Statement of accounts

2012/13

Explanatory foreword to the 2012/13 statement of accounts

Introduction

This explanatory foreword provides a commentary on the council's financial performance during 2012/13. It is a guide to the most significant matters reported in the accounts, an explanation in overall terms of the council's financial position at the end of the financial year and a commentary on the council's future prospects. This foreword does not form part of the financial statements. Whilst this foreword may refer to the policies and strategies of the council, its purpose is not to comment on them.

To assist the reader, a glossary of financial terms is provided on pages 80-86.

The council's accounts

The council's Statement of Accounts (SoA) shows the financial results of the council's activities for the year ended 31 March 2013, and summarises the overall financial position of the council as at 31 March 2013. It is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice on local authority accounting in the United Kingdom ("the code"). The accounts have been compiled under International Financial Reporting Standards (IFRS).

In addition, the Annual Governance Statement sets out the purpose and nature of the council's governance framework. It also provides a review of the effectiveness of the governance framework, and highlights any significant governance issues. This statement is published as a separate document and is available on the council's website.

Financial performance 2012/13

The paragraphs below show the council's financial performance for 2012/13 in the following areas:

- revenue expenditure;
- capital expenditure;
- treasury management activities.

It also discusses the council's Comprehensive Income and Expenditure Statement (CIES) for the year and its balance sheet at the end of the year.

Revenue outturn 2012/13

The council's net revenue budget requirement for 2012/13, including parish precepts, was £16.3 million, after accounting for the use of reserves and investment income. Net revenue spend for the year was £3.0 million below budget as shown in the table below, analysed across the council's service areas.

Service expenditure	Budget £000	Actual £000	Variance £000
Corporate management team	595	103	(492)
Corporate strategy	5,364	4,711	(653)
Economy leisure and property	(16)	(405)	(389)
Finance	2,591	2,261	(330)
Housing and health	1,671	1,276	(395)
HR,IT and customer services	1,654	1,536	(118)
Legal and democratic services	833	572	(261)
Planning	1,689	1,661	(28)
Central contingency	323	0	(323)
Direct service expenditure	**14,704**	**11,715**	**(2,989)**
Charges to capital	(20)	0	20
Interest	(1,540)	(1,540)	0
Transfer to/from other funds	(818)	(818)	0
Net revenue spend	**12,326**	**9,357**	**(2,969)**
Transfer of surplus to reserves	0	2,969	2,969
Budget requirement set by council	**12,326**	**12,326**	**0**
Parish precepts	3,939	3,939	0
Total funding requirement	**16,265**	**16,265**	**0**
Collection fund precept	10,855	10,855	0
Revenue support grant	103	103	0
National non-domestic rates (NNDR)	5,307	5,307	0
Total funding	**16,265**	**16,265**	**0**

The major variations in service expenditure included within direct service expenditure in the table above are detailed below:

Major variations in service revenue expenditure	£000
Corporate management team	
Didcot Growth Point	(423)
£400,000 of unbudgeted Homes and Communities Agency grant funding for 2013/14 was received for Didcot redevelopment. This was taken to the grants reserve.	
Other	
Balance of other variances that individually were less than £50,000.	(69)
Total	**(492)**
Corporate strategy	
Policy	(59)
Under spent on consultancy costs as only one citizens panel survey was carried out because of work required to implement the new Econsultation system. Also no residents' survey was done as this is now biennial and held back to align with the Vale of White Horse District Council survey.	
Waste	(482)
The majority of the underspend related to lower contract inflation volume of non routine works than budgeted. In addition, administration costs of the garden waste scheme and movements in the bad debt provision were also lower than expected. This was partly offset by lower than predicted income from garden waste scheme customers.	
Other	
Balance of other variances that individually were less than £50,000.	(112)
Total	**(653)**

Major variations in service revenue expenditure	£000
Economy, leisure & property:	
Car parking	(155)
Income from excess charge notices and income from car parks not operated by the council were higher than expected.	
Economic development	(97)
Improved rental income as per previous estimate. Savings in insurance costs and strategic property advice.	
Facilities	(125)
Savings in NNDR, electricity and insurance costs. Additional hiring and commission income was received.	
Other	
Balance of other variances that individually were less than £50,000.	(12)
Total	**(389)**
Finance	
Accountancy	(121)
£45,000 under spent on accountancy restructure costs which were carried forward. Other variances included £44,000 reduction in external audit costs as a result of the change in auditors and £15,000 saving on external treasury management costs as funds now managed in house.	
Exchequer, revenues & benefits	(189)
Majority of the underspend related to a reduction in bad debt and lower than expected implementation cost of the council tax reduction scheme.	
Other	
Balance of other variances that individually were less than £50,000.	(20)
Total	**(330)**
Health & Housing	
Environmental services	(193)
The under spend related mainly to unbudgeted grant income of £60,000 for air quality and £56,000 for contaminated land. This income was taken to the grants reserve.	
Housing services – homelessness	(84)
The debt outstanding for homelessness has reduced resulting in a £42,000 saving on the contribution to the bad debt provision. Housing benefit subsidy was higher than estimated producing a net saving of £48,000.	
Other	
Balance of other variances that individually were less than £50,000.	(118)
Total	**(395)**
HR, IT and customer services.	
IT operations	(72)
The project to upgrade the cash receipting system was under spent and £20,000 of the underspend was carried forward for the next phase of the project. Staff costs were below budget partly due to vacancies.	
Other	
Balance of other variances that individually were less than £50,000.	(46)
Total	**(118)**
Legal & democratic services.	
Democratic & electoral services	(60)
£30,000 under spend on members expenses including travel. There was also a further £30,000 under spend on democratic services running costs including printing.	
Licensing	(69)
Income from taxi licensing was higher than budgeted.	

Major variations in service revenue expenditure	£000
Legal	(80)
Demand for external legal support was lower than anticipated.	
Other	
Balance of other variances that individually were less than £50,000.	(52)
Total	**(261)**
Planning	
Policy, conservation and design	(54)
The under spend was mainly due to vacancies in team and savings arising from the Fit for the Future review.	
Other	
Balance of other variances that individually were less than £50,000.	26
Total	**(28)**
Contingency	**(323)**
Total underspend on direct service expenditure	**(2,989)**

Capital outturn 2012/13

Capital expenditure totalled £5.9 million in 2012/13. At the start of the year the approved capital programme was £2.8 million, but by year end transfers from the provisional capital programme, and other additions to the capital programme, increased this amount to £6.6 million. Spend for the year was £5.9 million, £0.7 million below budget. Material capital expenditure projects include spend on acquisition of land at Didcot £2.8 million (towards which the council received grant funding from the Homes and Communities Agency (HCA) of £1.9 million), disabled facilities grants £1.2 million, leisure centre equipment and refurbishment £0.5 million, grants to local organisations £0.3 million, social housing initiatives £0.3 million and spend on Didcot station forecourt £0.3 million.

Capital expenditure is paid for out of money we have set aside from the sale of assets (capital receipts), investment income, reserves and external contributions. We have no external debt and have no plans to borrow to pay for future capital expenditure. Note 31a details how this year's capital expenditure was financed.

Further details on both revenue and capital expenditure for 2012/13 are provided in an outturn report to scrutiny committee considered at its meeting in September 2013.

Treasury management 2012/13

By actively managing its investments, the council earned interest and investment income of £2.6 million against a budget of £2.5 million. The average rate earned on cash investments for the year was 2.2 per cent. Of this income, £0.4 million represents dividends accumulated on the council's unit trust holdings, which are distributed as additional units. The remaining income will fund revenue expenditure during 2013/14.

During 2012/13 £2 million of the council's unit trust holdings were disposed of. Of this disposal £1.7 million was credited to the council's general fund, with the remainder representing a capital receipt.

Further details on treasury management for 2012/13 are provided in an outturn report to both cabinet and audit and corporate governance committee considered during September 2013.

Comprehensive Income and Expenditure Statement (CIES) 2012/13

The CIES presents the council's income and expenditure for the year based on accounting standards, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations but this may be different to the accounting cost. The table below reconciles the direct service expenditure for the year shown in the revenue outturn table on page 5 to the cost of services shown in the CIES, showing the adjusting transactions.

2011/12 £000		2012/13 £000	
11,342	**Direct service expenditure**		**11,715**
	Net capital transactions:		
289	Depreciation, impairments and revaluations	838	
2,506	Revenue expenditure funded from capital under statute	2,566	
45	Section 106 expenditure charged to revenue	129	
(393)	New equity loans issued and existing loans revalued in year	(6)	
2,447			**3,527**
(315)	Pension adjustments required under IAS 19		86
51	Short-term compensated absences accrual		(92)
	Less:		
	Overhead charged to items below cost of services		(111)
431	General revenue grants		0
916	Property trading accounts included in service expenditure		1,090
14,872	**Cost of services**		**16,215**

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 International Accounting Standard (IAS) 19), mean that after the total financing from government grants and local taxpayers of £17.2 million, the council's surplus on provision of services was £2.4 million.

This surplus is then adjusted further to produce the total comprehensive income and expenditure figure for the year which is a surplus of £7.3 million. This figure corresponds to the total movement on the balance sheet for the year.

