Public Document Pack

SUPPLEMENTARY INFORMATION

Accounts, Audit and Risk Committee

27 June 2012

Agenda Item Number	Page	Title	Officer Responsible	Reason Not Included with Original Agenda
6.	(1 - 104)	Statement of Accounts Approval – Appendix 1 and 2	Head of Finance and Procurement	Meeting to review accounts held after agenda publication
7.	(105 -126)	Annual Governance Statement 2011/12 – Appendix 1	Head of Finance and Procurement	Meeting to review accounts held after agenda publication

If you need any further information about the meeting please contact Gavin Lane, Democratic and Elections gavin.lane@cherwellandsouthnorthants.gov.uk, 01327 322121

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CHERWELL DISTRICT COUNCIL

ANNUAL FINANCIAL REPORT 2011/12

CONTENTS

STATEMENT OF ACCOUNTS 2011/12

INTRODUCTION

Welcome to Cherwell District Council's Statement of Accounts for the year ending 31st March 2012. The Statement of Accounts is statutory document providing information on the cost of services provided by Cherwell District Council to the council tax payer and detailing how those services were financed. In addition, it provides information, within the Balance Sheet on the value of our assets (what we own), what we are owed and the value of our liabilities (what we owe). The terminology used can often be confusing so I hope you find the glossary in section 14 a useful reference.

A summary of the financial position is available in the Annual Report and Summary of Accounts and you can find a copy on our website.

Should you have any comments or wish to discuss this statement in further detail then please contact the finance team on email finance@cherwell-dc.gov.uk

I hope you find the financial statements of interest and I look forward to hearing your views.

Karen Curtin
Head of Finance and Procurement

Martin Henry
Chief Financial Officer and Director of Resources

Cherwell District Council
PO Box 27
Banbury
Oxfordshire
OX15 4BH

2. EXPLANATORY FOREWORD

The purpose of this Statement of Accounts is to present the financial results of the Council's activities for the year ended 31 March 2012, and to summarise the overall financial position of the Council as at 31 March 2012.

2.1 The Accounting Statements

The Council is required by law to complete its accounts in line with the Code of Practice on Local Authority Accounting ("the Code"). In theory, the Code ensures that all local authorities produce their accounts on a consistent basis, enabling comparisons. The Code represents an attempt by accounting regulators to reconcile accounting standards in general use within the UK with the statutory local government finance framework. This is not an easy marriage: there are material differences between what accounting rules state should be included in the accounts and what legislation states should be financed by a local Council and local council taxpayers.

Accordingly there are many entries, particularly within the Comprehensive Income & Expenditure Statements, which are included as notional items for presentational purposes, so that accounting standards are fulfilled, and then "reversed out" so that the bottom line financial performance is consistent with statutory requirements. The Code also requires expenditure on services to be categorised under standard headings that bear little relation to the actual organisation and structure of the Council.

The above can lead to a confusing picture if the core financial statements are taken at face value. Unfortunately, the Council has no discretion to depart from the prescribed format and content of those statements.

The Annual Governance Statement is no longer an integral part of the financial statements but is prepared as a standalone report and is available on the Council's website.

This Explanatory Foreword sets out the key issues and is intended to give the reader an insight into the Council's financial performance during 2011/12 in a way that the financial statements themselves may not otherwise do. This foreword has been written to provide a guide to the significant matters reported in these accounts. It also indicates the type of expenditure incurred and the ways in which money has been raised to pay for this.

2.2 The Key Messages

In common with all local authorities, the Council faced an extremely challenging year in 2011/12 as it seeks to manage the implications of the downturn in the economy and the impact on services. In order to manage this, the Council has developed a transformation programme, which through working in partnership with other local authorities, aims to deliver significant savings whilst protecting frontline services..

2.2.1 Financial Challenge

The Council has top quality budgetary control and as a result has delivered during the year against revenue and capital budget within acceptable tolerances. These are based on percentage variance of revenue and capital budget against profile. (+2%/-5%) The capital programme has been continuously reviewed in detail throughout the year and capital schemes that have not yet started have either been deleted as they are no longer priorities, reduced in value due to procurement savings or specification changes, or slipped forward into future periods.

We started the year with £134.5 million of net assets (restated 10/11) and as at 31st March 2012 the net asset figure had decreased by £13.7 million primarily as a result of the impact of the increase in pension fund. At the end of the year we had **net assets of £120.8 million, £10.2 million of earmarked reserves** and **£3.7 million of general fund reserves**. Our approved budget did not draw on General Fund balances, a reserve maintained to provide a financial cushion should something unexpected happen. The final accounts show that **£1.5m** was transferred to this balance during 2011-12.

We invested £4.8 million of capital funds on a variety of capital schemes during the year, to continue **providing first-class public facilities and investment in the infrastructure of the district**. Highlights include the continued support to housing projects, home improvement grants directly helping older and vulnerable people to live independently in their own homes and the installation of photovoltaics to council buildings to reduce utility costs.

We have continued to reduce our costs and have kept council tax frozen at 2009-10 rates. The 2012-13 budget has **reduced by another £1.2 million**, bringing our total reduction in net expenditure in five years to £8.9m (38%).

2.3 Revenue Expenditure

The Comprehensive income and Expenditure Statement is prepared in accordance with the Service Reporting Code of Practice (SeRCoP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and as a result we have to take our services and categorise accordingly.

During 2011/12 the General Fund Revenue account has been subject to regular and rigorous monitoring as part of the Performance Management Framework. The monthly 'dashboard' provides a mechanism to analyse revenue and capital activity at all levels, providing detailed analyses from a Corporate, Directorate and individual Service level perspective. The 'dashboard' contains a range of cost indicators providing an easy to understand picture of the Council's financial position. We have actively used this tool within 2011/12 to monitor progress against our efficiency targets and our aim is to develop this further within 2012/13. This has significantly increased the Council's ability to manage day-to-day costs and is used to report quarterly to members through the monthly Performance Management Framework. The table below summarises the revenue position against budget in SerCoP format:

	Budget £000s	**Actual £000s**	**Variance £000s**
Central Services to the Public			
Local Tax Collection	17	53	36
Elections	328	325	(3)
Other Central Services	238	117	(121)
Residual Operating Costs	66	67	2
Cultural, Environmental & Planning			
Cultural and Related Services	4,542	4,619	77
Environmental Services	6,659	6,724	66
Planning and Development	2,683	2,169	(514)
Highways, Roads & Transport Services	504	485	(20)
Housing Services			
General Fund Housing	3,251	4,279	1016
Corporate & Democratic Core	2,267	2,089	(178)
Non Distributed Cost	1,357	784	(-573)
Net Cost of Services	**21,911**	**21,700**	**-211**

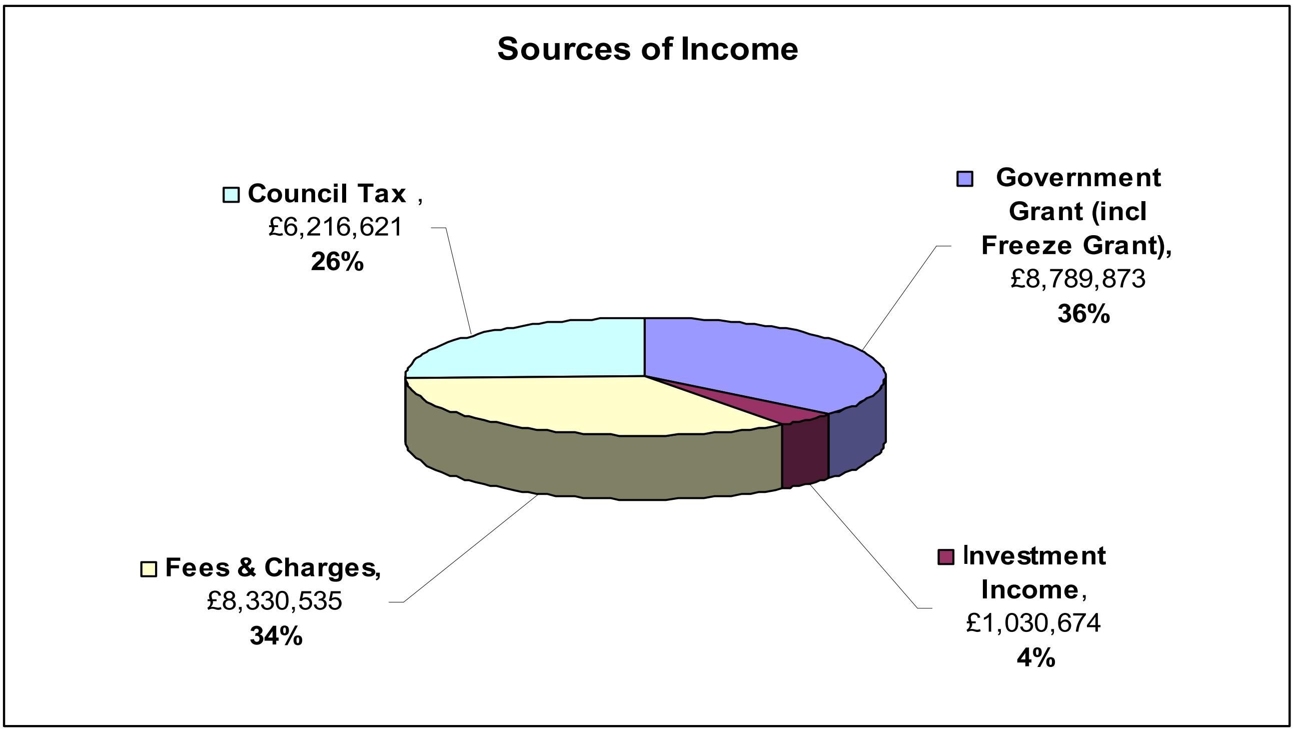
The main variations to net cost of service against budget were:

Primary Drivers	Variance £000s	Year-end adjustments not budgeted £000s	Actual Budget Variance £000s
IAS19 Pension Adjustments	-2,669	-2,669	0
Service underspends - arising from cost reductions and additional income across all services	-146	0	-146
REFCUS	1,704	1,704	0
IFRS Adjustments	-520	-520	0
Other	262	262	0
Impairment & depreciation	2,371	2,371	0
Icelandic writeback	-1,213	-1,213	0
Variation in expenditure	**-211**	**-65**	**-146**

Our service expenditure can be split between staffing costs and other running costs, including capital charges. Running costs include the costs of running our buildings, transport, payments we make to contractors, the payments we make to people receiving benefits and the cost of administrative and professional support costs. Capital charges are made to cover the annual depreciation cost of our assets. Note 8.27 on page 45 splits the Council's income and expenditure into more detail and is in the same format of our management accounts.

2.4 Sources of Finance - Where the Money Came From

The following chart provides an analysis of our main sources of income for the year:



2.5 Capital Expenditure and Financing

Capital Expenditure (spending on the acquisition, creation or enhancement of fixed assets) and Capital Financing (mainly receipts from the sale of such assets in previous years), are detailed in the Notes to the Financial Statements and summarised in the tables below.

Comparison of capital spending by scheme 2011/12 against budget

Capital Scheme	Total Adjusted Budget £000s	Final Spend 2011/12 £000s	Variance £000s
Disabled Facilities Grants	756	756	0
Old Bodicote House	636	636	0
Purchase of Temp Acc Bryant House & Edward St	363	363	0
Thorpe Lane Depot Refurbishment Scheme	315	369	53
Solar Photovoltaic at Sports Centre	265	265	0
Delegated Affordable Housing capital Pot	257	257	0
Vehicle Replacement Programme	207	208	1
Discretionary House Condition Grants	190	127	-63
Eco Town - Energy Saving Schemes	168	168	0
Solar Photovoltaic at Thorpe Lane Depot	165	166	1
Young Persons Acquisition Scheme	163	163	0
Dashwood Road	134	134	0
Glass Collection Vehicle	130	128	-2
South West Bicester Sports Village	112	112	0
Microsoft Licensing Agreement	110	117	7
ACPACS module for PARIS	78	88	10
Miller Road Youth Self Build	68	68	0
Capita Insource	65	65	-0
Extended Contract for Website Hosting	60	54	-5
Communications Review	56	50	-7
Thin Client Extension	54	54	0
Christmas Illuminations	51	74	23
Various small schemes <£50k	**510**	**513**	**3**
	4,915	4,936	21
Less deminimus expenditure		-120	
Capital expenditure (Note 7.37)		**4,816**	

The capital programme has been financed using government grants, capital receipts and revenue contribution and excluding the deminimis expenditure of £120,000 is analysed by category below:

	2011/12 £000s
Sources of finance	
Capital Receipts	3,938
Funding from Earmarked Reserves through Revenue	331
Government Grants and Other Contributions	547
	4,816

2.6 Revaluations

The closing position on the Revaluation Reserve at 31st March 2012 shows revaluation gains accumulated since 1st April 2007. The revaluations in 2011/12 equate to £5,156k and can be seen in detail in the table below:

Asset Description	Revaluation £000s	Net Book Value at 31st March 2012 £000s
Unit 18 Thorpe Road Industrial Estate	(12)	55
Banbury Multi Storey Car Park Traffic Wardens Office	11	45
68 Springfield Avenue, Banbury	17	82
Horse Fair, Banbury - Public Conveniences	51	219
Bure Place, Bicester - Public Conveniences	84	179
Claremont CP, Bicester - Public Conveniences	57	134
Museum	1,690	5,542
Street Wardens Office	(3)	85
Bicester & Ploughley Sports Centre	389	12,513
Kidlington & Gosford Sports Centre	2,872	12,353
	5,156	**31,207**

The primary driver for the upward revaluation is an increase in the insurance valuation of the properties and therefore a higher building replacement cost.

2.7 Reserves and Balances Summary

In considering the sustainability of the Council's expenditure plans a key factor is the level of reserves which are likely to be available to the Council and their ability to support the underlying level of expenditure in the long term.

We have made use of a number of earmarked reserves this year, utilising specifically set aside funds to assist in the funding of capital projects, the expression of interest initiative, invest to save initiatives, restructuring, self insurance and to meet legal or planning appeals. A full list of these reserves is shown in Note 8.6. These reserves are reviewed regularly throughout the year to ensure that they are set at an appropriate level.

We maintain a general reserve to provide a financial cushion should something unexpected happen that may lead to significant unplanned expenditure and to assist with our longer term financial planning.

2.8 Treasury Management Performance

The Council has significant cash reserves which it invests through the Money Market. The interest earned is credited to the Income and Expenditure Account thus helping to maintain Council Tax increases at reasonable levels.

Treasury Management includes the management of cash flows, banking, money market transactions and capital market transaction; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

For the Council this involves managing our cash flow on a daily basis and using the money market to make investments with approved counterparties to ensure best value for money.

As at 31 March 2012 we had a total of £66.9million (2010/11 £67.9million) invested, of which £13.1million were classified as cash and cash equivalents (2010/11 £7.7million).

2.9 Investments in Iceland

Cherwell District Council was one of at least 123 local authorities that have been affected by the collapse of Icelandic banking institutions.

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £6.5m deposited with one of these institutions, Glitnir, with varying maturity dates and interest rates as follows:

Glitnir	**Date Invested**	**Maturity Date**	**Amount Invested**	**Interest Rate**
Investment 1	06/02/07	08/02/10	£2,000,000	5.74%
Investment 2	26/10/06	26/10/09	£2,000,000	5.72%
Investment 3	31/08/07	30/03/09	£2,500,000	6.30%
			£6,500,000	

In 2010/11 the Council had one item of material expense which was the impairment of the investments held with Glitnir Bank, Iceland. These impairments totalled £4.615m and were funded through a capitalisation direction and utilisation of a specific earmarked reserve.

In 2011/12, following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee.

The Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in March 2012. An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 3.4%.

The Council has reversed all the previous years transactions relating to the impairment of its Glitner investments and is reported as a gain in the Comprehensive Income and Expenditure Statement and subsequently adjusted (in accordance with proper practice) via the Movement in Reserve Statement to ensure it has no General Fund Balance implications.

The Glitner investment remaining in the Council's balance sheet at 31March 2012 is £1.3m

Glitnir	Claim Ref	Total Claim Value ISK	Claim Value in Escrow ISK	Claim Value in Escrow on Settlement Date ISK £1 : 200.92 ISK	Claim Value in Escrow at Balance Sheet Date ISK £1 : 202.95 ISK
Investment 1	1819	430,659,559	82,169,844	408,968	405,503
Investment 2	1870	436,659,157	83,314,567	414,665	411,152
Investment 3	1888	527,451,012	100,637,653	500,884	496,640
		1,394,769,728	**266,122,064**	**1,324,518**	**1,313,295**

The amounts were converted from Icelandic Kroner to GBP Sterling with the exchange rates as detailed within CIPFA LAAP Bulletin 82 Update 6. There was an impairment recognised on initial settlement date of £28,000. There was foreign exchange losses recognised of £11,000 at the balance sheet date.

2.10 Collection Fund

As a Billing Authority, the Council is required to maintain a Collection Fund, which accounts for the transactions relating to Council Tax and Business Rates. The balance carried forward at 31st March 2012 is £1,056 million surplus. The Council Tax element of this surplus will be shared by the District Council and the major precepting bodies.

2.11 Pension

The application of International Accounting Standard (IAS) 19 has resulted in a pension liability of £53.8 million shown in the Balance Sheet, an increase of £18.3 million in the year. The main drivers for this reduction include:

- The completion of the 2010 actuarial valuation has been rolled forward and the assessment at 31 March 2012 is based on the assumptions. The performance of the funds and the outcome of the valuation have led to an actuarial loss of £18m .

The liability represents our share of the liability to Oxfordshire County Council's Pension Fund. This amount is matched by a Pensions Reserve also shown on the Balance Sheet and therefore has no immediate impact on the Council's overall financial position and its General Fund Balances but does reduce the net worth of the Council.

Further details are set out in the Accounting Policies (Note 13.7.3) and Pension Notes (section 12).

2.12 Audit

The first draft of these accounts was approved for audit by the Chief Financial Officer on 30 June 2011. These accounts were approved by the Accounts Audit & Risk Committee on 21 September 2012.

2.13 Explanation of the Statements

The Statement of Accounts is supported by the Statement of Responsibilities, the Statement of Accounting Policies, the Core Statements and the associated notes. There is a short explanation of each of the core statements and in addition there is a glossary of financial terms to assist the reader.

Karen Curtin ACCA **Date:**
Head of Finance & Procurement

Martin Henry
Chief Financial Officer and Director of Resources **Date:**

3. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

3.1 The Council's responsibilities

The Council 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 affairs. In this Council, that officer is the Chief Financial Officer;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- approve the Statement of Accounts.

3.2 The Chief Financial Officer's responsibilities

The Chief Financial Officer (151 Officer) is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices, as set out in the CIPFA/ LASAAC *Code of Practice on Local Council Accounting in the United Kingdom* (the Code of Practice).

