
80,913	Precepts and demands	83,137	*2*
	Business ratepayers:		
40,089	Payment to national pool	39,442	
197	Collection costs allowance	192	
622	Contributions towards previous year's estimated collection fund surplus	748	*2*
159	Provision for bad and doubtful debts	214	
(222)	**Deficit/(surplus) for year**	**(509)**	
(432)	Balance b/f	(654)	
(222)	Deficit/(surplus) for year	(509)	
(654)	**Collection fund deficit/(surplus)**	**(1,163)**	*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 2010		98,335,252
NNDR rateable value as at 31 March 2011		109,326,419
National multipliers:	**2009/10**	**2010/11**
Small business non-domestic rating multiplier	48.1p	40.7p
Non-domestic rating multiplier	48.5p	41.4p

2. Precepts and demands

2009/10				**2010/11**		
Precept £000	**Share of estimated surplus £000**	**Total £000**		**Precept £000**	**Share of estimated surplus £000**	**Total £000**
62,179	478	62,657	Oxfordshire County Council	64,071	575	64,646
8,319	64	8,383	Thames Valley Police Authority	8,510	77	8,587
			South Oxfordshire District Council:			
6,805	80	6,885	District council requirement	6,824	96	6,920
3,609	0	3,609	Parish precepts	3,732	0	3,732
10,414	80	10,495		10,556	96	10,652
80,913	**622**	**81,535**		**83,137**	**748**	**83,885**

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 properties shown in the table below reflects the various discounts and exemptions allowed and a weighting is applied to calculate the equivalent band D dwellings. The tax base calculation is shown overleaf:

Band	Number of properties	Band multiplier	Band D equivalent
A	1,791	6/9	1,194
B	4,123	7/9	3,207
C	12,797	8/9	11,375
D	11,646	9/9	11,646
E	8,542	11/9	10,441
F	5,420	13/9	7,829
G	5,144	15/9	8,574
H	717	18/9	1,433
	50,180		**55,699**
Class O*			567
Sub total			**56,266**
Assumed losses on collection			(1,114)
Council tax base			**55,152**

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. For Oxfordshire County Council and Thames Valley Police Authority the following amounts are included within the debtors/creditors in respect of the share of the deficit/(surplus) due to the them. For the council, in 2008/09 the share was included in the balance sheet as balances – collection fund. For 2009/10, this is shown instead in the collection fund adjustment account.

2009/10 £000		2010/11 £000
(503)	Oxfordshire County Council	(896)
(67)	Thames Valley Police Authority	(119)
(84)	South Oxfordshire District Council	(148)
(654)	**Debtor/(creditor)**	**(1,163)**

Glossary of terms

Accounting policies – those principles, bases, conventions rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- recognising
- selecting measurement bases for, and
- presenting.

assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in the financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

(BV)ACOP – (Best Value) Accounting Code of Practice.

Accrual – a fundamental 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 arises 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 asset (tangible or intangible) 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 – the creation or purchase of an item/building that has a monetary value. Those assets of the council which are readily marketable are valued at market value. Those which have a specialised use, such as leisure centres, are valued at depreciated replacement cost, which assesses the cost of providing a similar facility as a replacement but also allows a discount for the age of the asset. Plant, equipment and community assets are valued at historic cost.

Balance sheet – the balance sheet is a statement of the assets and liabilities at the end of the accounting period. It is a "snapshot" of the accounts at a single point in time.

Capital expenditure – expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital financing – assembling the money to pay for capital expenditure. The majority of the resources necessary to finance this council's capital programme is capital receipts. Other significant sources are government grants and contributions from developers. Also available are revenue monies and borrowing. The council does not currently borrow to finance capital expenditure.

Capital receipts – proceeds from the sale of an asset, e.g. land, buildings, equipment, vehicles.

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.

Central support services – the costs of providing those central functions which are concerned with the whole range of services and undertakings of the council and are not in the main identifiable with any particular service, e.g. the cost of office accommodation.

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.

Community assets – assets that the council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Consistency – the principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingent asset – a contingent asset is a potential 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 council's control.

Contingent liability – a contingent liability is either:

- 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

- a present obligation arising from past events where it is not possible to measure the amount of obligation with sufficient reliability.

Council tax – a charge levied by all councils on domestic property values to contribute to the cost of providing local services. Council tax for the County Council, the Police Authority and local parishes is collected by this council and paid over to them throughout the year.

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

Current asset – an asset where the value changes on a frequent 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 (pensions) – 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 – an amount due to the council within the accounting period but not received by the end of the financial year.