Balance sheet as at 31 March 2013

The reported net worth of the council increased from £114.1 million to £121.4 million at 31 March 2013, an increase of £7.3 million. This movement, which is also detailed in the Movement in Reserves Statement (MiRS), is principally the result of the following material items:

a) **Fixed assets.** At 31 March 2013 the council's fixed assets were valued at £46.8 million, an increase of £1.8 million over the previous year. The main reason for the increase is the purchase of land at Didcot of £2.8 million. Capital expenditure on other assets increased the total value of the portfolio by £0.3 million, but during the year depreciation, amortisation and revaluation of assets reduced the value by £1.3 million.

b) **Investments and cash balances.** The council has £110.6 million of investments and cash balances as at 31 March 2013, a net increase of £4.5 million on the previous year. In addition to there being a net increase in investment and cash balances during the year as a result of the council's revenue, capital and treasury management activities, there was also

an increase in the fair value of the council's investments in corporate bonds and unit trusts of £1.6 million.

c) **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 £2.4 million to £31.0 million. This liability is based on a series of actuarial assumptions which can and do change from year to year. Although life expectancies have risen in the year, a change in the discount rate used of 0.3 per cent has increased liabilities. However, this has been more than offset by significant increases in the value of assets held in the pension fund. Further information can be found in note 27.

At the balance sheet date the council had usable reserves of £87.2 million, made up of £34.5 million general fund balance, £13.5 million in earmarked revenue reserves, £36.3 million in capital receipts and £2.9 million in unapplied capital grants.

Material events after the balance sheet date

In May 2013 the council's unit trust investments, valued at £13.4 million at 31 March 2013, had increased in value to in excess of £14 million and, in accordance with the council's agreed policy, a further £2 million disposal was made. This realised £1.6 million capital receipts and £0.4 million for the general fund balance.

On 2 September 2013 the council received early repayment of debt owed by Oxford City Council in respect of the transfer of housing stock. This was not due to be repaid until 2016, however by mutual agreement an early repayment was agreed. The effect on council assets would be a reduction in long term debtors and an increase in cash and cash equivalent of £0.9 million. This would be offset by a reduction in deferred capital receipts of £0.9 million, matched by a corresponding increase in usable capital receipts. There would be no change in the net worth of the council. This event was agreed and took place after closure of the accounts and as such will be accounted for in the 2013/14 accounts.

Collection fund

Income of £126.1 million in 2012/13 from council tax payers and NNDR payers was distributed as precept/demands, and to the NNDR pool. The account is showing a net surplus of £2.3 million which will be re-distributed to all precepting authorities.

Future prospects

As part of the annual budget setting process for 2013/14, council agreed both its Medium Term Financial Strategy (MTFS) for 2013/14 to 2017/18, and the Medium Term Financial Plan (MTFP) for the same period. The MTFS sets out the objectives to be achieved and principles to be followed in setting the budget. The MTFP 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.

The MTFP highlights significant pressure the council anticipates in setting its revenue budget during the period covered. The key pressures are the anticipated reduction in government grant funding, and cost pressures in future years.

For 2013/14 the revenue budget included a forecast transfer to reserves of £0.9 million. However, based on the assumptions included within the MTFP it is estimated that between

2014/15 and 2017/18 up to £9.6 million of the council's general fund balance will need to be used to maintain a balanced budget unless further savings can be found.

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 District Council;
- introducing "lean" business processes to save officer time.

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

As part of budget setting for 2013/14, council also agreed a capital programme to 2017/18 costing £34.9 million. The agreed financing of this programme is as follows:

- £31.0 million - council resources;
- £3.9 million - other contributions.

Based on the council's budget proposals for revenue and capital, including assumptions about earnings on investment income, it is forecast that by 31 March 2018 the council will hold £47.3 million in usable reserves, made up of £15.2 million general fund balance, £11.1 million in earmarked revenue reserves, and £21.0 million in capital receipts.

Steve Bishop

Strategic director and chief finance officer
28 June 2013

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 council, that officer is the 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 governance committee meeting on 26 September 2013.

…….....
Chairman of audit and corporate governance committee 26 September 2013

2. Responsibilities of the chief finance officer

The chief finance officer's responsibilities include the preparation of the council's statement of accounts, which, in terms of the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom (the Code) is required to present a true and fair view of the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March 2013.

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

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

The chief finance officer has also:

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

I certify that this statement of accounts presents a true and fair view of the financial position of the authority at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

……
William Jacobs CPFA
Chief finance officer 23 September 2013

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

Opinion on the authority's financial statements

We have audited the financial statements of South Oxfordshire District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and related notes 1 - 35, and Collection Fund and the related notes 1 - 4. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of South Oxfordshire District Council as a body, 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of Responsibilities set out on page 11, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices 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 financial statements sufficient to give reasonable assurance that the financial 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 Head of Finance, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of South Oxfordshire District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2012/13 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;

- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;

- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or

- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the authority and the auditor

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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered,

whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are 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 ended 31 March 2013.

Certificate

We certify that we 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
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
27 September 2013

Core financial statements

The following pages show the council's core financial statements, and the notes to the accounts. The core statements are as follows:

Movement in Reserves Statement (MiRS) (pages 15). This shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 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.

Comprehensive Income and Expenditure Statement (CIES) (page 16). This 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 (council tax) to cover expenditure in accordance with regulations; this may be different from the accounting cost. This difference can be seen in the MiRS on the line "Adjustments between accounting basis and funding basis under regulation".

Balance Sheet (BS) (page 17). This 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, i.e. 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 (e.g. 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 (e.g. 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'.

Cash Flow Statement (CFS) (page 18). This 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 (e.g. borrowing) to the council.

Notes to the core financial statements (pages 19-59). The core statements are supported by comprehensive notes to the accounts. Included as note 1 to the accounts are the accounting policies adopted in compiling the council's accounting statements which explain the basis on which the figures in the accounts have been prepared.

Supplementary financial statements

In addition to core financial statements and notes the council, as an authority that issues council tax and business rates bills, maintains 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. This is shown on pages 60-62.

Movement in reserves statement

For the year ended 31 March 2013

	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 2012	**(27,668)**	**(14,705)**	**(37,339)**	**(2,701)**	**(82,413)**	**(31,733)**	**(114,146)**
Movement in reserves during 2012/13							
(Surplus)/deficit on provision of services	(2,449)	0	0	0	**(2,449)**	0	**(2,449)**
Other comprehensive income and expenditure	0	0	0	0	**0**	(4,860)	**(4,860)**
Total comprehensive income and expenditure	**(2,449)**	**0**	**0**	**0**	**(2,449)**	**(4,860)**	**(7,309)**
Adjustments between accounting basis and funding basis under regulations (note **)	(1,744)	0	(261)	(2,701)	**(4,706)**	4,706	**0**
Net increase/decrease before transfers to earmarked reserves	**(4,193)**		**(261)**	**(2,701)**	**(7,155)**	**(154)**	**(7,309)**
Transfers to/from earmarked reserves	(2,516)	1,119	1,255	2,526	**2,384**	(2,384)	**0**
Increase/decrease (movement) in year	(6,709)	1,119	994	(175)	**(4,771)**	(2,538)	**(7,309)**
Balance - 31 Mar 2013	**(34,377)**	**(13,586)**	**(36,345)**	**(2,876)**	**(87,184)**	**(34,271)**	**(121,455)**

For the year ended 31 March 2012

Balance - 31 Mar 2011	**(28,827)**	**(12,939)**	**(37,785)**	**(2,350)**	**(81,901)**	**(44,750)**	**(126,651)**
Movement in reserves during 2012/13							
(Surplus)/deficit on provision of services	(2,233)	0	0	0	**(2,233)**	0	**(2,233)**
Other comprehensive income and expenditure	0	0	0	0	**0**	14,738	**14,738**
Total comprehensive income and expenditure	**(2,233)**	**0**	**0**	**0**	**(2,233)**	**14,738**	**12,505**
Adjustments between accounting basis and funding basis under regulations (note **)	(624)	886	754	(356)	**660**	(660)	**0**
Net increase/decrease before transfers to earmarked reserves	**(2,857)**	**886**	**754**	**(356)**	**(1,573)**	**14,078**	**12,505**
Transfers to/from earmarked reserves	4,016	(2,652)	(308)	5	**1,061**	(1,061)	**0**
Increase/decrease (movement) in year	1,159	(1,766)	446	(351)	**(512)**	13,017	**12,505**
Balance - 31 Mar 2012	**(27,668)**	**(14,705)**	**(37,339)**	**(2,701)**	**(82,413)**	**(31,733)**	**(114,146)**

Comprehensive income and expenditure statement

2011/12				2012/13			
Exp £000	Inc £000	Net £000		Exp £000	Inc £000	Net £000	Note
8,804	(6,991)	1,813	Central services to the public	8,758	(6,932)	1,826	
2,558	(764)	1,794	Cultural and related services	2,374	(747)	1,627	
8,787	(3,210)	5,577	Environmental and regulatory services	9,063	(3,203)	5,860	
4,087	(2,171)	1,916	Planning services	5,263	(2,175)	3,088	
761	(1,020)	(259)	Highways and transport services	662	(920)	(258)	
32,692	(30,892)	1,800	Other housing services	33,599	(31,381)	2,218	
2,903	(107)	2,796	Corporate and democratic core	1,970	(116)	1,854	
18	0	18	Non distributed costs	0	0	0	
(583)	0	(583)	Correction to revaluation reserve	0	0	0	
60,027	**(45,155)**	**14,872**	**Cost of services**	**61,689**	**(45,474)**	**16,215**	
3,782	(288)	3,494	Other operating expenditure	3,947	(44)	3,903	9
1,732	(3,939)	(2,207)	Financing and investment income and expenditure	5,065	(7,594)	(2,529)	10
0	(18,392)	(18,392)	Taxation and non-specific grant income	0	(20,038)	(20,038)	11
65,541	**(67,774)**	**(2,233)**	**(Surplus) / deficit on provision of services**	**70,701**	**(73,150)**	**(2,449)**	25
		292	(Surplus) / deficit on revaluation of non current assets			0	
		(795)	(Surplus) / deficit on revaluation of available for sale financial assets			(1,604)	
		15,241	Actuarial (gains) / losses on pension assets / liabilities			(3,256)	
		14,738	**Other comprehensive income and expenditure**			**(4,860)**	
		12,505	**Total comprehensive income and expenditure**			**(7,309)**	