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the IFRS Code of Practice;
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

3.3 Chief Financial Officer Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2012.

Martin Henry
Chief Financial Officer
Director of Resources **Date:** 27 June, 19 September 2012

3.4 Chairman of Accounts, Audit and Risk Committee Certificate

I certify that the Statement of Accounts has received the full approval of Members.

Councillor Trevor Stevens
Chairman of Accounts, Audit and Risk Committee **Date**: 27 June, 19 September 2012

4. MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. 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 and dwellings rent 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.

	General Fund Balance £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Authority Reserves £000s
Balance 1 April 2011	**(2,220)**	**(8,545)**	**(38,830)**	**(712)**	**(50,307)**	**(84,242)**	**(134,549)**
Movement in reserves during 2011/12							
Surplus or (deficit) on the provision of service	4,224	0	0	0	**4,224**	0	**4,224**
Other Comprehensive Income & Expenditure	0	0	0	0	**0**	12,781	**12,781**
Total Comprehensive Income & Expenditure	**4,224**	**0**	**0**	**0**	**4,224**	12,781	**12,781**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 8.5)	(7,752)	0	3,106	145	**(4,501)**	4,501	**0**
Reversing Use of capital receipts to fund Glitnir, Iceland capitalisation	0	7	(3,230)	0	**(3,223)**	0	**(3,223)**
Increase / decrease before transfers to Earmarked Reserves	**(3,528)**	**7**	**(124)**	**145**	**(3,500)**	**17,282**	**13,782**
Transfers to/from Earmarked Reserves	631	(631)	0	0	**0**	0	**0**
Use of reserves for capital financing	0	331	0	0	**331**	(331)	**0**
Write-off of Glitnir, Iceland investment	1,385	(1,385)	0	0	**0**	0	**0**
Total movements in Earmarked Reserves	**2,016**	**(1,685)**	**0**	**0**	**331**	**(331)**	**0**
Increase / decrease in 2011/12	**(1,512)**	**(1,679)**	**(125)**	**145**	**(3,172)**	**16,951**	**13,782**
Balance at 31 March 2012 carried forward	**(3,732)**	**(10,223)**	**(38,954)**	**(567)**	**(53,476)**	**(67,291)**	**(120,767)**

Comparative figures for 2010/11 are:

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance 1 April 2010	**(1,776)**	**(10,639)**	**(46,290)**	**(565)**	**(59,270)**	**(51,949)**	**(111,219)**
Reversal of 2009/10 use of reserves	0	0	0	0	0	**34**	**34**
Movement in reserves during 2010/11							
Surplus or (deficit) on the provision of service	(2,265)	0	0	0	**(2,265)**	0	**(2,265)**
Other Comprehensive Income & Expenditure	0	0	0	0	**0**	(24,825)	**(24,825)**
Total Comprehensive Income & Expenditure	**(2,265)**	**0**	**0**	**0**	**(2,265)**	**(24,825)**	**(27,090)**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 8.5)	3,429	0	4,258	(147)	**7,540**	(7,540)	**0**
Opening balance adjustment	0	0	(29)	0	**(29)**	0	**(29)**
Grants & contributions recognised in year	77	0	0	0	**77**	0	**77**
Neutralising the impact of the expenditure debit by converting it from revenue to capital	0	0	0	0	**0**	385	**385**
Appropriations for use of provisions	76	0	0	0	**76**	0	**76**
Use of capital receipts to fund Glitnir, Iceland capitalisation	0	0	3,231	0	**3,231**	0	**3,231**
Increase / decrease before transfers to Earmarked Reserves	**1,317**	**0**	**7,460**	**(147)**	**8,630**	**(31,980)**	**(23,350)**
Movement in Earmarked Reserves							
Transfers to/from Earmarked Reserves	(362)	362	0	0	**0**	0	**0**
Use of reserves for capital financing	0	347	0	0	**347**	(347)	**0**
Earmarked Reserves to Net Cost of Services	(15)	52	0	0	**37**	0	**37**
Opening balance adjustments	0	(51)	0	0	**(51)**	0	**(51)**
Write-off of Glitnir, Iceland investment	(1,384)	1,384	0	0	**0**	0	**0**
Total movements in Earmarked Reserves	**(1,761)**	**2,094**	**0**	**0**	**333**	**(347)**	**(14)**
Increase / decrease in 2010/11	**(444)**	**2,094**	**7,460**	**(147)**	**8,963**	**(32,293)**	**(23,330)**
Balance at 31 March 2011 carried forward	**(2,220)**	**(8,545)**	**(38,830)**	**(712)**	**(50,307)**	**(84,242)**	**(134,549)**

5. COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

This statement 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. Council's raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Gross Expenditure 2010/11 £000s	**Gross Income 2010/11 £000s**	**Net Expenditure 2010/11 £000s**		**Gross Expenditure 2011/12 £000s**	**Gross Income 2011/12 £000s**	**Net Expenditure 2011/12 £000s**
8,841	(8,404)	437	Central Services to the Public	8,860	(8,298)	562
6,766	(2,353)	4,413	Cultural and Related Services	6,422	(1,803)	4,619
9,812	(2,079)	7,733	Environmental and Regulatory Services	8,648	(1,923)	6,725
5,789	(1,834)	3,955	Planning Services	4,537	(2,368)	2,169
1,906	(224)	1,681	Highways, Roads & Transport Services	635	(150)	485
40,660	(35,388)	5,273	Housing Services	41,702	(37,435)	4,267
3,357	(135)	3,222	Corporate & Democratic Core	2,158	(69)	2,089
0	(8)	(8)	Non Distributed Cost	784	0	784
0	(10,166)	(10,166)	Exceptional Costs	0	0	0
77,131	**(60,591)**	**16,540**	**Cost of Services**	**73,746**	**(52,046)**	**21,700**
		4,037	Other Operating Expenditure (Note 8.7)			3,213
		(1,060)	Financing and Investment Income & Expenditure (Note 8.8)			(1,392)
		(21,782)	Taxation and Non-Specific Grant Income (Note 8.9)			(19,297)
		(2,265)	**(Surplus) / deficit on Provision of Service**			**4,224**
		(408)	(Surplus) / deficit on the revaluation of non-current assets (Note 8.23.1)			(5,156)
		(24,417)	Actuarial (gains) / losses on pension assets & liabilities (Note 12.3.6)			17,937
		(24,825)	**Other Comprehensive Income & Expenditure**			**12,781**
		(27,090)	**Total Comprehensive Income & Expenditure**			**17,005**

The Exceptional Costs for 2010/11 above reflects the impact of the change in valuation of the Councils pension fund from Retail Price Index (RPI) to Consumer Price Index (CPI).

6. BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (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 reserves 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 (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31st March 2011 £000s		**Notes**	**31st March 2012 £000s**
87,825	Property, Plant & Equipment	8.10	89,052
27,663	Investment Property	8.12	27,560
1,312	Intangible Assets	8.13	1,349
5,535	Long Term Investments	8.16	5,041
85	Long Term Debtors		70
122,420	**Long Term Assets**		**123,072**
50,021	Short Term Investments	8.16	48,365
144	Inventories		215
10,979	Short Term Debtors	8.18	14,325
0	Assets Held for Sale		0
7,712	Cash and Cash Equivalents	8.19	13,608
68,856	**Current Assets**		**76,513**
0	Bank Overdraft	8.19	(496)
(7,235)	Short Term Creditors	8.20	(7,721)
(1,190)	Provisions	8.21	(355)
(8,425)	**Current Liabilities**		**(8,572)**
(35,470)	Liability Related to Defined Benefit Pension Scheme	12.3	(53,772)
(2,814)	Provisions	8.21	(2,667)
(10,018)	Capital Grants Receipts in Advance	8.34	(13,807)
(48,302)	**Long Term Liabilities**		**(70,246)**
134,549	**Net Assets**		**120,767**
(50,307)	Usable Reserves	8.22	(53,476)
(84,242)	Unusable Reserves	8.23	(67,291)
(134,549)	**Total Reserves**		**(120,767)**

7. CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. 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 (i.e. borrowing) to the Council.

31 March 2011		**31 March 2012**
2,265	Net Surplus or (Deficit) on the Provision of Services	(4,224)
(1,514)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	6,014
(1,229)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	(403)
(478)	Net cash flows from Operating Activities (Note 8.24)	1,387
(5,065)	Investing Activities (Note 8.25)	5,123
867	Financing Activities (Note 8.26)	(1,110)
4,676	Net (increase) or decrease in cash and cash equivalents	5,400
12,388	Cash and cash equivalents at the beginning of the reporting period	7,712
7,712	**Cash and cash equivalents at the end of the reporting period**	**13,112**

8. NOTES TO THE CORE FINANCIAL STATEMENTS

8.1 Critical judgements in applying accounting polices

In applying the accounting policies set out in Note 13, 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:

Heritage Assets

The 2011/12 Code adopts the requirements of FRS 30 *Heritage Asset.* Heritage assets are maintained principally for their contribution to knowledge and culture and it is this which distinguishes them from other assets. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage.

The Council has reviewed its current Community Asset portfolio and concluded that none of these assets meet the definition of a Heritage Asset and falls outside the scope of FRS 30 and continues to be accounted for as Community Assets on the Balance Sheet.

The Council has reviewed the arrangements in relation to its Banbury Museum and concluded that the museum building does not meet the definition of a Heritage Asset and falls outside the scope of FRS 30, as the economic benefit or service potential generated is as a result of the operational function it provides.

The Council has reviewed the arrangements surrounding the museum exhibits and collections. In applying its accounting policies has concluded that these should not be recognised on the Balance Sheet.

The majority of exhibits and collections within the museum are loaned to the Council for the duration of each exhibition put on at the museum. The Council has no legal right or ownership of these exhibits and they have not been recognised on the Council's balance sheet.

The few items that are in the Council's ownership are significantly controlled by the County Museum Service and the Council has no cost information and no insurance or other valuations are held on these assets. Therefore these assets have no material economic benefit attached intrinsically to them. In applying the accounting policies the Council has concluded that the economic and service potential generated is as a result of the operational function of the museum service provided (the exhibitions and displays provided rather then the exhibits themselves).

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

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

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & 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, then depreciation increases and the carrying amount of the assets falls. It is estimated that if the annual depreciation charge for buildings would increase by 1% the extra charge would amount to £44,330.
Provisions	This provision relates to a commitment given to the Environment Agency to support the Banbury Flood alleviation scheme. The work commenced in March 2011 and our contribution is payable at the end of the works period.	The Council has made a provision of £2m for the settlement of commitment given. This represents the maximum amount payable by the Council to the Environment Agency. If the final settlement turns out under that estimated by 1% the impact would be a decrease of £20,000 and a release back to the Comprehensive Income and Expenditure Statement.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions cannot be measured accurately. The Council relies on the calculations provided by the Actuary of the Oxfordshire LGPS. During 2011/12, the Council's actuaries advised that the net pension's liability had increased by £18.3m. For instance, a +0.1% increase or -0.1% decrease in the discount rate assumption would result in a decrease in the service cost of £98,000 or increase of £101,000 respectively. Further sensitivity analysis on the pension liability can be seen in Note 11.4.4.
Arrears	At 31 March 2012, the Council had a sundry debtors balance of £978k. A review of significant balances suggested that a bad debt provision against doubtful debts was required. A total provision of £465K was made in 2011/12 based on an increasing scale of provision percentage dependant on the age of the debt. However, in the current economic climate it is not certain that such an allowance would be sufficient.	In 2011/12 the provision was increased by £60k, if collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require a potential additional £60k to set aside as an allowance.

8.3 Events after the balance sheet date

The Statement of Accounts will be authorised for issue by the Chief Financial officer on 19th September 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

8.4 Material Items of Income and Expenses

Actuarial Loss

The Pension Fund Actuary has reported an actuarial loss for 2011/12 of £17.9million. This is reported as a loss in the Comprehensive Income and Expenditure Statement and subsequently adjusted (in accordance with proper practice) via the Movement in Reserve Statement to ensure it has no General Fund Balance implications.

Iceland Investment Write Back

In 2010/11 the Council had one item of material expense which was the impairment of the investments held with Glitnir Bank, Iceland. These impairments totalled £4.615m and were funded through a capitalisation direction and utilisation of a specific earmarked reserve. In 2011/12, following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. The Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in March 2012. An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 3.4%. The Council has reversed all the previous years transactions relating to the impairment of its Glitner investments and is reported as a gain in the Comprehensive Income and Expenditure Statement and subsequently adjusted (in accordance with proper practice) via the Movement in Reserve Statement to ensure it has no General Fund Balance implications.

8.5 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure 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.

2011/12	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the CIES:					
Depreciation and impairment of non current assets	(4,032)	0	0	**(4,032)**	**4,032**
Amortisation of intangible assets	(402)	0	0	**(402)**	**402**
Revaluation losses on Property, Plant & Equipment	(2,371)	0	0	**(2,371)**	**2,371**
Revenue expenditure financed from capital under statute	(1,330)	0	0	**(1,330)**	**1,330**
Movements in the market value of Investment Properties	(103)	0	0	**(103)**	**103**
Amount of Non-Current Assets written off on disposal as part of the gain/loss on disposal to the CIES	(26)	0	0	**(26)**	**26**
Adjustments involving the Capital Grants Unapplied Account:					
Capital Grants and contributions unapplied credited to the CIES	0	0	0	**0**	**0**
Application of grants to capital financing transferred to the CAA	0	0	145	**145**	**(145)**
Adjustments involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES					
Other capital cash receipts	830	(830)	0	**0**	**0**
Use of the Capital Receipts Reserve to finance new capital expenditure	0	3,938	0	**0**	**(3,938)**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(4)	4	0	**0**	**0**
Adjustments Involving the Deferred Capital Receipts Reserve:					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0	(6)	0	**(6)**	**6**
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	(3,263)	0	0	(3,263)	**3,263**
Employer's pensions contributions and direct payments to pensioners payable in the year	2,898			2,898	**(2,898)**
Adjustments involving the Collection Fund Adjustments Account:					
Amount by which council tax income credited to the CIES differs from the council tax income calculated for the year in accordance with statutory requirements	21	0	0	**21**	**(21)**
Adjustment involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES differs from remuneration chargeable in the year in accordance with statutory requirements	29	0	0	**29**	**(29)**
Total Adjustments	**(7,752)**	**3,106**	**145**	**(4,501)**	**4,501**

2010/11	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the CIES:					
Depreciation and impairment of non current assets	(3,139)	0	0	**(3,139)**	**3,139**
Amortisation of intangible assets	(416)	0	0	**(416)**	**416**
Revaluation losses on Property, Plant & Equipment	(57)	0	0	**(57)**	**57**
Revenue expenditure financed from capital under statute	(2,133)	0	0	**(2,133)**	**2,133**
Movements in the market value of Investment Properties	3	0	0	**3**	**(3)**
Amount of Non-Current Assets written off on disposal as part of the gain/loss on disposal to the CIES	(143)	0	0	**(143)**	**143**
Neutralising the impact of the credit of the contribution to I&E	385	0	0	**385**	**(385)**
Insertion of items not debited or credited to the CIES:					
Capital expenditure charged against the General Fund	315	0	0	**315**	**(315)**
Adjustments involving the Capital Grants Unapplied Account:					
Capital Grants and contributions unapplied credited to the CIES	200	0	(200)	**0**	**0**
Application of grants to capital financing transferred to the CAA	(53)	0	53	**0**	**0**
Adjustments involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	0	(141)	0	**(141)**	**141**
Other capital cash receipts	104	(104)	0	**0**	**0**
Use of the Capital Receipts Reserve to finance new capital expenditure	0	4,505	0	**4,505**	**(4,505)**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(5)	5	0	**0**	**0**
Adjustments Involving the Deferred Capital Receipts Reserve:					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0	(7)	0	**(7)**	**7**
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	5,347	0	0	**5,347**	**(5,347)**
Employer's pensions contributions and direct payments to pensioners payable in the year	2,950	0	0	**2,950**	**(2,950)**
Adjustments involving the Collection Fund Adjustments Account:					
Amount by which council tax income credited to the CIES is different from the council tax income calculated for the year in accordance with statutory requirements	24	0	0	**24**	**(24)**
Adjustment involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES differs from remuneration chargeable in the year in accordance with statutory requirements	47	0	0	**47**	**(47)**
Total Adjustments	**3,429**	**4,258**	**(147)**	**7,540**	**(7,540)**

8.6 Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

Balance at 1 April 2010 £000s	Transfers In 2010/11 £000s	Transfers Out 2010/11 £000s	Balance at 31 March 2011 £000s		Transfers In 2011/12 £000s	Transfers Out 2011/12 £000s	Balance at 31 March 2012 £000s
				Earmarked Reserves			
(300)	0	0	(300)	Ex HRA Insurance Reserve	(111)	61	(350)
(47)	0	0	(47)	Building Control Reserve	0	0	(47)
(605)	0	291	(314)	Plant & Transport Renewals Fund	(400)	314	(400)
(331)	0	24	(307)	Wheeled Bin Replacements	0	67	(240)
(3,282)	0	1,427	(1,855)	Environmental Warranties	(1,385)	639	(2,600)
(592)	(1,114)	1,342	(364)	Corporate Improvement Reserve	(495)	151	(708)
(711)	(347)	50	(1,008)	Planning Control Reserve	(310)	619	(699)
(697)	0	347	(350)	Planning Policy Reserve	(300)	0	(650)
(200)	0	200	0	Interest Rate Risk Reserve	0	0	0
0	(1,385)	1,385	0	Iceland Investment Reserve	0	0	0
(79)	0	5	(74)	Corporate ICT Reserve	(253)	27	(300)
(100)	0	100	0	Economic Risk Reserve	0	0	0
(100)	0	0	(100)	Hanwell Fields Open Space Reserve	(91)	100	(91)
(25)	(24)	3	(46)	Licensing Reserve	(23)	0	(69)
0	0	0	0	Election Reserve	(50)	0	(50)
0	0	0	0	Jubilee / Olympic Reserve	(50)	0	(50)
(7,069)	**(2,870)**	**5,174**	**(4,765)**		**(3,467)**	**1,977**	**(6,255)**
				Earmarked Reserves from Grants & Contributions			
(1,834)	(11)	272	(1,573)	Eco Town Revenue	(376)	284	(1,665)
(810)	0	209	(601)	Planning Delivery Grant	0	87	(514)
0	(507)	168	(339)	Joint Working Reserve	0	339	0
(160)	(1)	3	(158)	Broadfield Road Yarnton Sports	(1)	0	(159)
(55)	(100)	0	(155)	Homelessness Prevention	(43)	1	(198)
(40)	(109)	67	(82)	Planning Policy Statement Climate Change	0	0	(82)
(161)	0	44	(117)	Government Grant LABGI	0	37	(80)
(94)	(2)	0	(96)	Bicester Fields Main Park	0	0	(96)
(107)	0	13	(94)	Flood Recovery Grant	0	0	(94)
0	(65)	0	(65)	Bicester Youth Bus	0	0	(65)
(55)	0	0	(55)	Dovecote Milcombe	0	0	(55)
(28)	(79)	56	(51)	Area Based Grant	(52)	19	(84)
0	(50)	0	(50)	High Speed 2 Reserve	0	36	(14)
0	0	0	0	New Homes Bonus	(496)	0	(496)
(226)	(236)	118	(344)	Total of smaller grants and contributions under £50,000	(78)	59	(365)
(3,570)	**(1,160)**	**950**	**(3,780)**		**(1,046)**	**860**	**(3,968)**
(10,639)	**(4,030)**	**6,124**	**(8,547)**	**Total Earmarked Reserves**	**(4,513)**	**2,837**	**(10,223)**

The following table gives an indication on how the earmarked reserves > £350k will be used:

Self Insurance Reserves	The reserve is used to cover claim costs that are below the Council’s insurance policy excess limit.
Plant & Transport Renewals Fund	Revenue contribution to capital expenditure.
Wheeled Bin Replacements	Revenue contribution to capital expenditure.
Environmental Warranties	To fund commitment on asbestos for the period associated with Stock Transfer Contract
Corporate Change Reserve	Change reserve to fund restructuring and business transformation projects
Planning Control & Policy Reserves	Created to cover planning appeals
Iceland Investment Reserve	Used to fund any losses arising from the Glitnir write off
New Homes Bonus	A 'bonus' for new homes by match funding the additional council tax raised for new homes and empty properties brought back into use, with an additional amount for affordable homes, for the following six years.