Debt redemption – the repayment of loans raised to finance capital expenditure.

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.

Defined contribution pension scheme – a pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation – the measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through either changes in technology, legislation or demand for goods and service produced by the asset.

Direct revenue financing – the financing of capital expenditure from the current year's revenue account.

Events after the balance sheet date – events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date (normally 31 March) and the date when the statement of accounts is authorised for issue – also referred to as **Post Balance Sheet Events (PBSE)**. These may be classed as 'adjusting' or 'non-adjusting'.

Exceptional items – material items which derive from events of transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give a true and fair presentation of the accounts.

Extraordinary items – material items, possessing a high degree of abnormality, which derive from events of transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

Fair value – the fair value of an asset is the price at which it could be exchanged in am arms-length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance lease – this is a lease, usually of land or buildings, which is treated as capital borrowing and for which transfers substantially all of the risks and rewards of ownership of the asset to the lessee; or where the residual interest in the asset transfers to the lessee on completion of the lease term.

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.

Financial Reporting Standard (FRS) – accounting practice recommended by the Accounting Standards Board (ASB) for adoption in the preparation of accounts by applicable bodies (see also SSAP).

Fixed asset – fixed assets are assets of the council that continue to have value and benefit for a period longer than one financial year.

FRS 17 – Financial Reporting Standard 17 is the prior accounting standard under which the council used to account for assets and liabilities which are held in the pension fund administered by Oxfordshire County Council but relating to this authority, in the accounts of this authority. See also **IAS 19**.

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.

Going concern – the concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

Housing Revenue Account (HRA) – the main revenue account dealing with a council's housing activities with its tenants. This council's HRA was closed on 31 March 1995 after its housing stock had been disposed of.

IAS 19 – International Accounting Standard 19 requires the council to account for assets and liabilities which are in held the pension fund administered by Oxfordshire County Council but relating to this authority, in the accounts of this authority.

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

Impairment – an unexpected or sudden decline in the value of a fixed asset, such as property or vehicle, below its carrying amount on the balance sheet.

Intangible fixed assets – some capital expenditure does not give rise to a physical asset but the benefits last a number of years. These can be carried in the balance sheet as assets and written off over their useful life. An example is computer software.

International Accounting Standards (IAS) – the accounting standards under which these accounts are compiled.

International Financial Reporting Standards (IFRS) – the reporting standards under which these accounts are compiled.

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

Liquid resources – current asset investments that are readily disposable without disrupting the authority's business and are readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.

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.

Net Book Value (NBV) – the amount at which fixed assets are included in the balance sheet; ie: their historical cost or current value less the cumulative amounts provided for depreciation.

Net current replacement cost – the cost of replacing or recreating the particular asset in its existing condition and in its existing use.

Net debt – the authority's borrowings less cash and liquid resources. Where the cash and liquid resources exceed borrowings, reference should be to **Net Funds** rather than net debt.

Net realisable value – the open market value of an asset in its existing use, less the expenses to be incurred in realising the asset.

Non-operational assets – fixed assets held by the authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include investment properties and assets that are surplus to requirements, pending their sale.

Operating lease – this is a lease where ownership of the fixed asset remains with the lessor – generally any lease other than a finance lease.

Operational assets – fixed assets held and occupied, use or consumed by the authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

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**.**

Post Balance Sheet Events (PBSE) – see events after the balance sheet date

Precept – the levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf. Precepts are paid from the Collection Fund.

Prior period adjustment – those material adjustments applicable to prior years arising from changes in accounting policies or form the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Remuneration – all sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than cash. Pension contributions payable by the employer are excluded.

Revenue Expenditure Funded from Capital Under Statute (REFCUS) – (formerly known as a deferred charge) arises where:

- 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; and

- 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.

Since there are no long-term economic benefits in the control of the council, these are written off to revenue (CIES) in the year incurred and no longer feature as assets in the balance sheet.

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.

Statement of Standard Accounting Practice (SSAP) – SSAPs were introduced to ensure that all statements of accounts are compiled on the same or similar basis.

Statement of Recommended Practice (SORP) – the CIPFA Code of Practice for Local Authority accounting developed as part of the accounting standards to be followed in compiling this statement of accounts.

Trading account – a method of matching income and expenditure for a particular activity or group of activities. An example of this is building control.

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.

Useful life – the period over which the authority will derive benefits from the use of a fixed asset.

Annual governance statement

The annual governance statement forms part of the audited accounts and can be found by accessing the link below:

TO FOLLOW

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