Balance sheet

31 March 2012 £000		31 March 2013 £000	£000	Note
28,498	Property, plant & equipment		30,746	12
16,348	Investment property		15,905	14
195	Intangible assets		159	15
54,837	Long term investments		27,967	16
2,085	Long term debtors		2,072	17
101,963	**Long term assets**		**76,849**	
36,114	Short term investments	56,933		16
87	Inventories	39		
5,185	Short term debtors	3,329		17
15,163	Cash and cash equivalents	25,719		18
56,549	**Current assets**		**86,020**	
(10,597)	Short term creditors	(10,092)		20
(256)	Provisions	(164)		21
(131)	Capital grants receipts in advance	(138)		
(10,984)	**Current liabilities**		**(10,394)**	
(33,382)	Net pension liability		(31,020)	27
(33,382)	**Long term liabilities**		**(31,020)**	
114,146	**Net assets**		**121,455**	
(27,668)	Non-earmarked revenue reserves		(34,377)	
(14,705)	Earmarked revenue reserves		(13,586)	
(37,339)	Usable capital receipts reserve		(36,345)	
(2,701)	Capital grants unapplied		(2,876)	
(82,413)	**Usable reserves**		**(87,184)**	22
(31,733)	**Unusable reserves**		**(34,271)**	23
(114,146)	**Total reserves**		**(121,455)**	

The unaudited accounts were issued on 28 June 2013 and the audited accounts were authorised for issue on 26 September 2013.

Cash flow statement

31 March 2012 £000		31 March 2013 £000	Note
2,233	**Net surplus / (deficit) on the provision of services**	**2,449**	
1,300	Adjust net surplus or deficit on the provision of services for non-cash movements	5,008	
(871)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(3,049)	
2,662	**Net cash flows from operating activities**	**4,408**	24
	Investing activities		
(303)	Purchase of property, plant and equipment, investment property and intangible assets	(2,793)	
(85,250)	Purchase of short-term and long-term investments	(46,966)	
(2,606)	Other payments for investing activities		
691	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	292	
81,264	Proceeds from short-term and long-term investments	54,753	
1,061	Other receipts from investing activities	2,749	
(5,143)	**Total investing activities**	**8,035**	
	Financing activities		
3,768	Billing authorities – council tax and NNDR adjustments	(1,887)	
3,768	**Total financing activities**	**(1,887)**	
1,287	**Net increase/(decrease) in cash and cash equivalents**	**10,556**	
13,876	Cash and cash equivalents at the beginning of the reporting period	15,163	
15,163	**Cash and cash equivalents at the end of the reporting period**	**25,719**	18

Notes to the accounts 2012/13

1. Statement of accounting policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by the council in preparing and presenting these financial statements. These can be reviewed in detail on pages 63 to 79.

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

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. The following changes are not considered to have a significant impact on the financial statements as demonstrated below.

IAS 1 presentation of financial statements

The changes require authorities to disclose separately the gains or losses reclassifiable into the surplus or deficit on the provision of services. The gains and losses are separately identified on the comprehensive Income and expenditure statement and therefore no further disclosure required.

IFRS 7 financial instruments - disclosures

The change in accounting policy is in relation to the offsetting of financial assets and liabilities within the cash and cash equivalents line on the balance sheet. Within the cash and cash equivalent line on the balance sheet there is a bank overdraft, note 18 provides a breakdown of this item.

IAS 12 income taxes

This change in the accounting policy particularly affects investment properties. It is not considered that this change will affect the statement of accounts.

IAS 19 employee benefits

There have been several significant changes in relation IAS 19 employee benefits. IAS19 is changing for accounting years starting on or after 1 January 2013 and this will affect the budgeted pension expense for the next financial year.

The key change affecting LGPS employers relates to the expected return on assets. Advance credit for anticipated out performance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to profit and loss, however from 2013 this is effectively replaced with the net interest on the defined liability/asset calculated using the discount rate (as opposed to that calculated using the Expected Return on Assets assumption). For 2012/13 this would result in a £0.7 million expense increase in the CIES.

3. Critical judgements in applying accounting policies

In applying the accounting policies set out on pages 63-79, 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:

Leases

The council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the council has estimated the implied interest rate within the lease to calculate interest and principal payments.

The council has a service contract for printing services with The Danwood Group Ltd. This covers the multifunction devices used for copying and printing. It is assessed that even though the contract covers the economic life of these assets and their value, these assets are shared between this council and Vale of White Horse District Council and can be interchangeable throughout the contract term, they have been considered to be an operating lease.

Funding

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 a need to close facilities and reduce levels of service provision.

Investment properties

Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.

Icelandic banks

In 2007 the council placed a deposit of £2.5 million with Kaupthing Singer & Friedlander Ltd, an Icelandic bank which is in administration. The creditor progress report issued by the administrators Ernst and Young in May 2013 indicates that the estimated return to creditors to be in the range of 84 to 86.5 per cent of the original deposit and interest. More details are contained in note 16.

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

Property, plant and equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying

amount of the assets falls. It is estimated that the annual charge for buildings would increase in these circumstances.

Debt impairment

At 31 March 2013 the council had a balance on short term debtors of £4.7 million. A review of significant balances suggested that an impairment of doubtful debts of £1.4 million was appropriate. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.

Pensions

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts 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 (Barnett Waddington) is engaged (through Oxfordshire County Pension Fund) to provide the council with expert advice about the assumptions to be applied. Details of the pension liabilities are in note 27 on pages 44-48

5. Material items of income and expenditure, and prior period adjustments

The council's accounts include the following items of material income and expenditure:

	£000
Material expenditure items:	
Didcot land purchase	2,800
Total material expenditure items	**2,800**
Material income items:	
Homes and Communities Agency (HCA) grant for Didcot land purchase	(1,935)
Unit trust disposal	(2,000)
Total material income items	**(3,935)**

There are no prior period adjustments.

6. Events after the balance sheet date

In May 2013 the council's unit trust investments, valued at £13.4 million at 31 March 2013, had increased in value to in excess of £14 million and, in accordance with the council's agreed policy, a further £2 million disposal was made. This realised £1.6 million capital receipts and £0.4 million for the general fund balance.

On 2 September 2013 the council received early repayment of debt owed by Oxford City Council in respect of the transfer of housing stock. This was not due to be repaid until 2016, however by mutual agreement an early repayment was agreed. The effect on council assets would be a reduction in long term debtors and an increase in cash and cash equivalent of £0.9 million. This would be offset by a reduction in deferred capital receipts of £0.9 million, matched by a corresponding increase in usable capital receipts. There would be no change in the net worth of the council. This event was agreed and took place after closure of the accounts and as such will be accounted for in the 2013/14 accounts.

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 2012					31 March 2013			
Usable Reserves			Movement in unusable reserves		Usable Reserves			Movement in unusable reserves
Gen fund bal & earmarked rev reserves	Capital receipts reserve	Capital grants unapplied			Gen fund bal & earmarked rev reserves	Capital receipts reserve	Capital grants unapplied	
£000	£000	£000	£000		£000	£000	£000	£000
				Adjustments primarily involving the capital adjustment account:				
				Reversal of items debited or credited to the CIES:				
(87)	0	0	87	Charges for depreciation and impairment of non-current assets	(757)	0	0	757
(4)	0	0	4	Movements in the fair value of investment properties	(455)	0	0	455
(123)	0	0	123	Amortisation of intangible assets	(95)	0	0	95
(2,506)	0	0	2,506	Revenue expenditure funded from capital under statute	(2,566)	0	0	2,566
0	0	0	0	Amortisation of premium on financial instruments	(141)	0	0	141
886	1,340	637	(2,863)	Capital expenditure charged against the general fund	0	0	0	0
				Adjustments primarily involving the capital grants unapplied account:				
1,043	(50)	(993)	0	Capital grants and contributions unapplied credited to the CIES	2,883	(53)	(2,830)	0
0	0	0	0	Revenue expenditure funded from developers contributions	(129)	0	129	0
				Adjustments primarily involving the capital receipts reserve:				
532	(532)	0	0	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	207	(207)	0	0
(4)	4	0	0	Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool.	(7)	7	0	0
				Adjustments primarily involving the deferred capital receipts reserve				
0	(8)	0	8	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0	(8)	0	8
394	0	0	(394)	Transfer of deferred capital receipt relating to equity loan issued in year	6	0	0	(6)
				Adjustments primarily involving the pensions reserve:				
(1,501)	0	0	1,501	Reversal of items relating to retirement benefits debited or credited to the CIES	(2,529)	0	0	2,529
1,656	0	0	(1,656)	Employer's pension contributions and direct payments to pensioners payable in the year.	1,635	0	0	(1,635)
				Adjustments primarily involving the collection fund adjustment account:				
27	0	0	(27)	Amount by which council tax income credited to the CIES is different from income calculated for the year in accordance with statutory requirements	112	0	0	(112)
				Adjustment primarily involving the accumulated absences account:				
(51)	0	0	51	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	92	0	0	(92)
262	**754**	**(356)**	**(660)**	**Total adjustments**	**(1,744)**	**(261)**	**(2,701)**	**4,706**

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.