8.7 Other Operating Expenditure

2010/11 £000s		2011/12 £000s
3,993	Parish Council Precepts	4,013
5	Payments to the Government Housing Capital Receipts Pool	4
143	(Gains) / losses on the disposal of non current assets	26
(104)	Income from disposal of capital interests	(830)
4,037	**Total**	**3,213**

8.8 Financing and Investment Income and Expenditure

2010/11 £000s		2011/12 £000s
34	Interest payable and similar charges	0
2,047	Pensions interest cost and expected return on pensions assets	1,117
(1,945)	Interest receivable and similar income	(998)
(3)	Income and expenditure in relation to investment properties and changes in their fair value	(103)
1,385	Loss (Gain) on Glitnir, Iceland Investments	(1,212)
(2,578)	Surplus on trading undertakings	(196)
(1,060)	**Total**	**(1,392)**

8.9 Taxation and Non Specific Grant Income

2010/11 £000s		2011/12 £000s
(10,291)	Council Tax Income	(10,537)
(9,523)	Non Domestic Rates	(6,596)
(1,383)	Non-ringfenced government grants	(2,038)
(585)	Capital grants and contributions	(126)
(21,782)	**Total**	**(19,297)**

8.10 Property, Plant & Equipment

At Cherwell District Council, for the financial year 2011-12, all property valuations are carried out by John Slack MRICS, Valuer Regeneration and Estates. In the prior year, all property valuations were carried out by David Marriott MRICS, Head of Regeneration and Estates.
The bases of valuations are undertaken in accordance with the Statement of Asset Valuation Practice and Guidance Notes, published by the Royal Institute of Chartered Surveyors (RICS).

	Operational Assets				Non-Operational Assets	
	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Infrastructure £000s	Community Assets £000s	Assets under Construction £000s	Total £000s
Cost or valuation						
As at 1st April 2011	95,886	9,128	5,311	396	21	110,742
Additions	1,620	645	60	0	220	2,545
Derecognition – Disposals		(643)	0	0	0	(643)
Revaluation increases / decreases recognised in the Revaluation Reserve	3,655	0	0	0	0	3,655
Revaluation increases / decrease recognised in the Surplus / Deficit on the Provision of Services	(2,371)	0	0	0	0	(2,371)
Reclassification	(13,854)	(122)	0	(38)	0	(14,014)
At 31st March 2012	**84,936**	**9,008**	**5,371**	**358**	**241**	**99,914**
Accumulated Depreciation and Impairment						
As at 1st April 2011	(16,541)	(5,054)	(1,261)	(62)	0	(22,918)
Depreciation Charge	(2,454)	(1,387)	(190)	(1)	0	(4,032)
Derecognition - Disposals	0	572	0	0	0	572
Depreciation written out to the Revaluation Reserve	1,501	0	0	0	0	1,501
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0
Reclassification	13,854	123	0	38	0	14,015
As at 31st March 2012	**(3,640)**	**(5,746)**	**(1,450)**	**(24)**	**0**	**(10,862)**
Net Book Value						
At 31st March 2012	81,296	3,262	3,920	333	241	89,052
At 31st March 2011	79,345	4,074	4,050	334	21	87,825

Comparative movements in 2010/11:

	Operational Assets				Non-Operational Assets	
	Other Land & Buildings £000s	**Vehicles, Plant & Equipment £000s**	**Infrastructure £000s**	**Community Assets £000s**	**Assets under Construction £000s**	**Total £000s**
Cost or valuation						
As at 1st April 2010	94,812	8,424	4,943	24	0	108,203
Additions	1,142	799	368	372	21	2,702
Derecognition – Disposals	(205)	(95)	0	0	0	(300)
Revaluation increases / decreases recognised in the Revaluation Reserve	194	0	0	0	0	194
Revaluation increases / decrease recognised in the Surplus / Deficit on the Provision of Services	(57)	0	0	0	0	(57)
At 31st March 2011	**95,886**	**9,128**	**5,311**	**396**	**21**	**110,742**
Accumulated Depreciation and Impairment						
As at 1st April 2010	(15,358)	(3,643)	(1,079)	0	0	(20,080)
Depreciation Charge	(1,406)	(1,275)	(182)	0	0	(2,863)
Derecognition - Disposals	9	78	0	0	0	87
Depreciation written out to the Revaluation Reserve	242	0	0	0	0	242
Impairment losses recognised in the Revaluation Reserve	(28)	0	0	0	0	(28)
Impairment losses recognised in the Surplus / Deficit on the Provision of Services	0	(214)	0	(62)	0	(276)
As at 31st March 2011	**(16,541)**	**(5,054)**	**(1,261)**	**(62)**	**0**	**(22,918)**

8.11 Heritage Assets

8.11.1 Heritage Assets: Change in Accounting Policy required by the Code of Practice for Local Authority Accounting in the United Kingdom

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council.

As set out in our summary of significant accounting policies, the Council now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the Council were held at valuation as a proxy for historical cost. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's summary of significant accounting policies (see Note 13.9).

In the Council's critical judgements in applying accounting policies (see Note 8.1), the Council has concluded that there are no assets to recognise on its balance sheet that were not previously recognised or no heritage assets previously recognised within community assets that should be reclassified as heritage assets in the Balance Sheet.

8.11.2 Heritage Assets: Information on the Council's Museum Service

The Banbury Museum

The origins of Banbury Museum stretch back into the middle and early 20th century, when a small collection was formed and displayed in the town library in Marlborough Road. At this time, the library service was delivered by the Banbury Borough Council.

In 1974, the Banbury Borough ceased to exist, and a new Council, Cherwell District Council was created. Cherwell District Council and Oxfordshire County Council agreed to collaborate and create a museum for Banbury. This partnership agreed that the collection would be managed and displayed by the County Museum Service, and the District would provide the building and front of house staff. All items collected after this date were added to the County Museum Collection, those items collected before 1974 remained in Cherwell District Council ownership, however with the significant control of these assets resting with the County Museum Service.

In 1980 a new Banbury Museum opened in Horsefair, Banbury, and it remained here until the Museum moved to its new permanent home at Castle Quay in 2002.

The agreement with the County Museum Service was changed in 1998, when the County withdrew from the partnership, although the County Collection remained accessible. From this date Cherwell District Council employed its own professional museum staff, and purchased conservation and technical support from the County Museum Service. Objects acquired for the collection were added to the County Collection as before.

The new Banbury Museum displays permanent collections over 300 square metres. This primarily draws from the County Museum Service Collection, some of which are from the pre1974 group of objects. There are other significant groups of objects on loan, including 17th century arms and armour from the Royal Armouries, the Town Maces, on loan from the Town Council, and silver from St Mary's Church.

The collections displayed are in the main part regularly audited by the lenders. Oxfordshire Museum Service audits their collection annually, and the Royal Armouries do so approximately once every three years. Both St Mary's Church and the Town Council remove their loans from time to time for use.

The Heritage Lottery Fund (HLF) required an agreement between Cherwell District Council and Oxfordshire County Council so that the collection can not be withdrawn. As a result, there is a contract in place with the County Museum Service, agreeing to the use of the collection in Banbury Museum for 25 years, from 2002.

The Council's main function in relation to the museum at the Council is delivering the museum service and the assets on display are from third parties or are significantly influenced by the County Museum Service.

8.12 Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2010/11 £000s		2011/12 £000s
1,453	Rental Income from investment property	1,637
(462)	Direct operating expenses arising from investment property	(489)
991	**Net gain**	**1,148**

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

2010/11 £000s		2011/12 £000s
27,660	**Balance at start of the year**	27,663
	Additions:	
1	Subsequent expenditure	0
0	Disposals	0
2	Net gains/losses from fair value adjustments	(103)
	Transfers:	
0	To/from Property, Plant and Equipment	0
27,663	**Balance at end of the year**	**27,560**

8.13 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 the Council holds are all purchased licenses and 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 total amounts held for each category of useful lives are:

Software and Licences	2010/11 £000s	2011/12 £000s
1 Year	54	62
3 Years	433	448
4 Years	102	102
5 Years	1,284	1,615
7 Years	40	40
10 Years	1,388	1,472
	3,300	**3,739**

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £402,000 charged to revenue in 2011/12 was mostly charged to the ICT infrastructure support cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

The movement on Intangible Asset balances during the year is as follows:

2010/11 £000s	Software and Licences	2011/12 £000s
	Balance at start of year:	
3,138	Gross carrying amounts	3,300
(1,672)	Accumulated amortisation	(1,988)
1,466	Net carrying amount at start of year	1,312
	Additions:	
334	Purchases	450
0	Impairment losses recognised in the Surplus / Deficit on the Provision of Services	0
(172)	Disposals Gross Carrying Amount	(85)
100	Disposals amortisation	74
(416)	Amortisation for the period	(402)
1,312	**Net carrying amount at end of year**	**1,349**
	Comprising:	
3,300	Gross carrying amounts	3,665
(1,988)	Accumulated amortisation	(2,316)
1,312		**1,349**

8.14 Commitments under Capital Contracts

The total capital programme budget for 2012/13 is £14.4 million. This consists of £4.7m of new schemes and £9.7m of slippage from 2011/12. Of this, the major capital commitments at 31st March 2012 are £8,678k (£6,449k 2010/11):

Council Approved Capital Commitments for 2012/13	**£000s**
South West Bicester Sports Village	1,366
Cherwell Community Led Housing Programme	2,333
Bicester Town Centre Redevelopment	4,979
	8,678

8.15 Revenue Expenditure funded from Capital under Statute

The following analysis represents capital expenditure incurred during 2011/12 which did not result in the creation of a tangible asset owned by the Council. This expenditure has been written off to revenue in 2011/12.

2010/11 £000s	**Type of Charge**	**2011/12 £000s**
951	Disabled Facilities Grant	756
608	Housing Homelessness	613
49	Community Improvement Schemes	32
839	Local Council Social Housing Grant	261
73	Other Discretionary Grants	43
260	Eco Town, Bicester	172
2,780		**1,877**

8.16 Treasury Investments

31 March 2011 £000s		**31 March 2012 £000s**
	Long Term Investments	
5,535	Fixed Term Loans and Receivables	5,041
5,535		**5,041**
	Short Term Investments	
29,472	Fixed Term Loans and Receivables	36,623
20,549	Fair Value through I&E Investments	11,742
50,021		**48,365**
55,556		**53,406**

Analysis of Investments

Fixed-term loans and receivables

These investments are fixed term and fixed interest rate cash deposits with Banks and Building Societies. The carrying value includes the principal sum plus accrued interest.

Fair value through Income and Expenditure Investments

These short term investments are Certificates of Deposit managed by Investec. These are valued at bid price and all income, including gains and losses, is taken to the Comprehensive Income & Expenditure Account. Forward deals which have not been settled at the Balance Sheet date are also included at fair value.

Investment gains and losses

			2011/12	
2010/11 £000s		**Loans and Receivables £000s**	**Fair value through I&E £000s**	**Total £000s**
(1,945)	Interest and Investment Income	(958)	(40)	(998)
(1,945)		**(958)**	**(40)**	**(998)**
0	Gains on forward deals	0	0	0
1,385	Impairment of Iceland investments (Reversal)	(1,385)	0	(1,385)
1,385		**(1,385)**	**0**	**(1,385)**
(560)	**Net gain**	**(2,343)**	**(40)**	**(2,383)**

8.17 Financial Instruments

8.17.1 Carrying Values

Financial assets comprise long-term and short-term investments, long-term debtors, short-term debtors (excluding statutory debts such as Council Tax, Non-Domestic Rates, rent allowances, precepts, etc) and cash & cash equivalents. Financial liabilities are creditors excluding statutory obligations that arise from contracts.

For each category, the financial instruments disclosed in the Balance Sheet are carried at the following values:

Long Term 31 March 2011 £000s	Short Term 31 March 2011 £000s		Long Term 31 March 2012 £000s	Short Term 31 March 2012 £000s
5,535	29,472	Fixed Term Loans & Receivables	5,041	36,623
0	20,549	Fair Value through I&E Investments	0	11,742
0	7,712	Cash & Cash Equivalents	0	13,608
85	3,616	Loans & Receivables	70	3,734
5,620	**61,349**	**Total Financial Assets**	**5,111**	**65,707**
0	0	Bank Overdraft (Cash & Cash Equivalents)	0	(496)
0	(4,330)	Creditors	0	(3,670)
0	**(4,330)**	**Total Financial Liabilities**	**0**	**(4,166)**

8.17.2 Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction. Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. 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:

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council has long-term fixed term loans where the carrying value and fair value differ.

Carrying Value 2010/11 £000s	Fair Value 2010/11 £000s		Carrying Value 2011/12 £000s	Fair Value 2011/12 £000s
5,535	5,594	Loans & Receivables	5,041	5,012
5,535	**5,594**	**Total**	**5,041**	**5,012**

The fair value and carrying value for the loans are broadly similar. As at 31st March 2012, it is slightly lower because the interest rate used to calculate amortised cost is lower than the rates available for similar loans, at the balance sheet date. As at 31st March 2011, the fair value is higher because the Councils portfolio of investments included a number of fixed rate loans where the interest receivable is higher than the rates available for similar loans as at the same date. This guarantee to receive interest below current market rates reduces the amount that the Council would receive if it agreed to early repayment of the loans.

8.17.3 Income, Expense, Gains & Losses

The income, expenses, gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows:

	Financial Liabilities	Financial Assets		
	Liabilities at amortised cost 2011/12	Loans & Receivables 2011/12	Assets at fair value through I&E 2011/12	Total 2011/12
	£000s	£000s	£000s	£000s
Interest expense	0	0	0	**0**
Impairment losses	0	(1,385)	0	(1,385)
Total expense in the Surplus or deficit on the Provision of Service	**0**	**(1,385)**	**0**	**(1,385)**
Interest income	0	(958)	(40)	**(998)**
Total income in the Surplus or deficit on the Provision of Service	**0**	**(958)**	**(40)**	**(998)**
Net (gain) / loss for the year	**0**	**(2,343)**	**(40)**	**(2,383)**

Comparative figures for 2010/11 are:

	Financial Liabilities	Financial Assets		
	Liabilities at amortised cost 2010/11	Loans & Receivables 2010/11	Assets at fair value through I&E 2010/11	Total 2010/11
	£000s	£000s	£000s	£000s
Interest expense	34	0	0	**34**
Impairment losses	0	1,385	0	**1,385**
Total expense in the Surplus or deficit on the Provision of Service	**34**	**1,385**	**0**	**1,419**
Interest income	0	(1,406)	(539)	**(1,945)**
Total income in the Surplus or deficit on the Provision of Service	**0**	**(1,406)**	**(539)**	**(1,945)**
Net (gain) / loss for the year	**34**	**(21)**	**(539)**	**(526)**

8.17.4 Key Risks

The Council's activities expose it to a variety of financial risks. The Council does not require debt financing and currently does not have any debt exposure. As such the key risks are in relation to financial assets and 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 requiring 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 movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the 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. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;

- by the adoption of a Treasury Policy Statement and treasury management clauses with its financial regulations;

- by approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures as to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

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

The 2012/13 annual treasury management strategy which incorporates the prudential indicators was approved by Council in February 2012 and is available on the Council website. The strategy divides its investments into two categories:

In-house funds: The Council has in-house managed funds which are mainly cash-flow derived and there is a core balance available for investment over a longer period. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

External fund managers: A proportion of the Council's funds are externally managed on a discretionary basis by Investec and Tradition UK. The Council has used external fund managers since 1997. These fund managers and amounts held are currently under review as we look to rebalance funds as expenditure in our capital programme continues.

The Council's external fund managers will comply with the Annual Investment Strategy. The agreement between the Council and Investec additionally stipulate guidelines and duration and other limits in order to contain and control risk.

These Treasury Management policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

The Councils Treasury Management function and the rates quoted in this valuation are supported and obtained by the Councils treasury management advisors Sector.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures 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, in accordance with the Fitch, Moody's and Standard & Poors Credit Rating Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after the initial criteria are applied. The full Investment Strategy was approved by Council and can be found on the Council's website.

This Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual 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 of the Council's deposits, but there was no evidence at the 31st March 2012 that this was likely to crystallise

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

Deposits with banks and financial institutions (Excluding Icelandic Banks)	Amount at 31st March 2012 £000s	Historical experience of default %	Adjustment for market conditions at 31st March 2011 %	Estimated maximum exposure to default £000s
AAA rated counterparties	19,864	0.00	0.00	0
AA rated counterparties	7,844	0.03	0.03	2
A rated counterparties	37,584	0.08	0.08	30
BBB rated counterparties	0	0.24	0.24	0
Debtors	7,889	5.00	5.00	394
Total	**73,181**			**427**

No breaches of the Council's counterparty criteria occurred 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.

The Council generally allows 30 days credit for its debtors, such that £7,889k of the £14,643k invoices debtors balance before the bad debt provision, is past its due date for payment. The past due amount can be analysed by age as follows:

	2011/12 £000s
Less than three months	187
Three to twelve months	2,705
More than one year	4,997
	7,889

Creditors are paid according to terms; there are no defaults or exposures to be considered. The Council initiates a legal charge on property where, for instance, works in default invoices are raised but the debtor cannot afford to pay immediately. The total collateral at 31 March 2012 was £7,927 (2010/11 £10,219.)