31 March 2012					31 March 2013			
1 Apr 11 balance brought forward £000	Trans-fers in £000	Trans-fers out £000	31 Mar 12 balance carried forward £000		1 April 12 Balance brought forward £000	Trans-fers in £000	Trans-fers out £000	31 Mar 13 Balance carried forward £000
				General fund balance				
(750)	0	0	(750)	General fund balance	(750)	0	0	(750)
(17,468)	(1,794)	2,953	(16,309)	Enabling fund (a)	(16,309)	(8,373)	1,664	(23,018)
(10,609)	0	0	(10,609)	Interest allocated as principal (b)	(10,609)	0	0	(10,609)
(28,827)	**(1,794)**	**2,953**	**(27,668)**	**Total general fund balance**	**(27,668)**	**(8,373)**	**1,664**	**(34,377)**
				Earmarked reserves				
(1,660)	(1,330)	440	(2,550)	Vacancy reserve (c)	(2,550)	0	2,550	0
(3,790)	0	1	(3,789)	CIF Interest - capital unallocated (d)	(3,789)	0	1,378	(2,411)
(1,200)	(1,200)	1,200	(1,200)	Revenue funding (e)	(1,200)	(2,583)	1,540	(2,243)
(3,943)	(500)	886	(3,557)	CIF interest - distributed (f)	(3,557)	0	3,557	0
(239)	(379)	239	(379)	Carry forwards (g)	(379)	(134)	379	(134)
(76)	0	0	(76)	Redundancy & early retirement (h)	(76)	0	76	0
(54)	(49)	0	(103)	Building control (i)	(103)	(51)	0	(154)
(123)	0	0	(123)	Commuted lump sum (j)	(123)	0	123	0
(937)	(55)		(992)	Pension revaluation reserve (k)	(992)	0	992	0
(48)	0	48	0	Performance reward grant reserve (l)	0	0	0	0
(25)	0	0	(25)	Didcot arts centre reserve (m)	(25)	0	25	0
(714)	(327)	32	(1,009)	Revenue grants reserve (n)	(1,009)	(577)	81	(1,505)
0	(260)	0	(260)	New homes bonus (o)	(260)	(537)	0	(797)
0	(642)	0	(642)	Revenue budget smoothing reserve (p)	(642)	(3,835)	0	(4,477)
0	0	0	0	Unit trust dividend reinvested reserve (q)	0	(1,865)	0	(1,865)
(130)	0	130	0	Planning enquiry	0	0	0	0
(12,939)	**(4,742)**	**2,976**	**(14,705)**	**Total earmarked reserves**	**(14,705)**	**(9,582)**	**10,701**	**(13,586)**

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. (see note 1)
(d) To hold interest distributed on CIF balances for capital expenditure
(e) From interest earnings in previous years which will be used to support the general fund revenue budget.
(f) From interest earned on the CIF principal to be used to fund the capital programme. (see note 2)
(g) By departments from underspends to cover future specific costs.

(h) To help meet the redundancy and early retirement costs associated with any future restructuring. (see note 1)
(i) From ring fencing the building control trading account.
(j) To fund expenditure covered from commuted sums paid by developers
(k) To fund future costs of pension regulation changes (see note 1)
(l) To fold performance reward grant income received
(m) To fund future running costs of Didcot Arts Centre (see note 1)
(n) To fund revenue expenditure from grants received in advance
(o) To hold receipts of new homes bonus funding
(p) To fund future revenue pressures
(q) To hold the dividends re-invested in the council's unit trust investments

Notes
1) Balances on these reserves were transferred into the revenue budget smoothing reserve during 2012/13.
2) The balance on this reserve was transferred to the enabling fund during 2012/13

9. Other operating expenditure

2011/12 £000		2012/13 £000
3,778	Parish council precepts	3,940
4	Payments to the government housing capital receipts pool	7
(288)	(Gain)/loss on the disposal of non-current assets	(44)
3,494	**Total**	**(3,903)**

10. Financing and investment income and expenditure

2011/12 £000		2012/13 £000
	Interest and investment income	
(1,863)	Interest receivable and similar income	(2,182)
(649)	Other investment income (dividends)	(431)
0	(Gain)/loss on disposal of investments	(163)
(67)	Icelandic bank investment – reversal of previous impairment	(51)
1,373	Financial instruments correction (2011/12)	0
	Investment property income and expenditure	
(868)	Income and expenditure in relation to investment properties	(986)
0	Changes in fair value of investment properties.	455
(245)	(Gain)/loss on disposal of investment properties	0
	Other	
160	Pensions interest cost and expected return on pensions assets	798
(48)	(Gain)/loss on trading accounts	31
(2,207)	**Total**	**(2,529)**

11. Taxation and non specific grant incomes

2011/12 £000		2012/13 £000
(1,088)	Recognised capital grants and contributions	(2,883)
(10,834)	Council tax income	(10,967)
(4,613)	Re-distributed NNDR income	(5,307)
(1,857)	Non-ringfenced government grants	(881)
(18,392)	**Total**	**(20,038)**

12. Property, plant and equipment

Table 12a Movements in property, plant & equipment 2012/13						
	Other land & buildings £000	Vehicles, plant & equip-ment £000	Infra-structure assets £000	Comm-unity assets £000	Assets under constr-uction £000	Total PP&E £000
Cost or revaluation						
At 1 April 2012	**28,283**	**2,072**	**528**	**1**	**0**	**30,884**
Additions	2,979	21	2	0	3	3,005
Donations	0	0	0	0	0	0
Revaluation increases/(decreases) to RR	0	0	0	0	0	0
Revaluation increases/(decreases) to SDPS	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
At 31 March 2013	**31,262**	**2,093**	**530**	**1**	**3**	**33,889**
Depreciation and impairments						
At 1 April 2012	**(459)**	**(1,560)**	**(367)**	**0**	**0**	**(2,386)**
Depreciation charge for 2012/13	(459)	(278)	(20)	0	0	(757)
Impairment losses/reversals to RR	0	0	0	0	0	0
Impairment losses/reversals to SDPS	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Other movements in impairment & depreciation	0	0	0	0	0	0
At 31 March 2013	**(918)**	**(1,838)**	**(387)**	**0**	**0**	**(3,143)**
Balance sheet amount at 31 March 2013	**30,344**	**255**	**143**	**1**	**3**	**30,746**
Balance sheet amount at 31 March 2012	**27,824**	**512**	**161**	**1**	**0**	**28,498**

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

Table 12b Movements in property plant & equipment 2011/12					
	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 2011	**34,813**	**1,888**	**507**	**1**	**37,209**
Revision to opening balance	(6,863)	63	0	0	**(6,800)**
Additions	55	121	21	0	**197**
Donations	0	0	0	0	**0**
Revaluation increases/(decreases) to RR	290	0	0	0	**290**
Revaluation increases/(decreases) to SDPS	(12)	0	0	0	**(12)**
Disposals	0	0	0	0	**0**
Other movements in cost or valuation	0	0	0	0	**0**
At 31 March 2012	**28,283**	**2,072**	**528**	**1**	**30,884**
Depreciation and impairments					
At 1 April 2011	**(6,863)**	**(1,233)**	**(348)**	**0**	**(8,444)**
Revision to opening balance	6,863	(63)	0	0	**6,800**
Depreciation charge for 2011/12	(459)	(264)	(19)	0	**(742)**
Impairment losses/reversals to RR	0	0	0	0	**0**
Impairment losses/reversals to SDPS	0	0	0	0	**0**
Disposals	0	0	0	0	**0**
Other movements in impairment & depreciation	0	0	0	0	**0**
At 31 March 2012	**(459)**	**(1,560)**	**(367)**	**0**	**(2,386)**
Balance sheet amount at 31 March 2012	**27,824**	**512**	**161**	**1**	**28,498**
Balance sheet amount at 31 March 2011	**27,950**	**655**	**159**	**1**	**28,765**

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

Depreciation

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

- Other land and buildings – on an individual basis as assessed by the valuer
- Vehicles, plant, furniture and equipment – 1 to 24 years
- Infrastructure – 1 year.

Capital commitments

At 31 March 2013, the council had entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2012/13 and future years. The estimated cost of these commitments beyond 31 March 2013 is £1.1 million. The commitments are:

- capital grants awarded - £0.6 million
- Didcot station forecourt - £0.4 million
- leisure centres refurbishment - £0.1 million

Revaluations

The council has a rolling programme that ensures that all property, plant and equipment required to be measured at fair value, is revalued at least every three years. Assets with special needs will be valued more often, as necessary.

The council's investment property was revalued by Cluttons LLP as at 31 March 2013. The valuation was prepared in accordance with the RICS Red Book covering the valuation of local authority assets.

In 2011/12 the non-operational portfolio was revalued; operational property was valued in 2010/11 with valuations undertaken by Cluttons LLP in both instances.

The significant assumptions applied in estimating the 2012/13 values are:

- There is no contamination problem nor deleterious/hazardous substances present;
- Good title can be shown and that the properties comply with all legal and relevant statutory requirements regarding either the structure or its current use;
- There will be an on-ongoing adequate level of expenditure on repairs and maintenance.

Table 12c Revaluations property, plant and equipment

	Land & buildings £000	Vehicles, plant and equipment £000	Infrastructure & community assets £000	Total £000
Carried at historical cost	0	255	144	**399**
Valued at fair value as at:				
31 March 2011	27,433	0	0	**27,433**
31 March 2012	393	0	0	**393**
31 March 2013	2,518	0	0	**2,518**
Total value	**30,344**	**255**	**144**	**30,743**

13. Heritage assets

The adoption of FRS30 Heritage Assets into the Code of Practice on Local Authority Accounting requires the council to identify the existence of heritage assets as a separate category on the balance sheet.

Heritage assets are assets held principally for their contribution to knowledge or culture and may be either tangible or intangible assets.

For the purposes of producing the 2012/13 statement of accounts the following steps were taken to identify the existence of heritage assets:

- Both the insurance register and the asset register once updated to reflect in-year expenditure, were reviewed;
- Each service area was contacted and asked to disclose the existence of any assets held that may meet the recognition criteria.

The only item of possible relevance identified from the insurance register was civic regalia. The insured value of this (£8,780) is below the council's general de-minimus for capital items and as such this has not been separately reported as a heritage asset in the 2012/13 financial statements.

No other assets of possible relevance were identified in the insurance or fixed asset register or in returns received from the service areas.

It is therefore considered that there are no material heritage assets to be disclosed within the council's financial statements.

14. 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 14a Investment property income and expense

2011/12 £000		2012/13 £000
(978)	Rental income from investment property	(1,133)
114	Direct operating expenses arising from investment property	147
(864)	**(Surplus)/deficit**	**(986)**
(4)	Changes in fair value of investment property	455
(868)	**Net (gain) / loss**	**(531)**

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 14b Investment properties movement in fair value		
2011/12 £000		**2012/13 £000**
16,277	**Balance at 1 April**	**16,348**
	Additions:	
0	Purchases	0
0	Construction	0
67	Subsequent expenditure	12
0	Disposals	0
4	Changes in fair value	(455)
16,348	**Balance at 31 March**	**15,905**

15. 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 £0.1 million charged to revenue in 2012/13 was charged as an overhead to those services using the asset in the net expenditure of services.

2011/12				2012/13		
Internally generated assets £000	**Other assets £000**	**Total £000**		**Internally generated assets £000**	**Other assets £000**	**Total £000**
			Balance at start of year:			
0	1,106	1,106	Gross carrying amounts	0	1,199	1,199
0	0	0	Write out of balances on fully amortised assets	0	(458)	(458)
0	(881)	(881)	Accumulated amortisation	0	(1,004)	(1,004)
0	0	0	Write out of balances on fully amortised assets	0	458	458
0	**225**	**225**	**Net carrying amount at start of year**	**0**	**195**	**195**
0	93	93	Purchases	0	59	59
0	(123)	(123)	Amortisation for the period	0	(95)	(95)
0	0	0	Other changes			
0	**195**	**195**	**Net carrying amount at end of year**	**0**	**159**	**159**
			Comprising:			
0	1,199	1,199	Gross carrying amounts	0	800	800
0	(1,004)	(1,004)	Accumulated amortisation	0	(641)	(641)
0	**195**	**195**	**Net carrying amount at end of year**	**0**	**159**	**159**

16. Financial instruments

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

Table 16a Categories of financial instrument				
	Long term		Current	
	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000
Investments				
Loans and receivables (principal amount)	35,863	10,176	35,844	56,052
Plus accrued interest on short term investments	0	0	1,543	881
Plus accrued interest on long term investments payable	0	35	0	0
Cash equivalents (excluding bank overdraft)	0	0	15,223	26,157
Loans and receivables at amortised cost (1)	**35,863**	**10,211**	**52,610**	**83,090**
Available-for- sale-financial assets	17,702	17,756	0	0
Total investments	**53,565**	**27,967**	**52,610**	**83,090**
Debtors				
Financial assets carried at contract amounts	2,085	2,072	5,185	3,329
Total debtors	**2,085**	**2,072**	**5,185**	**3,329**
Soft loans provided (3)	0	0	5	3
Total borrowings	**0**	**0**	**0**	**0**
Total other long term liabilities	**0**	**0**	**0**	**0**
Creditors				
Financial liabilities carried at contract amount	0	0	(10,597)	(10,092)
Total creditors	**0**	**0**	**(10,597)**	**(10,092)**

(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 at less than market rates (soft loans). These are included within debtors and are detailed in table 16b below.

Table 16b Soft loans		
31 March 2012 £000		**31 March 2013 £000**
5	Car and cycle loans to employee's	3
5	**Total soft loans**	**3**

Financial instrument gains/losses

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

Table 16c Financial instruments gains and losses 2012/13			
	Financial assets		
	Loans and receivables £000	**Available-for-sale assets (1) £000**	**Total £000**
Icelandic bank investment – reversal of previous impairment	51	0	51
Total expense in surplus or deficit on the provision of services	**51**	**0**	**51**
Interest receivable and similar income	1,787	395	2,182
Other investment income (dividends)	0	431	431
Gain/(loss) on disposal of investments	0	163	163
Total income in surplus or deficit on the provision of services	**1,787**	**989**	**2,776**
Gains on revaluation	0	1,766	1,766
Surplus arising on revaluation of financial assets	**0**	**1,766**	**1,766**
Net gain/loss for the year	**1,838**	**2,755**	**4,593**

(1) Available for sale assets – the council holds corporate bonds to the value of £4.2 million. The council holds £13.4 million in unit trusts with Legal & General.

Table 16d Financial instruments gains and losses 2011/12			
	Financial assets		
	Loans and receivables £000	**Available-for-sale assets £000**	**Total £000**
Impairment losses	67	0	67
Total expense in surplus or deficit on the provision of services	**67**	**0**	**67**
Interest income	1,570	942	2,512
Total income in surplus or deficit on the provision of services	**1,570**	**942**	**2,512**
Losses on revaluation	0	(105)	(105)
Surplus arising on revaluation of financial assets	**0**	**(105)**	**(105)**
Net gain/loss for the year	**1,637**	**837**	**2,474**

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 16e Fair values of assets and liabilities carried at amortised cost.

31 March 2012		31 March 2012	31 March 2013	
Carrying amount £000	Carrying amount £000		Carrying amount £000	Fair value £000
0	0	Short term borrowing	0	0
10,597	10,597	Short term creditors	10,092	10,092
10,597	**10,597**	**Total liabilities**	**10,092**	**10,092**
35,844	35,844	Short term investments	56,052	56,933
0	0	Bank current and instant access deposit accounts	22,307	22,307
0	0	Money market funds	3,750	3,750
37,135	37,135	Long term investments	10,176	10,211
4,104	4,104	Available for sale investments	17,756	17,756
5,185	5,185	Short term debtors	3,329	3,329
2,085	2,085	Long term debtors	2,072	2,072
84,353	**84,353**	**Total assets**	**115,442**	**116,358**

The fair values for loans and receivables include 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 per cent. The bank went into administration at the start of October 2008, and as a result the full repayment of the deposit has not been made.

At December 2008, the amount due to be repaid was the principal amount of £2.5 million plus interest of £159,811, giving a total amount of £2,659,810. 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 21 May 2013 the total amount to be received was estimated to be between 81 and 86 per cent of the claim. The creditor progress report issued by the administrators Ernst & Young now indicates that the estimated return to creditors to be in the range of 84 to 86.5 per cent.

Since July 2009 the dividend payments made total 76 per cent of the claim as at 31 March 2013. The current position on actual payments received and estimated future payments are shown below:

Table 16f Financial asset impairment - payments received

Payments 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
27 May 2011	131,563.66
7 October 2011	131,563.66
2 May 2012	263,127.33
31 October 2012	78,938.20
Total received to date	**1,999,767.69**

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 2013. The schedule is based on a recovery of 85.25 per cent of the claim.

Therefore, the council recognises an impairment based on a recovery of 85.25 per cent up to June 2015.

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

Table 16g Financial asset impairment – expected payments schedule				
Date	**%**	**Repayment**	**Discount factor**	**Present value**
June 2013	2.00	£52,616.69	0.98415	£51,783
June 2014	3.50	£92,079.20	0.92320	£85,007
June 2015	3.75	£98,656.28	0.86603	£85,439
Total recoverable amount				**£222,229**

The authority will recognise impairment at the balance sheet date (31 March 2013). The carrying amount of the deposit at the balance sheet date prior to any reassessment is:

The balance at 31 March 2012
Plus interest credited to the CIES in 2012/13
Less any repayments received during 2012/13

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 has been recognised as an impairment in the 2012/13 accounts and the carrying amount of the deposit is written down to the recoverable amount as follows:

Table 16h Financial asset impairment	
	£
Carrying amount b/fwd 31 March 2012	**1,002,109.00**
Plus interest credited to the CIES in 2012/13	0
Less: repayments received in 2012/13	(342,065.53)
	660,043.47
Less: revised recoverable amount	222,228.59
Impairment	**437,814.88**

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		
31 March 2012 £000		**31 March 2013 £000**
0	Central government bodies	0
889	Other local authorities	607
1,196	Other entities and individuals	1,465
2,085	**Total long-term debt**	**2,072**

Table 17b Short-term debtors		
31 March 2012 £000		**31 March 2013 £000**
1,183	Central government bodies	405
2,088	Other local authorities	1,953
1,914	Other entities and individuals	971
5,185	**Total short-term debt**	**3,329**

18. Cash and cash equivalents

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

31 March 2012 £000		31 March 2013 £000
3	Cash held by the council	3
5,638	Bank current and instant access deposit accounts	22,404
1,482	Bank short term deposit accounts	0
8,040	Money market funds	3,750
0	Bank overdraft	(438)
15,163	**Total cash and cash equivalents**	**25,719**

19. Assets held for sale

The council has no assets held for sale.