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Following the Icelandic Supreme Court's decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in March 2012.

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 3.4%. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.

The distribution has been made in full settlement, representing 100% of the claim. The investment remaining in the Council's balance sheet at 31March 2012 is £1.3m.

Glitnir	Claim Ref	Total Claim Value ISK	Claim Value in Escrow ISK	Claim Value in Escrow on Settlement Date ISK £1 : 200.92 ISK	Claim Value in Escrow at Balance Sheet Date ISK £1 : 202.95 ISK
Investment 1	1819	430,659,559	82,169,844	408,968	405,503
Investment 2	1870	436,659,157	83,314,567	414,665	411,152
Investment 3	1888	527,451,012	100,637,653	500,884	496,640
		1,394,769,728	**266,122,064**	**1,324,518**	**1,313,295**

The amounts were converted from Icelandic Kroner to GBP Sterling with the exchange rates as detailed within CIPFA LAAP Bulletin 82 Update 6. There was an impairment recognised on initial settlement date of £28,000. There was foreign exchange losses recognised of £11,000 at the balance sheet date.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice. This seeks to ensure that cash is available when needed.

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

The maturity analysis of financial assets is as follows:

2010/11 £000s	Investments (Excluding Glitnir, Iceland)	2011/12 £000s
48,010	Less than one year	47,052
5,535	Between one and two years	5,041
0	Between two and three years	0
0	More than three years	0
53,544		**52,093**

Refinancing and Maturity Risk

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

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council has no long term financial liabilities. All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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 an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

As at 31st March 2012, there was no material exposure to changes in interest rates as the majority of investment activity was undertaken at a fixed rate of interest. Therefore, had the interest rate been 1% higher (or conversely 1% lower), there would be no material impact on other financial statements within these accounts.

Price risk - The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

Foreign exchange risk in Relation to Icelandic Deposits - The Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir. This is being held in Icelandic kroner in an escrow account due to the current imposition of currency controls.

8.18 Short Term Debtors

31 March 2010 £000s		31 March 2012 £000s
6,732	Central Government Bodies	9,793
1,122	Other Local Authorities	1900
22	NHS Bodies	24
	Other Entities and Individuals:	
903	Council Tax	966
0	Non-Domestic Rates	0
536	Housing Benefit Overpayments	663
1,664	Sundry Debtors	978
10,979	**Total**	**14,325**

8.19 Cash & Cash Equivalents

31 March 2011 £000s		31 March 2012 £000s
2	Cash held by the Council	0
188	Bank current accounts	0
0	Bank Overdraft	(496)
7,522	Short-term deposits	13,608
7,712	**Total Cash and Cash Equivalents**	**13,112**

8.20 Short Term Creditors

31 March 2011 £000s		31 March 2012 £000s
(593)	Central Government Bodies	(444)
(844)	Other Local Authorities	(579)
	Other Entities and Individuals	
(624)	Non-Domestic Rates	(858)
(819)	Council Tax	(1,320)
(4,355)	Sundry Creditors	(4,520)
(7,235)	**Total**	**(7,721)**

8.21 Provisions

Balance at 31 March 2011 £000s		Transfers In 2011/12 £000s	Transfers Out 2011/12 £000s	Balance at 31 March 2012 £000s
	Under 1 year			
(457)	Restructure Provision	405	(169)	(221)
(692)	Joint Working Provision	599	0	(93)
(40)	Engineering Provision	0	0	(40)
(1)	Health Walks Training Fund	0	0	(1)
(1,190)		**1,003**	**(169)**	**(355)**
	Over 1 year			
0	Sports Development			
(3)	Health Walks Training Fund	0	0	(3)
(107)	Landlord Rent Guarantee Provision	10	0	(97)
(569)	Restructure Provision	169	(5)	(405)
(18)	Landlord Rent Ex-Charter Provision	0	0	(18)
(2,000)	Flood Prevention Provision	0	0	(2,000)
(10)	Banbury Bowls Club Provision	0	(5)	(16)
(13)	58 Bridge Street - Repair & Renewals	0	(10)	(23)
(93)	Housings Home Improvement Agency	0	(11)	(104)
(2,814)		**178**	**(31)**	**(2,667)**
(4,004)	**Total Provisions**	**1,182**	**(200)**	**(3,022)**

The table below gives an overview of how provisions > £500k will be used:

Flood Prevention Provision
This provision relates to a commitment given to the Environment Agency to support the Banbury Flood alleviation scheme. The work commenced in March 2011 and our contribution is payable at the end of the works period.

Usable and Unusable Reserves

The Council keeps a number of reserves in the balance sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. Different reserves held by the Council are analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and ‘unusable reserves’ (i.e. those that can not be applied to fund expenditure or reduce local taxation).

8.22 Usable Reserves

The Council has a number of usable reserves in the balance sheet, those that can be applied to fund future expenditure or reduce local taxation. The purpose of each useable reserve is detailed in the table below or cross referenced to supporting notes.

31 March 2011 £000s		In Year £000s	31 March 2012 £000s	Purpose of Reserve
(38,830)	Capital Receipts Reserve	(124)	(38,954)	Proceeds of fixed asset sales available to meet future investment.
(8,545)	Earmarked Reserves	(1,678)	(10,223)	Various individual needs (Note 7.8).
(2,220)	General Fund	(1,512)	(3,732)	Resources available to meet future running costs.
(712)	Capital Contributions & Grants Unapplied	145	(567)	This is the balance of capital grants that have not been used to finance capital expenditure
(50,307)		**(3,169)**	**(53,476)**	

8.23 Unusable Reserves

The Council has a number of unusable reserves in the balance sheet, those that can not be applied to fund future expenditure or reduce local taxation they are required to be held for statutory reasons and are needed to comply with proper accounting practice

The unusable reserves held by the Council are detailed in the table below. The purpose of each useable reserve is cross referenced to the supporting notes for each unusable reserve.

31 March 2011 £000s		31 March 2012 £000s
(16,857)	Revaluation Reserve (Note 8.23.1)	(21,179)
(102,820)	Capital Adjustment Account (Note 8.23.2)	(99,935)
(131)	Financial Instruments Adjustment Account (Note 8.23.3)	0
35,470	Pensions Reserve (Note 8.23.4)	53,772
(36)	Deferred Capital Receipts Reserve (Note 8.23.5)	(31)
(120)	Collection Fund Adjustment Account (Note 8.23.6)	(141)
252	Accumulated Absences Account (Note 8.23.7)	223
(84,243)	**Total Unusable Reserves**	**(67,291)**

8.23.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property. 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 1st 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.

2010/11 £000s		2011/12 £000s
(16,816)	**Balance at 1 April**	**(16,857)**
(493)	Upward revaluation of assets	(5,156)
85	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
(408)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**(5,156)**
362	Difference between fair value depreciation and historical cost depreciation	834
5	Accumulated gains on assets sold or scrapped	0
367	Amount written off to Capital Adjustment Account	**834**
(16,857)	**Balance at 31 March**	**(21,179)**

8.23.2 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 Comprehensive Income and Expenditure Statement (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 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 7.5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

The movements on the Capital Adjustment Account for the year are:

2010/11 £000s		2011/12 £000s
(103,346)	**Balance at 1 April**	**(102,820)**
34	Correction of 2009/10 entry	0
(103,312)		**(102,820)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
3,139	Charges for depreciation and impairment of non-current assets	4,032
57	Revaluation gains / losses on Property, Plant and Equipment	2,371
416	Amortisation of intangible assets	402
2,780	Revenue expenditure funded from capital under statute	1,877
283	Amounts of non current assets written off on disposal of sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	26
6,675		**8,708**
(367)	Adjusting amounts written out of the Revaluation Reserve	(834)
6,308	Net written out amount of the cost of non current assets consumed in the year	**7,874**
	Capital financing applied in the year :	
(4,505)	Use of the Capital Receipts Reserve to finance new capital expenditure	(3,938)
(646)	Use of grants to finance Revenue Expenditure Financed from Capital Under Statute	(547)
(347)	Use of Earmarked Reserves	(331)
(315)	Capital Expenditure charged against the General Fund	0
0	Capital Grants Unapplied written out	(145)
0	Adjustments involvement Financial Instruments Adjustment Account	(131)
(5,813)		**(5,092)**
(3)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	103
(102,820)	**Balance at 31 March**	**(99,935)**

8.23.3 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2010/11 £000s		2011/12 £000s
(131)	**Balance at 1 April**	**(131)**
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	131
0	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0
(131)	**Balance at 31 March**	**0**

8.23.4 Pension 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 Comprehensive Income and Expenditure Statement 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 sat aside by the time the benefits come to be paid.

2010/11 £000s		2011/12 £000s
68,184	**Balance at 1 April**	**35,470**
(24,417)	Actuarial gains or losses on pensions assets and liabilities	17,937
(5,571)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	3,263
(2,726)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,898)
35,470	**Balance at 31 March**	**53,772**

8.23.5 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.

2010/11 £000s		2011/12 £000s
(43)	**Balance at 1 April**	**(36)**
7	Transfer to the Capital Receipts Reserve upon receipt of cash	5
(36)	**Balance at 31 March**	**(31)**

8.23.6 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement 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.

2010/11 £000s		2011/12 £000s
(96)	**Balance at 1 April**	**(120)**
(24)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(21)
(120)	**Balance at 31 March**	**(141)**

8.23.7 Accumulated Absences Account

The Accumulated Absences Account absorbs the difference 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.

2010/11 £000s			**2011/12 £000s**
299	**Balance at 1 April**		**252**
(299)	Settlement or cancellation of accrual made at the end of the preceding year	(252)	
252	Amounts accrued at the end of the current year	223	
(47)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(29)
252	**Balance at 31 March**		**223**

8.24 Cash Flow Statement – Operating Activities

2010/11 £000s		**2011/12 £000s**
2,265	**Net Surplus on the Provision of Service**	**(4,224)**
	Adjust net surplus on the provision of services for non-cash movements	
3,139	Depreciation	4,032
57	Impairment and downward valuations	2,371
416	Amortisation	402
531	Increase in Creditors	621
1,285	Decrease in Interest Debtors	1,257
1,197	Decrease in Sundry Debtors	(2,113)
0	Increase in Inventories	(70)
(8,297)	Pension Liability	365
226	Contributions to Provisions	(980)
(3)	Movement in Investment Property Values	103
0	Carrying amount of non current assets sold	26
65	Other Non-Cash Movements	0
(1,514)		**6,014**
	Adjust for items included in the net surplus on the provision of services that are investing or financing activities	
(868)	Capital Grants credited to the surplus on the provision of services	(547)
(116)	Revenue Grants credited to the surplus on the provision of services	968
(245)	Other Capital Receipts	(824)
(1,229)		**(403)**
478	**Net Cash Flows from Operating Activities**	**1,387**

The cash flows from operating activities include the following:

2010/11 £000s		2011/12 £000s
759	Interest received	3,467
759		**3,467**

8.25 Cash Flow Statement – Investing Activities

2010/11 £000s		2011/12 £000s
(3,245)	Purchase of property, plant and equipment, investment property and intangible assets	(3,160)
(3,704)	Movement in short-term and long-term investments	2,893
147	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6
1,737	Other receipts from investing activities	5,384
(5,065)	**Net cash flows from investing activities**	**5,123**

8.26 Cash Flow Statement – Financing Activities

2010/11 £000s		2011/12 £000s
(867)	Council Tax and NNDR	(1,110)
(867)	**Net cash flows from financing activities**	**(1,110)**

8.27 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- 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;
- the Accumulated Absences accrual is excluded as it will not be matched;
- the balances unspent on revenue grants and contributions without conditions received in year are excluded.

The income and expenditure of the Council's directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2011/12	Community & Environment	Development	Resources	Total
	£000s	£000s	£000s	£000s
Fees, charges & other service income	(9,707)	(7,989)	(8,031)	**(25,727)**
Interest and investment income	0	(3)	(40)	**(43)**
Income from Council Tax	0	0	(4,143)	**(4,143)**
Government grants and contributions	(110)	(572)	(43,438)	**(44,120)**
Total income	**(9,817)**	**(8,564)**	**(55,652)**	**(74,033)**
Employee expenses	6,236	4,670	5,268	**16,174**
Other service expenses	7,288	5,822	411	**13,521**
Support Service recharges	2,874	3,463	2,017	**8,354**
Depreciation, amortisation and impairment	3,227	2,950	731	**6,908**
Interest Payments	0	0	5,285	**5,285**
Precepts & Levies	0	0	46,339	**46,339**
Payments to Housing Capital Receipts Pool	0	0	0	**0**
Gain or Loss on Disposal of Fixed Assets	0	0	26	**26**
Total operating expenses	**19,625**	**16,905**	**60,077**	**96,607**
Net expenditure	**9,808**	**8,341**	**4,425**	**22,574**

Directorate Income and Expenditure 2010/11 Comparative Figures	Community & Environment	Development	Resources	Total
	£000s	£000s	£000s	£000s
Fees, charges & other service income	(12,742)	(7,695)	(4,793)	**(25,230)**
Interest and investment income	0	(3)	(3,171)	**(3,174)**
Income from Council Tax	0	0	(4,078)	**(4,078)**
Government grants and contributions	(85)	(468)	(42,072)	**(42,625)**
Total income	**(12,827)**	**(8,166)**	**(54,114)**	**(75,107)**
Employee expenses	8,846	4,797	(6,429)	**7,214**
Other service expenses	8,736	7,654	4,659	**21,049**
Support Service recharges	3,559	3,635	1,971	**9,165**
Depreciation, amortisation and impairment	3,100	404	104	**3,608**
Interest Payments	0	0	5,901	**5,901**
Precepts & Levies	0	0	44,705	**44,705**
Payments to Housing Capital Receipts Pool	0	0	5	**5**
Gain or Loss on Disposal of Fixed Assets	(17)	0	39	**22**
Total operating expenses	**24,224**	**16,490**	**50,955**	**91,669**
Net expenditure	**11,397**	**8,324**	**(3,159)**	**16,562**

8.27.1 Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2010/11 £000s		2011/12 £000s
16,562	Net Expenditure in the Directorate Analysis	22,574
(49)	Amounts in the comprehensive Income and Expenditure Statement not reported to management in the Analysis	(1,396)
27	Amounts included in the Analysis not included in Comprehensive Income and Expenditure Statement	522
16,540	**Cost of Services in Comprehensive Income and Expenditure Statement**	**21,700**

8.27.2 Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2011/12	**Directorate Analysis £000s**	**Not reported to mgmt £000s**	**Not included in I&E £000s**	**Allocation of recharges £000s**	**Cost of services £000s**	**Corporate Amounts £000s**	**Total £000s**
Fees, charges & other service income	(25,727)	0	13,053	13,339	**665**	(19,009)	**(18,344)**
Interest and investment income	(43)	0	5,386	0	**5,343**	(6,379)	**(1,036)**
Income from council tax	(4,143)	(16)	4,164	0	**5**	(4,164)	**(4,159)**
Government grants and contributions	(44,120)	(651)	0	0	**(44,771)**	(8,790)	**(53,561)**
Total income	**(74,033)**	**(667)**	**22,603**	**13,339**	**(38,758)**	**(38,342)**	**(77,100)**
Employee expenses	16,174	(729)	(3,592)	0	**11,853**	3,044	**14,897**
Other service expenses	13,521	0	(3,616)	(7,133)	**2,772**	2,948	**5,720**
Support Service recharges	8,354	0	(2,148)	(6,206)	**0**	2,148	**2,148**
Depreciation, amortisation and impairment	6,908	0	(3,401)	0	**3,507**	3,401	**6,908**
Interest Payments	5,285	0	(5,285)	0	**0**	5,285	**5,285**
Precepts & Levies	46,339	0	(4,013)	0	**42,326**	4,013	**46,340**
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	**0**	0	**0**
Total operating expenses	26	0	(26)	0	**0**	26	**26**
	96,607	**(729)**	**(22,081)**	**(13,339)**	**60,458**	**20,865**	**81,324**
Surplus or deficit on the provision of services	**22,574**	**(1,396)**	**522**	**0**	**21,700**	**(17,477)**	**4,224**

2010/11	Directorate Analysis £000s	Not reported to mgmt £000s	Not included in I&E £000s	Allocation of recharges £000s	Cost of services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(25,230)	0	11,927	13,317	**14**	(18,115)	**(18,103)**
Interest and investment income	(3,174)	0	3,171	0	**(3)**	(4,577)	**(4,580)**
Income from council tax	(4,078)	(24)	4,102	0	**0**	(4,102)	**(4,102)**
Government grants and contributions	(42,625)	(406)	309	0	**(42,722)**	(11,214)	**(53,936)**
Total income	**(75,107)**	**(430)**	**19,509**	**13,317**	**(42,711)**	**(38,008)**	**(80,721)**
Employee expenses	7,214	381	(3,979)	0	**3,616**	3,978	**7,594**
Other service expenses	21,049	0	(3,001)	(5,942)	**12,106**	2,725	**14,831**
Support Service recharges	9,165	0	(1,790)	(7,375)	**0**	1,790	**1,790**
Depreciation, amortisation and impairment	3,608	0	(773)	0	**2,835**	773	**3,608**
Interest Payments	5,901	0	(5,901)	0	**0**	5,901	**5,901**
Precepts & Levies	44,705	0	(3,994)	0	**40,711**	3,993	**44,705**
Payments to Housing Capital Receipts Pool	5	0	(5)	0	**0**	5	**5**
Gain or Loss on Disposal of Fixed Assets	22	0	(39)	0	**(17)**	39	**22**
Total operating expenses	**91,669**	**381**	**(19,482)**	**(13,317)**	**59,251**	**19,204**	**78,4456**
Surplus or deficit on the provision of services	**16,562**	**(49)**	**27**	**0**	**16,540**	**(18,804)**	**(2,265)**

8.28 Trading Operations

Net (Surplus) / Deficit 2010/11 £000s		Expenditure 2011/12 £000s	Income 2011/12 £000s	Net (Surplus) / Deficit 2011/12 £000s
(1,200)	**General Corporate Properties** These are all investment properties, which have been acquired as a result of developments in previous years, often having strategic importance, and which are now managed with a view to maximising medium term investment income.	2,574	(1,528)	1,046
(64)	**Industrial Units** The Council owns 14 small industrial units which it leases to business occupiers as investment properties, with a view to maximising its medium-term investment.	236	(109)	127
15	**Markets** The council has the right to hold street markets in Banbury and Bicester. It employs contractors to run those markets with the aim of contributing to the retail offered in those towns whilst generating an income for the Council.	49	(38)	11
(1,328)	**Car and Lorry Parks** The Council provides off-street car parking facilities in all 3 principle urban areas in the District. It manages these in order to satisfy the demand for public car parking and generate the budgeted net income.	1,074	(2,556)	(1,482)
(2,578)		**3,932**	**(4,232)**	**(299)**

8.29 Agency Income and Expenditure

The Council undertakes Section 38 Highways Act supervision on behalf of Oxfordshire County Council. The majority of the cost for this work is funded by payments from private developers. The Council also provides grounds maintenance services to other Councils as follows:

2010/11 £000s		2011/12 £000s
351	Bicester Town Council	349
138	Oxfordshire County Council	141
81	Kidlington Parish Council	75
2	Other Parish Councils	1
572	**Total amount reimbursable**	**566**

8.30 Members' Allowances

The total of Members' Allowances paid in the year amounted to £316,666. This compares to £315,842 in 2010/11. A detailed list of allowances paid to each member is available for examination.

The Local Councils (Members Allowances) Regulations 2003 requires local Councils to publish the amounts paid to members under the members' allowances scheme. The allowances available in 2011/12 were as follows:

2010/11 £s		2011/12 £s
	Members' Allowances	
4,155	Basic Allowance	4,155
	Special Responsibility Allowance	
7,209	Leader of the Council	7,209
6,291	Members of the Executive	6,291

8.31 Officers' Remuneration

The Council is required, under regulation 7(2) of the Accounts and Audit Regulations 2003, to include in the notes to the accounts the number of employees in the accounting period whose remuneration was in excess of £50,000 excluding pension contributions. This includes senior staff all accounted for in the table on the following page.

Number of employees 2010/11 Inc. CCB*	Number of employees 2010/11 Exc. CCB*	Remuneration Band	Number of employees 2011/12
			0
8	5	£50,000 to £54,999	4
5	3	£55,000 to £59,999	0
5	7	£60,000 to £64,999	2
2	1	£65,000 to £69,999	1
0	0	£70,000 to £74,999	1
1	1	£75,000 to £79,999	2
1	1	£80,000 to £84,999	1
1	1	£85,000 to £89,999	2
1	0	£90,000 to £94,999	0
0	0	£95,000 to £99,999	0
0	0	£100,000 to £104,999	0
0	0	£105,000 to £109,999	0
0	0	£110,000 to £114,999	1
0	0	£114,000 to £119,999	1
0	0	£120,000 to £124,999	0
0	0	£125,000 to £129,999	0
0	0	£130,000 to £134,999	0
24	**19**		**15**

* CCB (Company Car Buyout) transactions in 2010/11 only

Post title	Year	Basic Salary £s	Fees - Monitoring Officer, S151, Returning Officer & Honoraria £s	Performance Related Pay Buyout £s	Compensation for loss of office / redundancy £s	Any other emoluments (OT, Hol Pymt, Election Fees, Tel Allow) £s	Car Allowance & Car Allowance Buy Out £s	Total Remuneration excluding pension contributions £s	Pension Contributions £s	Total remuneration including pension conts £s
Chief Executive [1]	2011/12	109,543	1,412	0	0	0	0	**110,995**	15,423	**126,378**
Chief Executive Post Holder 2	2010/11	25,650	0	0	0	0	1,989	**27,669**	13,330	**40,999**
Chief Executive Post Holder 1	2010/11	81,458	5,917	0	0	44	6310	**93,729**	18,691	**112,420**
Director of Community & Environment [2]	2011/12	84,699	0	0	0	236	3,060	**87,995**	12,199	**100,194**
Strategic Director Environment & Community [3]	2010/11	57,290	0	0	0	0	4,138	**61,427**	6,004	**67,431**
Head of Regeneration & Housing [1]	2011/12	69,801	0	0	41,625	236	5,041	**116,703**	9,702	**126,405**
Strategic Director Planning, Housing & Economy [6]	2010/11	76,386	0	0	0	314	5517	**88,217**	16,576	**98,793**
Head of Finance & Procurement [4]	2011/12	68,500	2,652	0	0	10,694	0	**81,847**	0	**81,847**
	2010/11	65,000	2,555	0	0	1,007	0	**68,561**	0	**68,561**
Head of Law & Governance [1]	2011/12	0	0	0	0	0	0	**0**	0	**0**
Head of Legal & Democratic Services (Monitoring Officer) [3]	2010/11	57,865	4,722	0	0	1,456	0	**64,043**	15,256	**79,299**
Head of Customer Service & Information Systems [3]	2011/12	0	0	0	0	0	0	**0**	0	**0**
	2010/11	60,000	0	0	0	274	0	**60,274**	13,020	**73,294**
Head of Regeneration & Estates [3]	2011/12	44,910	0	0	31,581	1,969	0	**78,460**	6,242	**84,702**
	2010/12	59,880	0	0	0	0	0	**59,880**	12,994	**72,874**
Head of Planning Policy & Economic Development [3]	2011/12	35,000	0	0	50,121	3,770	0	**88,891**	4,865	**93,756**
	2010/11	60,000	0	0	0	0	0	**60,000**	13,020	**73,020**
Head of Building Control & Engineering Services [3]	2011/12	0	0	0	0	0	0	**0**	0	**0**
	2010/11	55,000	0	3,663	0	11	0	**58,674**	12,732	**71,406**
Head of Housing Services [3]	2011/12	29,570	0	0	49,576	226	0	**79,372**	4,110	**83,482**
	2010/11	55,000	0	0	0	230	0	**55,230**	11,935	**67,165**
Head of Recreation & Health [3]	2011/12	32,083	0	0	20,897	226	0	**53,206**	4,460	**57,666**
	2010/11	55,000	0	0	0	0	0	**55,000**	11,935	**66,935**
Head of Environmental Services [4]	2011/12	62,500	0	0	0	0	0	**62,500**	8,688	**71,188**
	2010/11	60,000	0	0	0	0	0	**60,000**	13,020	**73,020**
Head of Transformation [4]	2011/12	53,549	0	0	0	1,045	0	**54,594**	0	**54,594**
Head of People & Improvement	2010/11	61,772	2,123	0	0	0	11,560	**75,455**	0	**75,455**
Head of Community Services [4]	2011/12	62,500	0	0	0	236	0	**62,736**	8,688	**71,424**
Head of Safer Communities, Urban & Rural Services [3]	2010/11	60,000	0	0	0	267	0	**60,266**	13,020	**73,286**

The financial year 2011/12 saw a significant restructure of the council resulting in a shared management team arrangement with South Northamptonshire Council with some shared services.

[1] Joint Management Team Head of Service employed by SNC. CDC bears 50% of costs
[2] Joint Management Team Head of Service employed by CDC. SNC bears 50% of costs
[3] Post consumed as part of Joint Management Team Implementation with SNC
[4] Post included but unchanged under Joint Management Team implementation with SNC
[5] Chief Executive post employed by CDC. SNC bear 50% of costs
[6] Original post consumed as part of Joint Management Team Implementation, officer redeployed to new post within joint working structure for limited time.

8.32 Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the tables below

Cherwell District Council entirely responsible for these costs.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0-£20,000	0	0	9	2	9	2	£78,202	£10,592
£20,001-£40,000	0	0	2	1	2	1	£58,788	£33,757
£40,001-£60,000	0	0	2	0	2	0	£88,758	£0
£60,001-£80,000	0	0	0	1	0	1	£0	£68,672
£80,001-£100,000	0	0	0	0	0	0	£0	£0
£100,001-£200,000	0	0	0	0	0	0	£0	£0
Total	**0**	**0**	**13**	**4**	**13**	**4**	**£225,748**	**£113,021**

Cherwell District Council / South Northamptonshire Council responsible for these costs.*

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) total number of exit packages by cost band [(b) +(c)]		(e) Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0-£20,000	0	1	0	0	0	1	£0	£19,110
£20,001-£40,000	0	4	0	0	0	4	£0	£108,252
£40,001-£60,000	0	3	0	0	0	3	£0	£139,819
£60,001-£80,000	0	0	0	0	0	0	£0	£0
£80,001-£100,000	0	0	0	0	0	0	£0	£0
£100,001-£200,000	0	0	0	4	0	4	£0	£608,091
Total	**0**	**8**	**0**	**4**	**0**	**12**	**£0**	**£875,272**

*Cherwell District Council has responsibility for 60% of the costs detailed in the table above.

8.33 External Audit Costs

In 2011/12 the council incurred the following fees relating to external audit and inspection:

2010/11 £000s		2011/12 £000s
111	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	114
78	Fees payable to the Audit Commission for the certification of grant claims and returns **	35
189		**149**

** Included in 2010/11 additional costs for expenditure regarding under accrual for costs included in 2009/10.

8.34 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

2010/11 £000		2011/12 £000s
	Credited to Taxation and Non Specific Grant Income	
585	Capital Grants and Contributions	126
1,383	Non-ringfenced Government Grants	2,038
9,523	Non Domestic Rates	6,596
11,491	**Total**	**8,760**
	Credited to Services	
290	Area Based Grant	0
52	Bicester Vision	112
71	Brighter Futures	0
0	Performance Reward Grant	50
118	Developer Contributions	126
379	Disbabled Facilities Grant	375
300	Eco Town Grant	0
39	Go Active	0
56	Habitats & Climate Change	0
101	Home Improvement Agency Grant	76
136	Homelessness Grant	220
15	Local Area Agreement Reward Grant	0
15	Lottery Grant	0
30	Oxfordshire Business Enterprise	30
187	Other Contributions	141
7	Other Grants	0
253	Oxfordshire Waste Partnership	200
0	New Homes Bonus	496
2,049	**Total**	**1,826**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

31 March 2011 £000s		31 March 2012 £000s
	Capital Grants Received in Advance	
7,627	Eco Town Grant	10,855
2,216	Section 106 Developer Contributions - Capital	2,952
175	Other Contributions	0
10,018		**13,807**
	Revenue Grants Received in Advance	
968	Section 106 Developer Contributions - Revenue	1,356
968		**1,356**
10,986	**Total**	**15,163**

8.35 Related Parties

The purpose of this disclosure is to provide assurance to readers of these statements that any material transaction between the organisation and those in a position to influence its decisions are properly disclosed.

It is a requirement that disclosure is made in the Statement of Accounts of any material transactions between related parties. The reason for this is to draw attention to the possibility that the reported position and results may have been affected by the existence of the related parties and by any material transactions with them.

Transactions for the financial year ended 31st March 2012 with Central Government, Oxfordshire County Council, Thames Valley Police Council and town and parish councils, are disclosed in the Comprehensive Income and Expenditure Account, Cash Flow Statement, and the Collection Fund.

Members and Chief Officers are also regarded as related parties. A register of members' interests and a register of staff interest are used to record and monitor related party transactions. In addition declaration forms were sent to all councillors and relevant officers at the end of the financial year and contain details of all related transactions. All significant transactions are listed in the following table.

	2010/11	**2011/12**
Cllr Reynolds	Councillor's wife and daughter work part time at Spiceball Sports Centre. The council had a contract with Parkwood who managed the facility on our behalf. In 2010/11 management fee payments to Parkwood totalled £168,760.35.also £49,422 for NNDR Refunds and Hall Hire.	Councillor's wife works part time at Spiceball Sports Centre. The council had a contract with Parkwood who managed the facility on our behalf. In 2011/12 management fee payments to Parkwood for Spiceball Sports Centre totalled £157,574 also £17,853.37 was made for Hall Hire.
Cllr Sibley	Cherwell District Council nominee on the Charter Community Housing Board with whom the Council had various financial transactions totalling £515,505.	Cherwell District Council nominee on the Charter Community Housing Board with whom the Council had various financial transactions totalling £51,462.
Cllr Milne Home	N/A	Trustee of BCTA (Banbury Community Transport Association) who received £219,263 in 2011/12 as grant funding, vehicle replacement and Bicester Assisted Shopping Scheme.

Entities controlled or significantly influenced by the Council

During 2011/12 £64,697 (£86,263 2010/11) was paid to Bicester Citizens Advice for service level funding. The payment although not material to the Council, is considered material to the operations of Bicester Citizens Advice and has therefore been disclosed within this note.

During the financial year, both Cllr. Rose Stratford and Cllr. Lawrie Stratford had involvements with Bicester Citizens Advice.

During 2011/12 £38,409 (£38,475 2010/11) was paid to Mill Arts Centre as grant funding with £4,902 (£524.83 2010/11) as contributions toward Banbury Job Club and other expenses. The payment, although not material to the Council, is considered material to the operations of Mill Art Centre and has therefore been disclosed within this note.

During the financial year Cllr Turner and Cllr Cullip had involvements with the Mill Arts Centre.

8.36 Capital Expenditure & Financing

2010/11 £000s		2011/12 £000s
	Net Capital Investment	
2,681	Operational Assets (Note 8.10) ***	2,281
21	Non-operational Assets (Note 8.10)	220
1	Investment Properties (Note 8.12)	0
334	Intangible Assets (Note 8.13) ****	438
2,780	Revenue Expenditure Funded from Capital under Statute (REFCUS – Note 8.15)	1,877
5,817		**4,816**
	Sources of finance (note 8.23)	
4,509	Capital Receipts)	3,938
646	Government Grants and Other Contributions	547
347	Funding from Earmarked reserve through Revenue	331
315	Direct Revenue Financing	0
5,817		**4,816**

*** Operational Assets figure is net of £44k (Disposal of SNC Share) Note 8.10 Totals £2,325k
**** Intangible Assets figure is net of £12k (Disposal of SNC Share) Note 8.13 totals £450k

8.37 Leases

8.37.1 Council as a Lessee

Finance Leases

The Council had no finance leases as at 31st March 2012.

Operating Leases

The Council has acquired its offices in Bicester and several small items of equipment by entering into operating leases, with typical lives of 3 and 3 ½ years respectively.

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

31st March 2011 £000s		31st March 2012 £000s
49	Not later than one year	47
18	Later than one year and not later than five years	40
67		**87**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £46,557k, (2010/11 £57,528k).

8.37.2 Council as a Lessor

Finance Leases

The Council had no finance leases as at 31st March 2012.

Operating Leases

The Council has leased out property at the Castle Quay Shopping Centre, Banbury to Scottish Widows on an operating lease with a remaining term of 235 years. The Council also has 37 smaller operating leases with a total value of £7.015m.

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

31st March 2011 £000s		31st March 2012 £000s
597	Not later than one year	529
2,028	Later than one year and not later than five years	1,941
28,332	Later than five years	27,431
30,957		**29,901**

8.38 Contingent Liabilities

Between 1 April 2005 and 17 August 2010 (when the Government abolished the statutory fees for personal land searches) the Council received approximately £130,000 in such fees. There is a potential liability to reimburse these fees on the basis that they were levied unlawfully in the light of the provisions of the Environmental Information Regulations 2004. One personal search company has already commenced legal proceedings that seek to recover the fees paid by it during the relevant period and, although these proceedings and any others that arise are likely to be contested, there remains the possibility of liability arising for some, if not all, of the indicated sum.

8.39 Contingent Assets

8.39.1 VAT Share

When the Council sold their housing stock an agreement was put in place so that they would be party to any input VAT refund received by the third party responsible for repairs and maintenance work. These amounts relate to the refurbishment of the properties sold to bring them up to the required standard. It is expected that a flow of economic benefit will occur in the future, however the value and timing is less certain.

8.40 Authorisation of Accounts for Issue

The Statement of accounts was authorised for issue on 19 September 2012 by Martin Henry the Chief Financial Officer (S151) and Director of Resources for Cherwell District Council. The financial impact of any events taking place after 31 March 2012 has been considered up until this authorisation date.

9. COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

This account shows the income received from Council Tax payers and Business Rate payers. It also shows how the income is distributed between Cherwell District Council, Oxfordshire County Council and Thames Valley Police Council.

2010/11 £000s		2011/12 £000s
	Income	
(69,769)	Council Tax	(70,484)
	Transfers from General Fund	
(7,359)	Council Tax Benefits	(7,317)
(63,841)	Business Ratepayers	(62,244)
(140,969)		**(140,045)**
	Expenditure	
	Precepts and Demands	
58,217	Oxfordshire County Council	58,477
7,732	Thames Valley Police Council	7,767
10,182	Cherwell District Council	10,229
	Business rate	
63,616	Payment to National Pool	62,024
225	Cost of Collection allowance	220
	Bad and doubtful debts	
219	Write offs	190
(35)	Provision	5
622	Contribution towards previous year's Collection Fund surplus	975
140,778		**139,887**
(191)	**Surplus for the year**	(158)
(707)	**Balance at start of year**	(898)
(898)	**Balance at end of year**	**(1,056)**

10. NOTES TO THE COLLECTION FUND

10.1 Council Tax

Council Tax income derives from charges raised according to the value of residential properties that have been classified into eight valuation bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Oxfordshire County Council, Thames Valley Police Council and Cherwell District Council together with each parish requirement and dividing this by the Council Tax base i.e. the number of properties in each valuation band converted to an equivalent number of band D dwellings and adjusted for discounts. The basic amount of Council Tax for a band D property including an average parish charge is £1,519.19 (2010/11 £1,519.19) multiplied by the ratio specified for the particular band to give an individual amount due.

The Council Tax base was calculated as follows:

Valuation Band	Chargeable dwellings after effect of discounts	Ratio	Band D Equivalents Dwellings
A	4,168.25	6/9	2,778.80
B	12,753.50	7/9	9,919.40
C	14,539.50	8/9	12,924.00
D	9,090.00	9/9	9,090.00
E	6,577.50	11/9	8,039.20
F	2,997.25	13/9	4,329.40
G	2,136.50	15/9	3,560.80
H	186.75	18/9	373.50
Band A entitled to Disabled Relief Reduction	7.75	5/9	4.30
			51,019.40
Ministry of Defence Properties			**245.00**
			51,264.40

10.2 Business Rates

Under the arrangements for Non-Domestic Rates, the Council collects rates for its area based upon local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2011/12 there are two multipliers, the small business non-domestic rating multiplier of 45.0p and the non-domestic rating multiplier of 45.8p. The total non-domestic rates due, less certain reliefs and deductions are paid into a National Non-Domestic Pool which is administered by the Government. The Government redistributes the sums paid into the pool back to Local Councils' Funds on the basis of a fixed amount per head of population.

The total Non-Domestic Rateable Value at 31st March 2012 was £164.1 million (2011 £149.4 million).

10.3 Analysis of Collection Fund Balance

The surplus on the Collection Fund is available for financing the expenditure of Oxfordshire County Council, Thames Valley Police Council and Cherwell District Council and will be distributed in future financial years as follows.

2010/11 £000s		2011/12 £000s
(687)	Oxfordshire County Council	(807)
(91)	Thames Valley Police Council	(107)
(778)	**Disclosed as creditors in the balance sheet**	**(915)**
(120)	Cherwell District Council	(141)
(898)		**(1,056)**

11. GROUP ACCOUNTS

Under the terms of IFRS3 where the Council has an interest in any other entity, it is required to prepare a Group Income and Expenditure and Group Balance Sheet. The Council holds no interest in any other entity and therefore no group accounts have been produced.