20. Short–term creditors

31 March 2012 £000		31 March 2013 £000
(2,300)	Central government bodies	(203)
(2,837)	Other local authorities	(3,279)
(5,460)	Other entities and individuals	(6,675)
(10,597)	**Total short-term creditors**	**(10,092)**

21. Provisions

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 2013.

	Accumulated absences £000
Balance at 1 April 2012	**(256)**
Change in year	92
Balance at 31 March 2013	**(164)**

22. Usable reserves

Movements in the council's usable reserves are detailed in the MIRS (page 15) and in note 7 and 8.

23. Unusable reserves

Table 23a Unusable reserves		
31 March 2012 £000		**31 March 2013 £000**
(6,514)	Revaluation reserve	(6,436)
(58)	Available for sale financial instruments reserve	(1,661)
(56,009)	Capital adjustment account	(54,442)
(2,615)	Deferred capital receipts reserve	(2,629)
33,382	Pensions reserve	31,020
(175)	Collection fund adjustment account	(287)
256	Accumulated absences account	164
(31,733)	**Total unusable reserves**	**(34,271)**

Revaluation reserve

The revaluation reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment. 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		
2011/12 £000		**2012/13 £000**
(6,884)	**Balance at 1 April**	**(6,514)**
582	Revision at 1 April – correction to fixed assets	**0**
(303)	Upward revaluation of assets	0
14	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	0
(289)	**Surplus or deficit on revaluation of non current assets not posted to the surplus or deficit on the provision of services**	**0**
77	Difference between fair value depreciation and historical cost depreciation	78
0	Accumulated gains on assets sold or scrapped	0
0	Amount transferred to the capital adjustment account – disposal of asset in prior year	0
(6,514)	**Balance at 31 March**	**(6,436)**

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		
2011/12 £000		**2012/13 £000**
739	**Balance at 1 April**	**(58)**
576	Revaluation of investments	(1,766)
(1,373)	Financial instruments correction (2011/12)	0
0	Accumulated gains on assets sold and maturing assets written out to the CIES as part of financing and investment income	163
(58)	**Balance at 31 March**	**(1,661)**

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		
2011/12 £000		**2012/13 £000**
(54,486)	**Balance at 1 April**	**(56,009)**
(583)	Revision at 1 April – correction to fixed assets	**0**
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
741	Charges for depreciation and impairment of non current assets	758
0	Revaluations (gains) / losses on property, plant and equipment	0
123	Amortisation of intangible assets	95
2,506	Revenue expenditure funded from capital under statue	2,566
0	Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	0
(77)	Adjusting amounts written out to the revaluation reserve	(78)
	Capital financing applied in the year:	
(1,340)	Use of the capital receipts reserve to finance new capital expenditure	(1,691)
(637)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(2,525)
(886)	Capital expenditure charged against earmarked reserves	(1,425)
8	Movement in the market value of investment properties debited or credited to the CIES	455
(1,478)	Financial instrument correction (2011/12)	0
0	Transfer of dividends re-invested on unit trust investments to earmarked revenue reserves	3,093
100	Other adjustments	319
(56,009)	**Balance at 31 March**	**(54,442)**

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 23e Pensions reserve		
2011/12 £000		**2012/13 £000**
18,296	**Balance at 1 April**	**33,382**
15,241	Actuarial gains or losses on pensions assets and liabilities	(3,256)
1,501	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the CIES.	2,529
(1,656)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,635)
33,382	**Balance at 31 March**	**31,020**

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 23f Deferred capital receipts reserve		
2011/12 £000		**2012/13 £000**
(2,472)	**Balance at 1 April**	**(2,615)**
(394)	New deferred capital receipts raised in year	(277)
251	Transfer to the capital receipts reserve upon receipt of cash	264
(2,615)	**Balance at 31 March**	**(2,628)**

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 23g Collection fund adjustment account		
2011/12 £000		**2012/13 £000**
(148)	**Balance at 1 April**	**(175)**
(27)	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	(112)
(175)	**Balance at 31 March**	**(287)**

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.

Table 23h Accumulated absences account		
2011/12 £000		**2012/13 £000**
205	**Balance at 1 April**	**256**
(205)	Settlement or cancellation of accrual made at the end of the preceding year	(256)
256	Amounts accrued at the end of the current year	164
256	**Balance at 31 March**	**164**

24. Interest received, interest paid and dividends received

The cash flow for operating activities included within the cash flow statement includes the following items:

2011/12 £000		2012/13 £000
1,584	Interest received	1,905
0	Interest paid	0
0	Dividends received	466
1,584	**Total interest received, interest paid and dividends received**	**2,371**

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 2012/13. 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						
2011/12			Service group	2012/13		
Gross exp £000	Gross Inc £000	Net exp £000		Gross exp £000	Gross Inc £000	Net exp £000
1,300	(1,147)	153	Corporate management team	924	(821)	103
6,887	(2,443)	4,444	Corporate strategy	7,211	(2,500)	4,711
3,271	(3,649)	(378)	Economy, leisure & property	3,346	(3,751)	(405)
39,929	(37,528)	2,401	Finance	39,840	(37,579)	2,261
2,118	(783)	1,335	Health & housing	2,087	(811)	1,276
2,018	(499)	1,519	HR, IT and customer services	2,047	(511)	1,536
1,994	(1,293)	701	Legal & democratic	1,908	(1,336)	572
2,904	(1,737)	1,167	Planning	3,239	(1,578)	1,661
60,421	**(49,079)**	**11,342**	**Direct service expenditure (explanatory foreword page 5)**	**60,602**	**(48,887)**	**11,715**

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		
2011/12 Service analysis £000		**2012/13 Service analysis £000**
(49,079)	Fees, charges and other service income	(48,887)
(288)	(Gain)/loss on the disposal of non-current assets	(44)
(1,863)	Interest receivable and similar income	(2,182)
(649)	Other investment income (dividends)	(431)
(245)	Gain or loss on disposal of investments	(163)
(656)	Recognised capital grants and contributions	(2,883)
(10,834)	Council tax income	(10,967)
(4,613)	Re-distributed NNDR income	(5,307)
(1,857)	Non-ringfenced government grants	(881)
2,311	Allocation of recharges	2,145
(1)	Other service income	(23)
0	Pensions adjustments required under IAS 19	(3,528)
(67,774)	**Total income**	**(73,151)**
60,421	Service expenditure	60,602
3,778	Parish council precepts	3,940
4	Payments to the government housing capital receipts pool	7
1,373	Financial instruments correction	0
(394)	Revaluation/ new housing loans in year	(6)
(2,311)	Allocation of recharges	(2,145)
222	Depreciation, amortisation and impairment	1,257
0	Expenditure funded from developers contributions	129
2	IFRS adjustment to move capital grants from services	0
51	Movement in provision for accumulated absences	(92)
44	Other service expenses	22
(155)	Pensions adjustments required under IAS 19	4,422
2,506	Revenue expenditure financed by capital under statute	2,566
65,541	**Total operating expenses**	**70,702**
(2,233)	**(Surplus) / deficit on the provision of services**	**(2,449)**

26. Members' allowances

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

2011/12 £000		2012/13 £000
137	Basic allowance	141
57	Special responsibility allowance	59
13	Members expenses	13
207	**Total**	**213**

27. Employee benefits

Benefits payable during employment

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 27a 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	2012/13	129,092	1,726	130,818	17,169	147,987
	2011/12	129,092	779	129,871	17,169	147,040
Chief finance officer (section 151 officer)	2012/13	98,544	493	99,037	14,289	113,326
	2011/12	98,544	489	99,033	14,289	113,322
Monitoring officer	2012/13	79,623	208	79,831	10,590	90,421
	2011/12	79,623	180	79,803	10,590	90,393

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

Table 27b Spot pay point – strategic directors and heads of service

2011/12 £		2012/13 £
98,544	Strategic directors	98,544
73,824	Heads of service	73,824

In 2012/13, these eleven posts were shared on a 50:50 basis with Vale of White Horse District Council; therefore the council only incurred 50 per cent of the costs shown above.

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 27c Employee remuneration over £50,000

Number of SODC employees			Number of SODC employees	
Shared with VWHDC 2011/12	SODC only 2011/12	Remuneration band £	Shared with VWHDC 2012/13	SODC only 2012/13
4	0	50,000 - 54,999	8	0
3	1	55,000 - 59,999	2	1

Under the shared working arrangements, the council recharged a total of £2.8 million of its salary costs to Vale of White Horse district council, who in turn recharged £1.3 million of its salary costs to this council.