Where either the Council, or its Members or Senior Officers are connected with any other entity that it transacts any business with, it is required to disclose these as related party interests. These are shown in the Notes to the Core Financial Statements – 7.36 Related Parties.

12. THE PENSION FUND ACCOUNTS

12.0 Background

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits through membership of the Local Government Pension Scheme. Cherwell District Council is a member of the Oxfordshire Local Government Pension Scheme and Oxfordshire County Council is the administering Council. The county council is responsible for maintaining, administering and paying out all benefits from the pension fund. The fund is valued by a professional Actuary and Barnett Waddingham is the appointed Actuary to the Fund.
Although these benefits will not actually become payable until after the employees retire, the council is required to disclose the cost of these at the time that the employees earn their future entitlement. The arrangement is a funded defined benefit final salary scheme. This means that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The retirement benefits are determined independently of the investments of the scheme and employers have an obligation to make contributions where assets are insufficient to meet employee benefits.

Cherwell District Council recognises the cost of retirement benefits in the Comprehensive Income and Expenditure Statement under Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash contributions payable in the year, so the future cost of retirement benefits is reversed out in the Movement in Reserves Statement so that it does not impact the charge to council tax.

The following transactions have been made in the Comprehensive Income and Expenditure Statement (CIES) and Movement in Reserves Statement during the year:

	31 March 2012 £000s	31 March 2011 £000s
Comprehensive Income & Expenditure Statement		
Cost of Services		
Current Service Cost	1,940	2,665
Past Service Costs / (gain)	0	(10,166)
Settlements and curtailments	206	107
Financing and Investment Income & Expenditure		
Interest Costs	5,251	5,867
Expected Return on Scheme Assets	(4,134)	(3,820)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Service	**3,263**	**(5,347)**
Other Post Employment Benefit Charged to the CIES		
Actuarial (Gains) and Losses	17,937	(24,417)
Total Post Employment Benefit Charged to the CIES	**21,200**	**(29,764)**
Movement in Reserves Statement		
Reversal of net changes made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the Code	(3,263)	5,347
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the scheme	**2,898**	**2,956**

12.1 Principal Actuarial Data Sources as at 31 March 2012

The Actuary has used the following items of data, which it received from Oxfordshire County Council:

- The results of the Triennial Actuarial Valuation as at 31 March 2010 which was carried out for funding purposes;
- Estimated whole fund income and expenditure items for the period to 31 March 2012;
- Estimated whole fund returns for the period to 31 March 2012 based on assets used for the purpose of the triennial valuation as at 31 March 2010, actual fund returns for the period to 31 January 2012 and then market returns (estimated where necessary) for the period to 31 March 2012;
- Details of any new early retirements for the period to 31 March 2012 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

12.1.1 Employer Membership Statistics

The table below summarises the membership data as at 31 March 2010.

Member Data Summary	Number	Salaries / Pensions £000s	Average Age
Active members	426	10,449	44
Deferred pensioners	650	1,006	43
Pensioners	517	3,383	70

The service cost for the year ending 31 March 2012 is calculated using an estimate of the average total pensionable payroll during the year. The estimated average total pensionable payroll during the year is £10,025,000 (2010/11 £10,918,000). The projected service cost for the year ending 31 March 2012 is calculated from an estimated payroll of £10,025,000 (2010/11 £10,918,000).

12.1.2 Early Retirements

A total of four new early retirements during the year which were not allowed for in the IAS19 assumptions have been included in the assumptions. The total annual pension that came into payment was £73,000 (2010/11 four early retirements, £73,000).

12.1.3 Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2012 is estimated to be 1%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Cherwell District Council as at 31 March 2012 is as follows:

	31 March 2012		31 March 2011	
Council Asset Share - Bid Value	**£000s**	**%**	**£000s**	**%**
Equities	42,547	70	43,735	72
Gilts	6,078	10	5,467	9
Other bonds	3,647	6	3,037	5
Property	3,647	6	3,645	6
Cash	1,823	3	1,822	3
Alternative Assets	3,039	5	3,037	5
Council Asset Share Total	**60,781**	**100%**	**60,743**	**100**

The Employer's share of the assets of the total Oxfordshire Fund is approximately 5%.

12.1.4 Unfunded Benefits

In the year to 31st March 2012 £229,000 (2010/11 £224,000) of unfunded pensions were paid.

12.2 Actuarial Methods and Assumptions

12.2.1 Roll-Forward Approach

To assess the value of the Council's liabilities as at 31 March 2012, the Actuary has rolled forward the value of the Employer's liabilities calculated for the Triennial valuation as 31 March 2010 allowing for the different financial assumptions required under IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2012 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2012 that the Actuary has taken will not introduce any material distortions in the results.

To calculate the asset share the Actuary has also rolled forward the assets allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Council and its employees.

12.2.2 Valuation Method

As required under IAS19 the Actuary has used the projected unit method of valuation to calculate the service cost.

12.2.3 Demographic / Statistical Assumptions

The Actuary has adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2010. The post retirement mortality tables adopted were the S1PA Heavy tables allowing for medium cohort projection, with a minimum 1% improvement. The assumed life expectations from age 65 are:

Life expectancy from age 65		31 March 2012	31 March 2011
Retiring today			
	Males	19	21.5
	Females	23.1	24.1
Retiring in 20 years			
	Males	21	23.4
	Females	25	25.9

The following assumptions have also been made:

- Members will exchange half of their commutable pension for cash at retirement;
- Active members will retire one year later than they are first able to do so without reduction.

12.2.4 Financial Assumptions

The financial assumptions used for the purposes of the IAS19 calculations are as follows:

	31 March 2012		31 March 2011		31 March 2010	
Assumptions as at	**% pa**	**Real %**	**% pa**	**Real %**	**% pa**	**Real %**
RPI Increases	3.3	-	3.5	-	3.9	-
CPI Increases	2.5	-0.8	2.7	-0.8	n/a	
Salary Increases	4.7	1.4	5.0	1.5	5.4	1.5
Pension Increases	2.5	-0.8	2.7	-0.8	3.9	-
Discount Rate	4.6	1.3	5.5	1.9	5.5	1.5

These assumptions are set with reference to market conditions at 31 March 2012. The discount rate is the yield on the iBoxx AA rated over 15 year corporate bond index as at this date which has been chosen to meet the requirements of IAS19. The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England. This measure has historically overestimated future increases in the RPI and so the Actuary has made a deduction of 0.25% to get the RPI assumption of 3.3%. As future pension increases are expected to be based on CPI rather than RPI, a further assumption about CPI is that it will be 0.8% below RPI i.e. 2.5%.

Salary increases are then assumed to be 1.4% above RPI in addition to a promotional scale. This is a slightly lower long term assumption than last year to reflect the continuing climate of low salary increases.

12.2.5 Expected Return on Assets

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 2011 for the year to 31 March 2012). The returns on gilts and other bonds are assumed to be 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 assumed to be a margin above gilt yields.

The Actuary has adopted the following expected returns:

Asset Class	1 April 2012 % pa	Expected Return at 1 April 2011 % pa	1 April 2010 % pa
Equities	6.3	7.4	7.5
Gilts	3.3	4.4	4.5
Other bonds	4.6	5.5	5.5
Property	5.3	6.4	6.5
Cash	3.0	3.0	3.0
Alternative Assets	6.3	7.4	0.0
Expected Return on Assets	**5.7**	**6.8**	**6.8**

12.2.6 Past Service Costs

Past service costs can arise when the Council awards additional discretionary benefits such as added years and other forms of augmentation of benefits. A change to benefits may result in either a past service cost or a past service gain.

In 2010/11 the capitalised gain from the change in pension increase policy from RPI to CPI is calculated at £10,166,000.

12.2.7 Curtailments

Curtailments arise as a result of the early payment of accrued pensions on retirement on the grounds of efficiency or redundancy, or where the Council has allowed employees to retire on unreduced benefits before they would otherwise have been able to do so. Over the year, the Council agreed to allow four former employees to retire prematurely before they had attained their Rule of 85 age. The capitalised cost of the additional benefits relative to those reserved for under IAS19 is calculated at £206,000 (2010/11 £107,000).

12.3 Results and Disclosures

The results of the actuarial calculations for the year ended 31 March 2012 are set out below. The estimated net liability as at 31 March 2012 is a liability of £53,772,000.
In addition:

- 11.3.1 sets out the balance sheet position ended 31 March 2012
- 11.3.2 sets out the profit and loss account costs for the year ended 31 March 2012
- 11.3.3 details a reconciliation of assets and liabilities during the year
- 11.3.4 shows the sensitivity analysis to a change in discount rate
- 11.3.5 shows the balance sheets for the previous 4 years
- 11.3.6 shows the Statement of Recognised Income and Expense
- 11.3.7 contains estimates of the projected profit and loss account costs for the year ending 31 March 2013.

12.3.1 Balance Sheet Disclosure

Net Pension Assets as at	31 March 2012 £000s	31 March 2011 £000s	31 March 2010 £000s	31 March 2009 £000s	31 March 2008 £000s
Present value of funded obligation	111,214	93,310	122,714	86,450	82,720
Fair value of Scheme assets (bid value)	(60,781)	(60,743)	(58,215)	(44,220)	(58,490)
Net Liability	**50,433**	**32,567**	**64,499**	**42,230**	**24,230**
Present value of unfunded obligation	3,339	2,903	3,685	3,500	3,620
Unrecognised past service cost	0	0	0	0	0
Net Liability in Balance Sheet	**53,772**	**35,470**	**68,184**	**45,730**	**27,850**

12.3.2 Profit & Loss Account Costs

	31 March 2012 £000s	31 March 2011 £000s	31 March 2010 £000s	31 March 2009 £000s	31 March 2008 £000s
Current service cost	1,940	2,665	1,371	1,560	2,180
Interest on obligation	5,251	5,867	5,940	5,830	4,790
Expected return on Scheme assets	(4,134)	(3,820)	(2,539)	(4,080)	(4,170)
Past service cost	0	(10,166)	0	360	1,220
Loss on curtailments and settlements	206	107	552	0	0
Total	**3,263**	**(5,347)**	**5,324**	**3,670**	**4,020**
Actual return on Scheme assets	**722**	**4,717**	**15,875**	**(14,000)**	**(980)**

12.3.3 Asset and Benefit Obligation Reconciliation

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	31 March 2012 £000s	31 March 2011 £000s
Opening defined benefit obligation	96,213	126,399
Service cost	1,940	2,665
Interest cost	5,251	5,867
Actuarial loss / (gain)	14,525	(25,239)
Losses on curtailments	206	107
Liabilities extinguished on settlements	0	0
Estimated benefits paid (net of transfers in)	(4,029)	(3,938)
Past service cost	0	(10,166)
Contributions by Scheme participants	676	742
Unfunded pension payments	(229)	(224)
Closing defined benefit obligation	**114,553**	**96,213**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Council's liabilities in the Oxfordshire Local Government Pension Scheme by £10,166,000 and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund Account.

Reconciliation of opening and closing balances of the fair value of Scheme assets

Reconciliation of opening & closing balances of the fair value of Scheme assets	**31 March 2012 £000s**	**31 March 2011 £000s**
Opening fair value of Scheme assets	60,743	58,215
Expected return on Scheme assets	4,134	3,820
Actuarial gains / (losses)	(3,412)	(822)
Contributions by employer including unfunded benefits	2,898	2,950
Contributions by Scheme participants	676	742
Estimated benefits paid including unfunded benefits	(4,258)	(4,162)
Receipt of bulk transfer value	0	0
Fair value of Scheme assets at end of period	**60,781**	**60,743**

Reconciliation of opening and closing deficit

Reconciliation of opening & closing surplus	**31 March 2012 £000s**	**31 March 2011 £000s**
Deficit at beginning of year	(35,470)	(68,184)
Current service cost	(1,940)	(2,665)
Employer contributions	2,669	2,726
Unfunded pension payments	229	224
Past service gain	0	10,166
Other finance income	(1,117)	(2,047)
Settlements and curtailments	(206)	(107)
Actuarial gains / (losses)	(17,937)	24,417
Deficit at end of year	**(53,772)**	**(35,470)**

12.3.4 Sensitivity Analysis

Sensitivity Analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation	112,010	114,553	117,165
Projected service cost	2,433	2,531	2,632
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
Present value of defined benefit obligation	110,168	114,553	118,995
Projected service cost	2,409	2,531	2,655

12.3.5 Amounts for the Current and Previous Periods

Amounts for the current and previous four periods	31 March 2012 £000s	31 March 2011 £000s	31 March 2010 £000s	31 March 2009 £000s	31 March 2008 £000s
Defined benefit obligation	(114,553)	(96,213)	(126,399)	(89,950)	(86,340)
Scheme assets	60,781	60,743	58,215	44,220	58,360
Deficit	(53,772)	(35,470)	(68,184)	(45,730)	(27,980)
Experience adjustment on Scheme liabilities	(355)	8,315	351	(250)	(1,200)
Percentage of liabilities	0.3%	8.6%	0.3%	-0.3%	-1.4%
Experience adjustment on Scheme assets	(3,412)	(822)	13,336	(18,080)	(5,140)
Percentage of assets	-5.6%	-1.4%	22.9%	-40.9%	-8.8%
Cumulative actuarial gain / (loss)	(26,661)	(8,724)	(33,141)	(12,910)	4,320

12.3.6 Statement of Recognised Income & Expenses

Statement of total income and expenses	31 March 2012 £000s	31 March 2011 £000s
Actual return less expected return on pension scheme assets	(3,412)	896
Experience gain	(355)	6,597
Changes in assumptions underlying the present value of the scheme liabilities	(14,170)	16,924
Actuarial gains / (losses) on pension scheme	**(17,937)**	**24,417**
Increase / (decrease) in irrecoverable surplus	0	0
Actuarial gains / (losses) recognised	**(17,937)**	**24,417**

12.3.7 Projected Pension Expense for the year to 31st March 2013

Projections for the year to 31 March 2013	**31 March 2013**
	£000s
Service cost	2,531
Interest cost	5,251
Return on assets	(3,469)
Total	**4,313**
Employer contributions	2,398

The information included for all of the pension disclosures is provided by Barnett Waddingham, the Actuary for the Pension Fund. Further information can be found in the County Council's Pension Fund's Annual Report which is available on request from the Pensions Services Oxfordshire County Council, Unipart House, Garsington Road, Oxford OX4 2GQ.

13. Accounting Policies

13.1.1 General principles

The Statement of Accounts summarises the Council's transactions for the financial year 2011/12 and its position at the year end. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require 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 2011/12 and the Service Reporting Code of Practice 2010/11, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). These are supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 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.

The move to an IFRS-based Code in 2010-11 resulted in a number of significant changes in accounting practice. For 2011-12 the key amendments to accounting practice are:

- The 2011/12 Code requires additional disclosures in respect of remuneration and exit packages; these disclosures affect all jurisdictions. Disclosure of remuneration and pension contributions in respect of senior employees is required in England and Wales; this requirement was introduced in amendments to the Accounts and Audit Regulations. In addition, the Code has introduced a requirement to disclose the number and cost of exit packages agreed. This requirement applies in England, Wales, Scotland and Northern Ireland, and is consistent with the requirement to disclose similar information elsewhere in the public sector (set out in the Government's Financial Reporting Manual);
- The 2011/12 Code adopts the requirements of FRS 30 *Heritage Asset.* Heritage assets are carried at valuation where possible and additional disclosures are required. The Code also permits, but does not require, authorities to adopt the measurement and disclosure requires within FRS 30 for community assets. These changes amount to changes in accounting policy that may require additional disclosures in both the 2011/12 and 2010/11 financial statements.

13.1.2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The adoption of amendments to IFRS 7 *Financial Instruments: Disclosures* (issued October 2010) by the Code will result in a change of accounting policy

The amendments to IFRS 7-*Financial Instruments: Disclosures* (transfers of financial assets, issued October 2010), are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Council's financial position.

The effective date of this change of accounting policy is 1 April 2012.

However, the Council are of the view that the transfers described by the standard do not occur frequently in local authorities. Relevant circumstances would arise where an Council retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership.

The Council considers that this will not have a material impact on the financial statements.

13.2 Accruals of Income and Expenditure

Income and expenditure 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 is accounted for respectively as income 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.

13.3 Cash and Cash Equivalents

Cash and Cash Equivalents comprises of cash on hand and demand deposits which are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. They must be held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

They must be repayable without penalty on notice of not more than 24 hours. Investments must mature in three months or less from the date of acquisition.

13.4 Exceptional Items

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

The Council has no Exceptional Items in 2011/12.

The Council had one Exceptional Item in 2010/11, the impact of the change in valuation of the Councils pension fund from Retail Price Index (RPI) to Consumer Price Index (CPI).

13.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Changes in accounting policy no longer need to be material to result in a Prior Period Adjustment.

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. Accounting policies that relate to statutory accounting requirements are accounted for in the same manner as other accounting policies.

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

No material errors have been made in prior year accounts that need to be amended in the 2011/12 accounts.

13.6 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.

Depreciation, revaluation and impairment losses and amortisations are replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

13.7 Employee Benefits

13.7.1 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 for current employees and 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 (or any form of leave e.g. time off in lieu, flex-leave) earned by employees but not taken 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 the service account, but then reversed out through the Movement in Reserves Statement so that holiday benefits accrual has no impact on Council Tax and holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

13.7.2 Termination Benefits
Termination benefits are amounts payable 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. They are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

The Local Government scheme is accounted for as a defined benefit scheme.

The liabilities of the Oxfordshire County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of 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 of current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high quality corporate bond. The discount rates are based on the annualised yield on the iBoxx over 15 year AA rated corporate bond index.

The assets of the Oxfordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value and include quoted securities at current bid price and property at market value.

The change in the net pension's 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement;

- **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 Comprehensive Income and Expenditure Statement;

- **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 Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

- **Actuarial gains and losses** – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions; and

- **Contributions** paid to the Oxfordshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at 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.

13.7.4 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 Local Government Pension Scheme.

13.8 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.

13.9 Financial Instruments

13.9.1 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.

13.9.2 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.

The Council has financial assets comprising of long-term and short-term investments, long-term debtors, short-term debtors (excluding statutory debts such as Council Tax, Non-Domestic Rates, rent allowances, precepts, etc) and cash & cash equivalents. These are assets that have fixed or determinable payments but are not quoted in an active market**.** They 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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 Comprehensive Income and Expenditure Statement. 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.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

The Council has no available for sale financial assets,

13.10 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 Comprehensive Income and Expenditure Statement 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, or 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 Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant
Area Based Grant (ABG) is a general grant allocated by central government directly to local Council's as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

13.11 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.

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 area in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13.12 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 Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

13.13 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 Comprehensive Income and Expenditure Statement. 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 (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13.14 Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and are not required to prepare group accounts.

13.15 Jointly Controlled Operations and Jointly Controlled Assets

The Council has carried out a comprehensive review and concludes that there are no jointly controlled operations of a material financial nature.

13.16 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.

13.16.1 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.

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 Comprehensive Income and Expenditure Statement).

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the

Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

13.16.2 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this 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 noncurrent assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

13.17 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 2011/12* (SeRCOP). 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.

The exceptions to the absorption costing principle are:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation; and
- 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 SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

13.18 Property, Plant & 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.

13.18.1 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.

13.18.2 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; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located if the cost is above the £10,000 deminimis threshold.

The Council does not capitalise borrowing costs incurred whilst assets are 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.

Assets are then carried in the Balance Sheet using the following measurement bases:

- land and buildings – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV);
- infrastructure, community assets and assets under construction – depreciated historical cost; and

- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. At Cherwell District Council this applies to our sports centres.

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 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 taken to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

At Cherwell District Council, all property valuations are carried out by John Slack MRICS, Head of Regeneration and Estates. The bases of valuations are undertaken in accordance with the Statement of Asset Valuation Practice and Guidance Notes, published by the Royal Institute of Chartered Surveyors (RICS).

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); and

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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.

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

13.18.4 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 basis:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer and/or Responsible Officer for that asset; and
- infrastructure – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer, and/or Responsible Officer and/or valuer for that asset.

Newly acquired assets and capital enhancements are depreciated from the year after acquisition, unless the variation in change is considered material. In this respect only, the Council does not fully comply with the requirements of IAS16 Property, Plant & Equipment but this is not a material consideration for the Council.

Useful life of an asset is shown below for the relevant categories

• Infrastructure	10, 20 or 40 years
• Buildings	10, 20 or 50 years
• Vehicles	5, 6 or 7 years
• Computer Equipment / systems	3, 5 or 10 years
• Other	3, 5 or 7 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. All assets with a gross value over £50,000 are considered for componentisation. If on consideration a component is assessed to be greater than 20% of the total cost of the asset, it is componentised and the separate components depreciated using appropriate useful lives. Components that are individually less than 20% of the total cost of the asset are not treated as separate components for accounting purposes. They are valued and depreciated as part of the building structure.

The Council has a deminimis limit of £10,000 for capital expenditure purposes which results in the capitalisation of expenditure above that limit as an asset in the balance sheet. Items below this limit charged to revenue.

A materiality level of £50,000 for property assets has been determined by analysing the gross book values of building assets and assessing the impact of using different thresholds. Using a £50,000 limit means that 75% and £78.5m of the Councils £79.1m property portfolio will be assessed for componentisation (figures correct as at 31st March 2010).

The following five components have been identified:

1) Land;
2) Structure of Building;
3) Roof;
4) Electrical & Mechanical (inc. Plant & Equipment); and
5) Other / specialist.

Each component is considered to depreciate on a straight line basis. The useful life of a component will vary according to the type of property in which it is located and the amount of use to which it is put. The useful life of a component will be determined by the valuer when a component part is identified.

Where a component is replaced or restored, the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected at the cost or new carrying value.

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.

13.18.5 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 Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses 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, 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 and are kept under their original category.

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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement 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 in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings and 50% for land, net of statutory deductions and allowances) are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

13.19 Heritage Assets

13.19.1 Tangible and Intangible Heritage Assets

The Council's Heritage Assets are held in the Council's Museum. The Museum has collections of heritage assets which are held in support of the primary objective of the Council's Museum (increasing the knowledge, understanding and appreciation of the Council's history and local area.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on an annual basis.

There is an annual programme of valuations and items are valued by an external valuer. The assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuers and with reference to appropriate insurance values and commercial markets using the most relevant and recent information from sales at auctions.

13.19.2 Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, for example, where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment (see accounting policy 7.1.17.3). The Museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts**.**

13.20 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 Comprehensive Income and Expenditure Statement 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.

13.21 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.

13.22 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.

13.23 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

13.24 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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 Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

13.25 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. The amount of VAT irrecoverable is negligible.

13.26 Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

14. GLOSSARY OF TERMS USED IN FINANCIAL STATEMENTS

Accrual
An amount included in the final accounts to cover income or spending during an accounting period for goods or work done, but for which we have not received or made a payment by the end of that accounting period.

Accumulated Absences Account
The Accumulated Absences Account absorbs the difference 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.

Actuarial Gains and Losses
Actuarial gains and losses, in respect of the pension fund, arise where actual events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains/losses) or the actuarial assumptions have changed. For example an unexpectedly high pay award may have been made during the year or employee turnover may have been greater than expected. Scheme assets will need to be revalued on the basis of the revised information.

Actuarial valuation
This is when an actuary checks what the pension scheme's assets are worth and compares them with what the scheme owes. They then work out how much the contributions from employers must be so that there will be enough money in the scheme when people get their pensions.

Audit
An independent examination of the Council's accounts to ensure that they comply with the necessary legislation and follow best accounting practice. The Council's accounts are audited by the Audit Commission.

Audit Commission
The Audit Commission was established by the Local Government Finance Act 1982. It has responsibility for the external audit of all local Council's. It can either use district auditors who are employed by the Audit Commission or firms of accountants.

Balances
The revenue reserves of the Council, made up of the accumulated surplus of income over expenditure. Balances from part of our reserves.

Balance Sheet
The Balance Sheet is a snapshot of the accounts as at the 31st March. It includes the assets and liabilities of all activities of the Council.

Business Rates or National Non-Domestic Rates (NNDR)
The rates paid by businesses. The money is collected by the Council and paid into a central pool administered by the Government. The total collected is then redistributed to Council's on the basis of population.

Capital Adjustment Account
Reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

Capital Charge
A charge to reflect the cost of fixed assets used to provide services.

Capital Expenditure
Spending to buy significant fixed assets that we will use or benefit from for more than a year (for example, land and buildings).

Capital Receipts
Proceeds from the sale of assets which have a long term value.

Cash and Cash Equivalents

Cash and Cash Equivalents comprises of cash on hand and demand deposits which are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. They must be held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash Flow Statement
This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Chartered Institute of Public Finance and Accountancy (CIPFA)
The leading professional accountancy body for the public services. They set and monitor professional standards and provide education and training in accountancy and financial management. This is the main professional organisation for accountants working in the public service.

CLG
Communities and Local Government.

Code of Practice on Local Council Accounting
A guidance publication which interprets the requirements of International Financial Reporting Standards in the United Kingdom.

Collection Fund
This account reflects the statutory requirement to maintain a separate Fund, which shows the transactions of the billing Council in relation to National Non-Domestic Rates and Council Tax, and illustrates the way in which these have been distributed to preceptors and the Council's General Fund. The Collection Fund is consolidated with the other accounts of the Council.

Collection Fund Adjustment Account
The practical effect of the changes in the 2009 SORP is that the Collection Fund balance in the Balance Sheet will disappear. The surplus/deficit will be shared out in its entirety between the Council and its preceptors. The preceptors' share will be carried as creditors/debtors, but the Council's share will be credited to it's I+E Account. The Collection Fund Adjustment Account is then needed to reconcile the net credit made to the I+E Account for council tax to the statutory amount in the Statement of Movement - i.e., the demand on the Collection Fund for the year, plus the statutory amount payable/receivable for the year in relation to past deficits/surpluses.

Communities & Local Government (CLG)
CLG works to create a thriving, sustainable, vibrant community that improves everyone's life.

Community Assets
Assets that we plan to hold onto indefinitely, that have no set useful life and that may have restrictions on being sold.

Commuted Sums
Commuted Sums are negotiated contributions from developers, usually under section 106 Planning Agreements. The amenities provided by this funding are generally on-site play facilities; off-site sports facilities or 15 years open space grounds maintenance.

Comprehensive Income and Expenditure Account
The Income and Expenditure Account reports the net cost of the functions for which the Council is responsible, including the Housing Revenue Account. It shows how the net cost has been financed from general government grants and income from taxpayers. The detailed account for the Housing Revenue Account must be shown separately.

Contingency
The money we set aside to pay for unexpected spending.

Contingent liabilities
An amount we could owe when we send the accounts for approval. We will include the liability in the balance sheet if we can estimate it reasonably accurately. Otherwise we would add the liability as a note to the accounts.

Contingent Assets and Liabilities
A condition which exists at the balance sheet date, where the outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events.

Corporate and Democratic Core
Split under 2 headings:

Corporate Management: concerns those activities and costs that provide the “infrastructure” that allows services to be provided. Charges to this heading are strictly regulated. If costs can be identified within individual service areas, they cannot be charged here.

Democratic Representation and Management: includes all aspects of Members’ activities including corporate, programme and service policy making, governance and representation of local interests.

Council Tax
The local tax that pays for a proportion of council services. It replaced the poll tax in April 1993.

Creditors
Amounts we owe for work done, goods received or services provided which have not been paid for by the end of the financial year.

Current Assets
An asset which will be used up during the next accounting period e.g. stocks.

Current Liabilities
Amounts which will become due or could be called upon during the next accounting period.

Current Service Cost
Current service (pension) cost is an estimate of the true economic cost of employing staff in a financial year, earning years of service that will eventually entitle them to a lump sum and a pension. It measures the full liability estimated to have been generated in the year (at today’s prices) and is unaffected by whether the fund is in surplus or deficit.

Debtors
Amounts we owe for work done, goods received or services provided which have not been paid for by the end of the financial year.

Depreciation
The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time, or of obsolescence through technological or other changes.

Earmarked Reserves
Reserves set aside for specific purposes.

Exceptional Items
Items of income and expense that are deemed to be exceptional based on their significance (material), their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

Expected Return on Assets
Under the provisions of IAS19 the expected return on assets is a measure of the return (income from dividends, interest etc.) on the assets held by the scheme for the year. It is not intended to reflect the actual returns, but a longer term measure, based on assets at the start of the year, any movements during the year and an expected return factor.

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

Finance Lease
A lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer may be presumed to occur if, at the inception of the lease, the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Financial Instrument Adjustment Account
The SORP introduced the requirement to account for Financial Instruments based on a new set of Financial Reporting Standards, IAS 32, IAS 39 and IFRS 7. This technical guidance requires certain Financial Instruments such as loans and deposits to be valued on the Balance Sheet in accordance with the financial reporting requirements rather than being shown at their "nominal" value. This results in an impact on Service Cost and Interest in the Income and Expenditure Account. However, Accounting Regulations have been put in place to allow the impact of these new accounting requirements to be adjusted in the Statement of Movement in the General Fund Balance. This adjustment has resulted in creation of a Financial Instrument Adjustment Account on the Balance Sheet.

Fixed Asset
A tangible asset that yields benefit to the Council and the services it provides for a period of time in excess of one year.

General Fund
This account shows the expenditure and income relating to all the services provided by the Council and how the net cost of these services has been financed by the local taxpayers and government grants.

Government Grants
Assistance by government and inter-government agencies and similar bodies, whether local or national, or international, in the form of cash or transfers of assets to the Council in return for past or future compliance with certain conditions.

Heritage Assets
A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. These are accounted for in accordance with FRS 30 Heritage Assets as adopted in the Code of Practice on Local Council Accounting, as there is no IFRS that deals with heritage assets. Heritage assets can be both tangible and intangible in nature.

Housing Benefit
Payments to people on low incomes to assist them in meeting their housing costs.

Impairment
Impairment occurs where the recoverable amount of the fixed asset is lower than the carrying value amount.

Infrastructure Assets
Fixed assets that are immovable or not transferable, expenditure on which is recoverable only by the continued use of the asset created. Examples of infrastructure assets are the various Town Centre Improvement Schemes.

Intangible Assets
Expenditure which has been capitalised but which does not always produce a fixed asset, e.g. grants, software licences.

Interest Cost
Under the provisions of IAS 19 interest cost is the amount needed to unwind the discount applied in calculating the current service cost. Provisions made at present value in previous years will need to be uplifted by a year's discount in order to keep pace with current values.

IFRS
International financial reporting standards (IFRS) represent a set of generally accepted accounting principles (GAAP) used by companies to prepare financial statements.

International Financial Reporting Standards that have been developed by the International Accounting Standards Board (IASB). These are a set of accounting rules followed by, or being adopted by, more than 100 countries. All member states of the EU are required to use IFRS as adopted by the EU for listed companies since 2005.

International Accounting Standard 19 (Retirement Benefits)
The objectives of IAS19 are to ensure that financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities. The financial statement should also reflect the assets and liabilities arising from an employer's retirement benefit obligations and any related funding at fair values. In addition the operating costs of providing retirement benefits should be recognised in the accounting period(s) in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities should be recognised in the accounting periods in which they arise.

Inventories
These comprise the following:-
a) goods or other assets purchased for resale;
b) consumable stores;
c) products and services in intermediate stages of completion; and
d) finished goods for resale.

Investments
A long-term investment is an investment for longer than twelve months. Investments which do not meet these criteria are classed as short term investments and shown in current assets.

Investment Properties
Interest in land and / or buildings which is held for its investment potential, rather than its use in the provision of the Council's services to the public, any rental income being negotiated at arms length.

Leasing
A way of paying for capital spending where we pay a rental charge for a certain period of time. There are two main types of leasing arrangements.

a) Finance leases, which transfer all the risks and rewards of owning a fixed asset to the person taking out the lease. These assets are included in the fixed assets in the balance sheet.

b) Operating leases, where the leasing company owns the asset and the yearly rental is charged direct to the income and expenditure account.

Local Government Pension Scheme (LGPS)
Cherwell District Council participates in the LGPS, which is a defined benefit pension scheme based on final pensionable salary. The fund is administered by Oxfordshire County Council.

Minimum Revenue Provision
The minimum amount of the Council's external debt that must be repaid in accordance with Government regulations, by the revenue account in the year of account.

Movement in Reserves Statement
This statement brings together all the recognised gains and losses of the Council during the period and identifies those that have and have not been recognised in the Income and Expenditure account. The statement separates the movements between revenue and capital reserves

Net Book Value
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.

Non Distributed Costs
These tend to be costs which, because of their nature, cannot be allocated or apportioned to services. They may include the costs associated with the unused shares of IT facilities or other long-term unused but unrealisable assets. They may also include the costs of past service, settlement and curtailment pension contributions.

Non-Operational Assets
Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of its services. Examples of non-operational assets include investment properties and those assets which are surplus to requirements and which are being held pending sale or redevelopment.

Operational Assets
Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

Past Service Costs
Under the provisions of IAS19 past service costs are non-periodic costs arising from decisions in the current year but whose financial effect is derived from years of service earned in earlier

years. Most costs are likely to be discretionary benefits, including added year liabilities. Any new added years liabilities/past service costs will need to be recognised in non distributed costs.

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.

Post Balance Sheet Events
Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible officer and authorised for issue.

Precepts
The amount that the Council is required to collect from council tax payers to fund another, non tax collecting Council's expenditure. Precepts are issued by County, Parish and Town Councils and the local police Council.

Prior Year Adjustments
Those material adjustments which apply to previous years, which have arisen from changes in accounting policies or from the correction of fundamental errors. They do not include adjustments of accounting estimates made in prior years.

Provision
An amount we set aside to provide for something we will need to pay, but where we do not know the exact amount and the date on which it will arise.

PRP
Performance related pay.

Related Party Transactions
The Council is required to disclose any material transactions with related parties to ensure that stakeholders are aware when these transactions take place and the amount and implications of such transactions.

Reserves
Amounts of money put aside to meet certain categories of expenditure in order to avoid fluctuations in the charge to the General Fund.

Revaluation Reserve
Records the unrealised net gains from revaluations made after 1st April 2007.

Revenue Expenditure
The Council's day-to-day expenditure on items which include wages, stationery and interest charges.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Capital expenditure which does not result in, or remain matched with, tangible assets. Examples of this include expenditure on items such as private sector housing grants or expenses included in the promotion of a Private Act of Parliament.

Revenue Support Grant
The main non-service specific grant from Central Government to fund the Council's expenditure.

Service Reporting Code of Practice (SeRCOP)
This Code of Practice provides guidance on the reporting structure, to enable consistency and comparison of costs with other Council's. The highest structure level shown in the statements are mandatory.

Useable Capital Receipts
The amount of capital receipts which the Council is able to use to finance capital spending.

Useful Life
The period over which the Council will derive benefits from the use of a fixed asset.

Usable Reserves
Reserves that can be applied to fund expenditure or to reduce council tax.

Unusable Reserves
Reserves that are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and do not represent usable resources for the Council.

INFORMAL REVIEW OF DRAFT FINANCIAL STATEMENTS 2011/12 (subject to audit)

Meeting on 21 June 2012

Membership
Councillor Trevor Stevens (Chairman)
Councillor Mike Kerford- Byrnes (Vice-Chairman)
Councillor Andrew Beere
Councillor Colin Clarke
Councillor Andrew Fulljames
Councillor Lawrie Stratford
Councillor Rose Stratford
Councillor Barry Wood

Officers:
Karen Curtin – Head of Finance and Procurement
Karen Muir – Corporate System Accountant
Edward Cooke – Technical Accountant (secondment)

1) Introduction

The purpose of this document is to provide a guide to the role that the Audit Committee will have in ensuring the robust scrutiny of the financial statements and set the objectives for the meeting.

The draft accounts for 2011/12 have been prepared for the second year under International Financial Reporting Standards (IFRS).

2) The role of the Accounts, Audit & Risk Committee

The Audit Committee reports to the full Council. It has right of access to all the information it considers necessary and may consult directly with internal and external auditors. The Committee is responsible for fulfilling responsibilities in relation to the production of the annual accounts and financial statement, for reviewing the external auditor's reports, the Annual Audit and Inspection Letter and internal audit's annual report, and monitoring any associated action plans. It may also review and make recommendations on systems of internal control, including financial, operational, compliance and risk management. The Audit Committee is responsible for reviewing the annual Statement of Accounts, but under new regulations, does not have to formally approve them. This responsibility has now been delegated to the Chief Financial Officer.

Council Members have an important role when they approve the local authority's accounts. Effective review and questioning by this committee is an essential part of good governance. However, this can be a challenging and daunting task for Members and you may feel that you need support to ensure that your members and audit committee, understand the key areas of the IFRS local authority accounts closedown for 2011/12.

3) Changes to Regulations

The regulations state that whilst the statement of accounts must be approved no later than 30 June immediately following the end of a year, the draft statement of accounts can now be approved by the responsible financial officer rather than Audit Committee. The responsible financial officer for the council is the section 151 officer (Director of Resources) Martin Henry.

The responsible financial officer will need to certify for audit that the draft statement of accounts present a true and fair view of the financial position of the council.

Regulation 8 does retain the requirement for a committee to consider and ultimately approve the statement of accounts post audit by 30 September in the year immediately following the end of the year which the statement of accounts relates.

Whilst there is no statutory requirement for Audit Committee to approve the draft statement of accounts by 30 June the Chairman and Head of Finance and Procurement recognises that it would be good practice to provide the Audit Committee with the opportunity to scrutinise the statements. This will take place on 20 June 2012 and a report that sets out the key financials from the statement of accounts and the questions asked by members will be circulated ahead of the formal meeting on Wednesday 27June 2012.