Termination benefits

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Table 27d Exit packages

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011/ 12	2012/ 13	2011/ 12	2012/ 13	2011/ 12	2012/ 13	2011/12 £	2012/13 £
£0 - £20,000	7	1	2	2	9	3	101,189	30,945
£20,001 - £40,000	5	0	0	0	5	0	93,092	0
£40,001 - £60,000	1	0	0	0	1	0	51,619	0
Total	**13**	**1**	**2**	**2**	**15**	**3**	**245,900**	**30,945**

Post-employment benefits - 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 27e Transactions relating to retirement benefits		
2011/12 £000		**2012/13 £000**
	CIES	
	Cost of services:	
1,268	Current service cost	1,731
73	Settlements and curtailments	0
	Financing and investment income and expenditure:	
4,427	Interest cost	4,326
(4,267)	Expected return on assets in the scheme	(3,528)
1,501	**Total post employment benefit charged to the surplus or deficit on the provision of services**	**2,529**
	Other post employment benefit charged to the surplus or deficit on the provision of services	
15,241	Actuarial (gain)/loss	(3,256)
16,742	**Total post employment benefit charges to the CIES**	**(727)**
	Movement in reserves statement	
(1,501)	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the code	(2,529)
	Actual amount charged against the general fund balance for pensions in the year:	
1,656	Employers' contributions payable to scheme	1,635

The cumulative amount of actuarial gains and losses recognised in the CIES to the 31 March 2013 is a loss of £22.8 million.

Assets and liabilities in relation to post-employment benefits

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

Table 27f Scheme liabilities				
Funded liabilities	**Unfunded liabilities**		**Funded liabilities**	**Unfunded liabilities**
2011/12 £000	**2011/12 £000**		**2012/13 £000**	**2012/13 £000**
(78,281)	**(3,193)**	**Balance at 1 April**	**(92,205)**	**(3,415)**
(1,268)	0	Current service cost	(1,731)	0
(4,258)	(169)	Interest cost	(4,175)	(151)
(476)	0	Contributions by scheme participants	(472)	0
(11,423)	(295)	Actuarial (gain)/loss	(6,053)	(167)
3,574	242	Benefits paid	3,422	246
0	0	Past service cost	0	0
(73)	0	Curtailments	0	0
(92,205)	**(3,415)**	**Balance 31 March**	**(101,214)**	**(3,487)**

Reconciliation of fair value of the scheme assets:

Table 27g Scheme assets		
2011/12 £000		**2012/13 £000**
63,178	**Balance at 1 April**	**62,238**
4,267	Expected rate of return	3,528
(3,523)	Actuarial gains/losses	9,476
1,414	Employer contributions	1,389
476	Contributions by scheme participants	472
(3,574)	Benefits paid	(3,422)
62,238	**Balance at 31 March**	**73,681**

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 2012 for the year to 31 March 2013). 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 £13.0 million (2011/12 £0.7 million).

Scheme history

Table 27h Scheme history					
	2008/09 £000	**2009/10 £000**	**2010/11 £000**	**2011/12 £000**	**2012/13 £000**
Present value of liabilities in the Local government pension scheme	(70,330)	(103,525)	(78,281)	(92,205)	(101,214)
Discretionary benefits	(3,550)	(4,144)	(3,193)	(3,415)	(3,487)
Fair value of assets in the Local government pension scheme	44,380	59,503	63,178	62,238	73,681
Surplus/(deficit) in the scheme	**(29,500)**	**(48,166)**	**(18,296)**	**(33,382)**	**(31,020)**

The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total liability of £31.0 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 2014 are £1.3 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 27i Principal actuarial assumptions

2011/12		2012/13
	Long-term expected rate of return on assets in the scheme: (see note below)	
6.3%	Equity investments	6.3%
5.3%	Property	5.3%
3.3%	Government bonds	3.3%
4.6%	Corporate bonds	4.6%
6.3%	Alternative Assets	6.3%
3.0%	Cash/other	3.0%
5.7%	**Total**	**5.7%**
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
19.0yrs	• Men	19.2yrs
23.0yrs	• Women	23.2yrs
	Longevity at 65 for future pensioners:	
21.0yrs	• Men	21.1yrs
25.0yrs	• Women	25.1yrs
	Other assumptions	
3.3%	Inflation – RPI	3.3%
2.5%	Inflation – CPI	2.5%
4.7%	Rate of general increase in salaries	4.7%
2.5%	Rate of increase to pensions	2.5%
4.6%	Discount rate	4.3%

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 27j Breakdown of scheme assets

2011/12 %	Scheme assets by category	2012/13 %
70	Equities	69
6	Property	6
10	Government bonds	10
6	Corporate bonds	6
5	Alternative assets	5
3	Cash/other	4
100		**100**

History of experience gains and losses

The actuarial gains identified as movements on the pensions reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

Table 27k History of experience gains and losses					
	2008/09 %	**2009/10 %**	**2010/11 %**	**2011/12 %**	**2012/13 %**
Difference between the expected and actual return on assets	(41.3)	22.5	2.8	(5.7)	(12.9)
Experience gains/(losses) on liabilities	(0.4)	0	8.2	(0.2)	(0.1)

28. 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.

External audit services in 2011/12 were provided by the Audit Commission. In 2012/13 external audit services were provided by Ernst & Young LLP.

2011/12 £000		**2012/13 £000**
97	Fees payable with regard to external audit services carried out by the appointed auditor for the year	63
52	Fees payable to external auditor for the certification of grant claims and returns for the year	16
149	**Total**	**79**

29. Grant income

The council credited the following grants, contributions and donations to the CIES in 2012/13.

2011/12 £000		2012/13 £000
	Credited to taxation and non specific grant income	
1,426	Revenue support grant	103
4,613	Re-distributed NNDR income	5,307
0	Contributions to partnerships projects	1,935
260	New homes bonus	606
171	Council tax freeze grant	172
443	Developers contributions	253
566	Disabled facilities grant	610
20	Flood alleviation grant	83
3	Growth point grant	1
43	Leisure	0
13	Other	0
7,558	**Total**	**9,070**
	Credited to services	
28,354	Housing benefit - subsidy	28,932
585	Housing benefit - admin	544
5,818	Council tax benefit	5,846
192	NNDR collection allowance	190
0	New burdens	100
166	Homelessness prevention/rent deposit guarantee	62
213	Partnerships and community safety	48
0	Community right to challenge/bid	13
42	Neighbourhood planning	33
203	Contaminated land	56
0	Air quality	60
45	Growth point CLG	0
200	Science vale UK	400
62	Leader	69
11	Other	17
35,891	**Total**	**36,370**

30. 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). Grants received from government are shown in note 29 above.

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.

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:

- Halarose ltd

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

- Councillor Bernard Cooper
- Councillor Marc Hiles
- Councillor Imran Lokhon
- Councillor Alan Rooke
- Councillor Rachel Wallis

A check of previous year's declarations showed that these members had not declared any related party transactions in 2011/12, except for one member listed above who had declared that they have received an equity loan for first-time buyers from Catalyst, under the council's equity loan scheme.

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. For 2012/13 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.

31. 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.

Table 31a Capital expenditure and financing		
2011/12 £000		**2012/13 £000**
	Capital investment:	
143	Property, plant and equipment	3,005
121	Investment properties	12
93	Intangible assets	58
2,506	Revenue expenditure funded from capital under statute	2,566
0	Long term loans for social housing initiatives	272
2,863	**Total capital investment**	**5,913**
	Sources of finance:	
(1,340)	Capital receipts	(1,691)
(637)	Government grants and other contributions	(2,525)
(886)	Earmarked revenue reserves	(1,697)
(2,863)	**Total financing**	**(5,913)**

The council's CFR if made up of certain balances on the balance sheet and for a council with no debt should equal zero.

Table 31b Capital financing requirement		
2011/12 £000		**2012/13 £000**
28,498	Property, plant and equipment	30,745
16,348	Investment properties	15,905
195	Intangible assets	159
17,540	Long term investments (note 1)	17,595
(56,009)	Capital adjustment account	(54,442)
(6,514)	Revaluation reserve	(6,436)
(58)	Available for sale financial instruments reserve	(1,661)
0	Unit trust dividend reinvested reserve (note 2)	(1,865)
0	**Closing CFR**	**0**

(1) Investments in corporate bonds and unit trusts only, excluding accrued interest.

(2) Unit trust dividend reinvested reserve included to show full financing of unit trust investments.

32. 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 32a Minimum lease payments		
31 March 2012 £000		**31 March 2013 £000**
65	Not later than one year	27
128	Later than one year and not later than five years	22
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 32b Expenditure charged to CIES		
2011/12 £000		**2012/13 £000**
7	Minimum lease payments	29
0	Contingent rents	0
7	**Total**	**29**

Council as lessor

Finance leases – the council has no property or equipment leased out under finance leases as at 31 March 2013.

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 32c Future minimum lease payments receivable		
31 March 2012 £000		**31 March 2013 £000**
1,124	Not later than one year	1,182
5,046	Later than one year and not later than five years	5,193
53,338	Later than five years	48,960

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 2012/13 contingent rents receivable by the council are minimal (2011/12 £29,466).

33. Contingent liabilities

At 31 March 2013, the council had the following contingent liabilities:

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

- The council took over responsibility from Thame Town Council on 1 July 2010 to maintain and run Thame swimming pool. Despite the completion of a condition survey and thorough handover process, concerns have arisen over the facility. Where costs are identified to address those concerns that relate to the period before the transfer, the council will take all appropriate action to recover those costs from relevant parties, although the amount that the council will recover is unknown at this stage. In addition, there may be some costs associated with this recovery and funding of works in advance of reimbursement. This potential, short term liability is unquantifiable at this time.

- A group of property search companies are seeking to claim refunds of fees paid to the council for access to local land charges data. Proceedings have not yet been issued. The council has been informed that the value of those claims at present is £108,326 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

34. Contingent assets

At 31 March 2013, the council had no contingent assets.

35. 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 council's treasury team carry out the procedures 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 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 35a 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 2012/13 was approved by full council on 20 February 2012 and is available on the council's website. The key areas of the strategy are that the minimum criteria for investments shown in the table 35a are met.

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 2013 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 35b Potential exposure – credit risk

	Amount at 31 March 2013 **£000**	**Historical experience of default** **%**	**Adjustment for market** **%**	**Estimated maximum exposure** **£000**
Bonds rated:				
AAA rated counterparties	0	0.00%	0.00	0
A rated counterparties – (1 year)	2,130	0.03%	0.00	5
A rated counterparties – (2-3 year)	1,713	0.09%	0.00	4
A rated counterparties – (4-6 year)	480	0.25%	0.00	3
Customers*	Local experience	Local experience	Local experience	Local experience
Total	**4,323**		**0**	**12**

*Excluding statutory debtors – council tax/NNDR.

The table above excludes the deposit made with KSF, 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 KSF, which is reported in detail in note 16.

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 35c below. During the reporting period the council held no collateral as security.

Table 35c Short term debtors aged debt analysis

	£000
Less than three months	2,323
Three months to six months	112
Six months to one year	480
Over one year	414
Total	**3,329**

Statutory debts are included in the figures above to enable comparison with the short term debtors total as shown in the balance sheet and in note 17.

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 35d Refinancing & maturity risk

31 March 2012 £000		31 March 2013 £000
69,505	Less than one year	105,041
31,500	Between one and two years	2,000
2,000	Between two and three years	1,000
3,000	More than three years	2,000
106,005	**Total**	**110,041**

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 2013, if interest rates had been one per cent higher with all other variables held constant, the financial effect would be:

Table 35e Interest rate risk

2011/12 £000		2012/13 £000
0	Increase in interest payable on variable rate borrowings	0
12	Increase in interest receivable on variable rate investments	9
0	Increase in government grant receivable for financing costs	0
12	**Impact on surplus or deficit on the provisions of services**	**9**
	Decrease in fair value of fixed rate investment assets	
72	Impact on other CIES	223
72	**Impact on other comprehensive income & expenditure**	**223**
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 SODC

The council, excluding the pension fund, holds an investment in equity shares to the value of £13.4 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 financial instruments reserve.

A movement of five per cent in the price of shares (positive or negative) would result in a £671,000 gain or loss being recognised in the available for sale financial instruments 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

2011/12 £000		2012/13 £000	Notes
	Income		
(79,431)	Council tax	(79,890)	
(40,920)	Income collectable from business ratepayers	(40,314)	
(5,818)	Transfers from general fund – council tax benefits	(5,846)	
(126,169)	**Total income**	**(126,050)**	
	Expenditure		
83,482	Precepts and demands	83,892	2
	Business ratepayers:		
40,732	Payment to national pool	40,128	
188	Collection costs allowance	186	
1,407	Contributions towards previous year's estimated collection fund surplus	1,586	2
150	Provision for bad and doubtful debts	(636)	
125,959	**Total expenditure**	**125,156**	
(210)	**Deficit/(surplus) for year**	**(894)**	
(1,163)	Balance b/f	(1,373)	
(210)	Deficit/(surplus) for year	(894)	
(1,373)	**Collection fund deficit/(surplus)**	**(2,267)**	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 2012		108,671,134
NNDR rateable value as at 31 March 2013		107,938,604
National multipliers:	**2011/12**	**2012/13**
Small business non-domestic rating multiplier	42.6p	45.8p
Non-domestic rating multiplier	43.3p	45.0p

2. Precepts and demands

2011/12				2012/13		
Precept	**Share of estimated surplus**	**Total**		**Precept**	**Share of estimated surplus***	**Total**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
64,312	1,084	65,396	Oxfordshire County Council	64,652	1,222	65,874
8,542	144	8,686	Thames Valley Police Authority	8,587	162	8,749
			South Oxfordshire District Council:			
6,850	179	7,029	District council requirement	6,714	202	6,916
3,778		3,778	Parish precepts	3,939		3,939
10,628	179	10,807		10,653	202	10,855
83,482	**1,407**	**84,889**		**83,892**	**1,586**	**85,478**

* Share of surplus on 15 January 2012 paid to precepting authorities in 2012/13

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	2,225	6/9	1,483
B	4,997	7/9	3,887
C	15,049	8/9	13,377
D	12,980	9/9	12,980
E	9,264	11/9	11,323
F	5,835	13/9	8,428
G	5,480	15/9	9,134
H	774	18/9	1,548
	56,604		**62,160**
Discounts and exemptions			(5,987)
Class O exempt properties			602
Sub total			**56,775**
Assumed losses on collection			(1,123)
Council tax base			**55,652**

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.

The council's share of the actual surplus or deficit calculated at the end of the year forms part of the council's reserves.

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2011/12 £000		2012/13 £000
(1,058)	Oxfordshire County Council	(1,748)
(140)	Thames Valley Police Authority	(232)
(175)	South Oxfordshire District Council	(287)
(1,373)	**Debtor/(creditor)**	**(2,267)**

Statement of accounting policies

(i) General principles

The statement of accounts summarises the council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The council is required to prepare an annual statement of accounts by 30 June 2013 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 2012/13 and the Service Reporting Code of Practice 2012/13, 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; and
- 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.

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.

(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.

(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 2013 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 MiRS.

(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 MiRS, 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 4.3 per cent based on the yield at the 19 year point on the Merill Lynch AA rated corporate bond curve. This approach is a change from previous years when the yield on the iBoxx AA rated over 15 years corporate bond index was used;

- 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 MiRS 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 financial instrument 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 financial instruments reserve.

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

(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-ring fenced 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 MiRS. 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.

(xiii) Heritage assets

Heritage assets are a separate class of asset and represent assets held principally for their contribution to knowledge or culture. Heritage assets will be carried at valuation or, in certain circumstances, cost. The nature of the assets concerned will determine the most suitable basis for initial measurement and the depreciation basis to adopt.

The carrying amounts of heritage assets will be reviewed where there is evidence of impairment and any impairment recognised and measured in accordance with the council's general policies on impairment. Disposals will be accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds will be disclosed separately in the notes to the financial statements and accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Note 13 the steps taken to identify heritage assets held by the council. Following this review it was concluded that the council does not hold any heritage assets of material significance meriting separate disclosure.

(xiv) 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 MiRS and posted to the capital adjustment account and the capital receipts reserve.

(xv) 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.

(xvi) 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.

(xvii) 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.

(xviii) 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 MiRS 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 MiRS.

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.

(xix) 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 2012/13. 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 2012/13 and accounted for as separate headings in the CIES as part of net expenditure on continuing services.

(xx) 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 MiRS.

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.

When assets are formally revalued, the accumulated depreciation and impairment balances are written down. 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 (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following 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 the useful life of the asset.

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 MiRS.

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 MiRS.

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

The council has no PFI or other similar contracts.

(xxii) 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.

(xxiii) 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 MiRS 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.

(xxiv) 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 MiRS 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.

(xxv) 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.

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:

a) recognising
b) selecting measurement bases for, and
c) 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.

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.

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.

Asset register – a register listing the book values of all the Council's non-current fixed assets, both tangible and intangible.

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 adjustment account - accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (deferred charges). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

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.

Code of Practice – 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.

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 Police and Crime Commissioner for the Thames Valley, 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.

Contingency - is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

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 local police crime

commissioner and local parishes is collected by this council and paid over to them throughout the year.

Council tax benefit - is the assistance provided by Billing Authorities to adults on low incomes to help them pay their Council Tax bill. The cost to authorities of council tax benefit is largely met by government grant in 2012/13.

Council tax requirement - is the estimated revenue expenditure on General Fund services that needed to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

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 at the date of the balance sheet.

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 at the date of the balance sheet.

Deferred capital receipts - capital income still to be received after disposals have taken place.

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.

Earmarked reserves - The council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

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.

External audit - The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the council has made proper arrangements to secure value for money in its use of resources.

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 regulations - These are the written code of procedures approved by the council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

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.

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.

Heritage asset - A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing benefit - This is an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

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.

Infrastructure assets - Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

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) and International Financial Reporting Standards (IFRS) – defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

Liabilities – these are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

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.

Local Government Resource Review (LGRR) - a Central Government initiated review of the system of financing Local Government. The Government plans to discontinue current funding arrangements at the end of 2012/13 and introduce a new finance system with effect from 1 April 2013 based around the retention of National Non Domestic Rates.

National Non Domestic Rates (NNDR) (also known as business rates)– 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; i.e.: 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 and the lease costs are revenue expenditure to the Council – 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.

Provisions - amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs is uncertain.

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.

Reporting standards - the Code prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Revenue expenditure - expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

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.

Service Reporting Code of Practice (SeRCOP) - prepared and published by CIPFA, the Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP). It is reviewed annually to ensure that it develops in line with the needs of modern local government, transparency, best value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

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

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:

http://www.southoxon.gov.uk/about-us/how-we-work/our-finances/annual-governance-statement-0

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