4) Accounts Review Meeting

The objectives of the meeting will be to:

- Review Financial Statements 2011/12 (subject to audit) in detail
- Challenge the detail and understand movements from prior year
- Recommend additional disclosures or format improvements
- Recommend that the 'subject to audit' Statement of Accounts approval and sign-off be delegated to the Chief Financial Officer for signing on or before the statutory deadline of 30th June 2012.
- Review Annual Governance Statement

5) The Annual Statement of Accounts

The Chief Financial Officer is responsible for ensuring that the annual Statement of Accounts is prepared in accordance with 'The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12: A Code of Practice (The Code). The Code specifies the minimum standards and information that must be included in the statement. The purpose of the published statement of accounts is to give electors, local taxpayers, members of the authority and other interested parties clear information about the Council's finances.

The following financial statements are included within the Accounts: -

Chief Financial Officer's Explanatory Foreword

Provides a brief outline of the purpose and structure of the Financial Statements and the Council's financial position compared with its budget for the year.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves (largely notional accounts for statutory and capital accounting adjustments).

Comprehensive Income and Expenditure Account

Outlines the expenditure, income and net cost for the year of all the Council's revenue services and functions, and shows how this has been financed from general Government grants and income from local taxpayers. This takes into account all money owed to or by the Council and ensures the true cost of services is shown. This statement is prepared on an accruals basis.

Balance Sheet

The Balance Sheet sets out the overall financial position of the Council at the 31 March 2012 showing its assets, liabilities and reserves.

Cash Flow Statement

Records the movements of cash into and out of the Council arising from transactions with third parties. This is different from the Comprehensive Income and Expenditure Account which includes monies due to the Council or monies owed by the Council in the year, irrespective of whether these monies have been received or paid.

Notes to the Core Financial Statements
There are a number of notes to assist the reader or provide more detail of various items within the statement. Within these now sits the Statement of Accounting Policies which explains the basis on which the figures in the accounts have been prepared. These were approved in draft form at the March meeting of the Audit Committee

Collection Fund and Notes
The Council has a legal duty to keep a separate account for council tax and business rates (NNDR), together with any transactions on residual community charges. The account shows the income collected on behalf of Oxfordshire County Council and Thames Valley Police Authority and the subsequent payment of that money (by precept) to those authorities. The council tax collected for Cherwell District Council, as well as the amounts for parishes, is shown in both the Collection Fund and the Income & Expenditure Account. Balances within the Collection Fund at the end of the year are also included within the Consolidated Balance Sheet.

Pension Fund Accounts
This details the Councils position on assets and liabilities within the pension fund which is administered by Oxfordshire County Council and the assumptions used to formulate valuations for IAS19 purposes.

Annual Governance Statement
The Annual Governance Statement previously formed part of the Statement of Accounts, but under new regulations is now a separate document.

6) Commentary on Financial Statement 2011/2012
A vital part of the scrutiny of the Financial Statement is an analytical review of the key variances on actual spending or income from one year to the next. The revenue and capital outturn reports have been reviewed by the Executive on 18th June 2012 and attached is an analytical review of the Comprehensive Income and Expenditure Statement and Balance Sheet.

7) Output
A formal document will be circulated after the meeting with details of all questions asked and responses given. This document will form part of the documentation for the FORMAL meeting on Wednesday 27TH June 2012.

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Statement of Accounts 2011/12

Review Meeting 20th June 2012

18.30-20.40

Questions Raised and responses including additional information requested

	Analytical Review
	The committee reviewed in detail the draft statement of accounts, supporting notes and detailed analytical review of the CIES, Balance Sheet and Cashflow, All variances over £250k were accompanied with commentary detailing the reasons for the change from 10/11 to 11/12 accounts. Decrease in net services as a result of budget reductions and the impact of joint working arrangements with South Northamptonshire
1.	**CIES - Why has expenditure increased in cost centre 16341 BPSC?**
	As part of 2011/12 programme of valuations the sports centres have been componentised to comply with IFRS Code and IAS. This has resulted in significant elements that would have been valued as the building and depreciated over 40/50 years, being split into component parts and depreciated over different useful economic *lives to comply with the Code and the Councils Componentisation Policy.* *The Council's depreciation and componentisation policy are included within the notes to the accounts – Accounting Policies Section.* *For example with hypothetical numbers* *Previously:£10m Building over 40 years annual depreciation £250k* *Now: £10m Building split into Building £5m 40 years, Plant and Equipment £4m 20 years and Specialist £1m 10 years. Annual depreciation now £125k on building, £200k on Plant and £100k on specialist. Total £425k depreciation, which represents an increase of £175k for the individual sports centre asset depreciation charge as a result of componentisation.*
2	**CIES – Why has expenditure increased in cost centre 16351 KGSC?**
	As above – impact of valuations and componentisation on depreciation charge.
3	**CIES - Why has expenditure increased in cost centre 16352 SPSC?**
	As above – impact of valuations and componentisation on depreciation charge.
4	**CIES - Why has expenditure increased in cost centre 16300 Cooper School Bicester?**
	Additional expenditure incurred in 11/12 for equipment replacement and overhaul of facilities to facilitate the generation of additional income.
5	**CIES - Cost centre 18528 and 18529 (Fuel Expenditure / Recharges) – Looks considerable less spend on fuel.**
	Looks like dramatically reduced spend – difference to where sitting in cost centres between 10/11 and 11/12.Was originally coded into a holding account and recharged out. Now costs are charged

<table>
<tr><td></td><td>direct to services - so other fuel costs will be sitting within other cost centres.

Information to be provided for what spent in 2010/11 v 2011/12 for fuels costs. Procurement agreement in place for all utilities.

<table>
<tr><th></th><th>10/11</th><th>11/12</th><th>Movement</th></tr>
<tr><td></td><td>£</td><td>£</td><td>£</td></tr>
<tr><td>Electricity</td><td>174,445</td><td>163,247</td><td>-11,198</td></tr>
<tr><td>Gas</td><td>94,243</td><td>54,503</td><td>-39,740</td></tr>
<tr><td>Fuel & Oil (Vehicles)</td><td>411,653</td><td>468,184</td><td>56,531</td></tr>
<tr><td>Woodchip Fuel</td><td>0</td><td>8,222</td><td>8,222</td></tr>
<tr><td>Total</td><td>680,340</td><td>694,156</td><td>13,815</td></tr>
</table>
</td></tr>
<tr><td>6</td><td>CIES - Cost centre 14803 – Development Control Advice why costs increased £30k?</td></tr>
<tr><td></td><td>£36k of costs were incurred in respect of HS2 in 2011/12 – funded from specific Earmarked Reserve.</td></tr>
<tr><td>7</td><td>CIES - Cost centre 10558 – CCTV Monitoring reduction in expenditure £200k?</td></tr>
<tr><td></td><td>A capital impairment was processed in 2010/11for £198k. No such transaction was required in 2011/12.</td></tr>
<tr><td>8</td><td>CIES - Cost centre 15105 – Local Plans and Policy costs decreased £80k?</td></tr>
<tr><td></td><td>Recharge of shared management team costs between areas and organisations reducing recharges to service cost centre.

Other reductions are as a result of the reallocation of Departmental Admin costs within the department.</td></tr>
<tr><td>9</td><td>CIES - Cost centre 14807 – Development Control reduction of expenditure £250k and increase in income £440k</td></tr>
<tr><td></td><td>Impact of New Homes Bones money being received and recognised in year under IFRS and additional planning fee income.

Significant costs were incurred in 2010/11 in respect of the Ardley Incinerator appeal.</td></tr>
<tr><td>10</td><td>CIES - Cost centre 15904 – Active Women: why costs incurred in 11/12 nil in 10/11. What is this in relation to?</td></tr>
<tr><td></td><td>New scheme project to encourage healthier / active lifestyles in area. Total spend £12k.</td></tr>
<tr><td>11</td><td>CIES - Cost centre 16084 – Shop Mobility – why decrease in costs on £18k?</td></tr>
<tr><td></td><td>In 2010/11 there was a Capital Impairment of £18.3k. No similar transactions were required in 2011/12.</td></tr>
<tr><td>12</td><td>CIES - Cost Centre 18843 – Bus Station: What is the £50k increase?</td></tr>
<tr><td></td><td>There was a prior year gain on revaluation which reduced overall costs in 2010/11.</td></tr>
<tr><td>13</td><td>Xmas Illuminations and how does this reconcile with recent Exec Report</td></tr>
</table>

	This is Revenue items for the cost centres that feed the CIES for the statement of Accounts. Recent Exec Report was in relation to Capital and does not tie into this report.
14	**CIES - Cost Centre 17906 – Housing Benefits** Query / Discussions around the large amount of expenditure and income that is going through a district council Further discussion on the implications given developments for Universal Credit, Welfare Reform Act.
	Discussions were had around impact for finance, housing services and budget given upcoming and planned changes to legislation.
15	**Balance Sheet** Bad Debts – Increase from prior year? Economic Conditions or other factors driving Could a top ten bad debt provision be produced for 50045 and 70000 and where the Council are in the debt collection process
	The Council reviews its debtor accounts and aged profile and sets aside a provision it considers to be appropriate based on the ageing and apply a % value to these accounts to establish a provision. *These are not debts that have been written off but based on history and market factors the Council considers may not be collected of its debt at each balance sheet date*. *Top Ten Accounts in each of the main bad debt provision codes to be provided, along with current status of place in Council's debt recovery process to be provided.* *(See appendix a – EXEMPT)*
15	**Balance Sheet** Short Term Debtors Increase from prior year
	Movement in Short Term Debtors in down to timing of raising invoices and payment profiles. Snapshot at 31 March. Central Government departments have changed payment profiles during 2011/12. No significant underlying trends on debtors.
16	**Balance Sheet** Reserves – Text around usable and unusable to make it clear on type/purpose
	Additional narrative will be included to explain usable and unusable reserve to aid members and readers.
17	**Balance Sheet** Reserves – what is a suitable % for general reserves
	The Council has a policy and review process to consider its reserves and what it believes to be a suitable level. The Chief Financial Officer (CFO) will have overall responsibility for setting and establishing an appropriate level of reserves. This will drive the budget and Medium term Financial Strategy (MTFS).
18	**Balance Sheet – 50029 Bus Token Stock** **What does this relate to? Moved to nil.**

	Relates to the value assigned to the concessionary bus tokens. Scheme now transferred and County will honour tokens (within set time limit) Stock has nil value to council for 11-12 as scheme no longer operating by CDC
19	**Exit Packages -** Query 50:50 as should be 60:40 Cherwell / South Northants
	Note was reviewed and confirmed the table is the total cost and therefore sentence to be amended to read 60:40 split of costs between CDC and SN as per the agreement in the business case. *This note along with the officers renumeration note are likely to be of interest once the final draft is published.*
20	**Cash-flow -** Signage and casting
	The Statements and notes will be checked and ensure appropriate signage and casting.
21	**Pension Reserve – Implications of increased deficit, public attention etc**
	2010/11 Pension deficit decreased due to one off past service gain from change in discounting the liability based on CPI from RPI and resulting actuarial gain from change in assumption therefore any reduction in assets and liabilities masked by this gain. *2011/12 Deficit increased due to actuarial loss – based on assumptions (life expectancies etc) and return of assets for investments for CDC share of the Oxford Scheme. There is no one off gain for 11-12 based on change in policy and discount rate used.* *Actuarial data provided by Oxfordshire Pension Actuary: Barnett Waddingham.*
22	**Member Access to General Ledger – to drill into the detail of individual cost centres or specific cost centres of interest.**
	Should members wish to have access to the ledger – consideration will be given to provide access to system in members' room and provide training to those who would like to access the ledger.

Reference	CC(T)	CustID	CustID(T)	Inv.date	InvoiceNo	Inv Amount
1	Housing Benefit	Removed	Removed	22/12/1998	29990039	5,848.01
2	Housing Benefit	Removed	Removed	22/12/1998	29990055	197.64
3	Works in default	Removed	Removed	22/12/1998	29990028	156.03
4	Works in default	Removed	Removed	22/12/1998	29990051	1,522.52
5	Works in default	Removed	Removed	22/12/1998	29990071	141.62
6	Housing Benefit	Removed	Removed	18/03/1999	29990132	267.42
7	Housing Benefit	Removed	Removed	08/09/1999	29990151	449.08
8	Housing Benefit	Removed	Removed	01/10/1999	29990155	8,958.92
9	Housing Benefit	Removed	Removed	06/10/1999	29990128	3,976.26
10	Housing Benefit	Removed	Removed	14/10/1999	29990152	8,263.65

Total Outstanding	Amount Due	Collected %	Recovery	Bad debt provion
4,408.01	4,408.01	24.62	Monthly Instalments	100%
24.64	24.64	87.53	Monthly Instalments	100%
156.03	156.03	0.00	Charge on property	
1,522.52	1,522.52	0.00	Charge on property	
141.62	141.62	0.00	Charge on property	
94.42	94.42	64.69	Monthly Instalments	100%
449.08	449.08	0.00	Charge on property	
3,189.01	3,189.01	64.40	Monthly Instalments	100%
2,020.01	2,020.01	49.20	Weekly Instalments	100%
8,263.65	8,263.65	0.00	Charge on property	

ANNUAL GOVERNANCE STATEMENT

Executive Summary

Governance is about how local government bodies ensure that they are doing the right things in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, cultures and values by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

This document describes our governance arrangements and assesses how closely we align with good practice. In overall terms this is a positive statement for the financial year 2011/12. This document relies on several assurance mechanisms including the internal audit annual review, internal audit reports throughout the year, the work of the Accounts, Audit and Risk Committee, the overview and scrutiny process and external audit.

External audit is undertaken by the Audit Commission and provides assurance on the controls the Council has in place. Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Audit and Inspection Letter. The Council received an unqualified audit opinion on its 2010/11 accounts, the latest published.

The statement reports positive progress on the significant issues that arose as part of last year's statement: implementation of joint working arrangements with South Northamptonshire Council and the Council's firewall systems.

In common with all local authorities, the Council faces an extremely challenging year in 2012/13 as it seeks to manage the implications of the local government resource review, welfare reform changes, budget reductions, increasing demand for key services and new ways of working. In order to manage this, the Council has developed a transformation programme, which through working in partnership with other local authorities, aims to deliver significant savings whilst protecting frontline services.

The Council has a strong system of internal control, and action plans are in place to address the above significant governance issues, and progress against these will be monitored during the course of 2012/13.

1.1 Scope of Responsibility

Cherwell District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Cherwell District Council is responsible for implementing arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

Cherwell District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA), Society of Local Authority Chief Executives (SOLACE) Framework for Delivering Good Governance in Local Government. A copy of the code is on our website at www.cherwell-dc.gov.uk.

In 2010/11 new accounts and audit regulations have been laid before parliament. The *Accounts and Audit (England) Regulations 2011* replace the Accounts and Audit regulations 2003 which were amended in 2006 and 2009.

These regulations make it clear that the review of the effectiveness of the annual system of internal control must lead to the production of an Annual Governance Statement, which must be approved separately to the Statement of Accounts.

The independence of the Annual Governance Statement for the formal Statement of Accounts is confirmed as the regulations require the statement to *accompany* the published accounts, to make clear that the statement is not part of the accounts.

Another important change to the regulations is that the role of the internal audit process has been strengthened. The regulations now apply to all aspects of the internal audit function and not just the systems used by internal audit.

1.2 The Purpose of the Governance Framework

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

1.3 The Governance Framework

The following sections align to the 'Delivering Good Governance in Local Government Framework' (CIPFA/SOLACE) and provide evidence against each of sections contained within that document.

1.3.1 Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users

The Council's long term strategic objectives are set out in the Corporate Plan. These objectives are derived directly from the Cherwell Sustainable Community Strategy 'Our District, Our Future' and it's supporting medium term strategies. Progress is monitored via the Council's Corporate Performance Framework which integrates financial and service planning. Our annual financial planning process is driven by the Council's medium term financial strategy to ensure our future priorities and ambitions are resourced.

The Council identifies and communicates the vision of its purpose and intended outcomes for citizens and service users through a variety of media including its website, Cherwell Link magazine and consultation documents. The Council chairs the Cherwell Local Strategic Partnership (LSP) for Cherwell. Membership of the LSP includes members from the county, district, town and parish councils, the faith, business and voluntary communities. As part of the development of the Community Strategy, the LSP undertook a significant policy and evidence review and consultation with stakeholders to set a vision and objectives for the long term. The strategy sets out a vision for the district with four ambitions addressing community development, environment and infrastructure planning, economic development, community leadership and engagement.

This piece of work included a significant amount of consultation where partners, community groups and stakeholders are asked to help us develop the new strategy. The strategy was also subject to a formal consultative phase where the draft strategy was available for full consultation on our consultation portal http://consult.cherwell.gov.uk/portal. Whilst national requirements to participate in LSPs and partnerships have reduced, the Council has decided to continue participating in key partnerships to ensure a shared long term vision for the district across the public, voluntary and private sectors.

The Council's service and financial planning process incorporates substantial consultation with all sections of the community. At the corporate level this includes an annual customer satisfaction survey which identifies areas of customer satisfaction and priorities for improvement, and a budget consultation process that is focused on qualitative research with stakeholders. In addition we target harder to reach groups (older people, younger people, people with disabilities and people from minority ethnic communities) to ensure that all sections of the community are able to participate in the budget consultation. We also use booster samples to ensure our customer satisfaction survey responses include harder to reach groups.

At the service level, individual service areas and teams undertake public consultation. The Council has a consultation and engagement strategy, toolkit and web based portal to support this. In 2010/11 the Council, working with its partners, also established a Disability Forum and a Faith Forum to further improve opportunities for public consultation feedback to help set and test strategic direction. The forums have continued to grow throughout 2011/12 with strong attendance and good feedback.

The corporate agenda is communicated to staff through regular briefings for all staff from the Chief Executive, a "cascade" system and the staff magazine as well as through staff engagement in the service planning process. Additional communications activities are also undertaken in relation to key projects such as shared services.

1.3.2 Reviewing the Authority's vision and its implications for the Authority's governance arrangements

The Council reviews its vision and the implications for its governance arrangements by regularly updating its Corporate Plan and major strategy documents. The Council has a medium term financial strategy in place to ensure future ambitions are resourced, and in November 2009 a new sustainable community strategy for the district was adopted by the Cherwell Local Strategic Partnership in which the Council plays a leading role. The governance of the local strategic partnership has been reviewed and strengthened to enhance its capacity to deliver the action plans related to the new strategy.

The Medium Term Financial Strategy (MTFS) is the Council's key financial planning document. It is driven by our Corporate Plan and the four strategic priorities which lie at the heart of it:

- Cleaner, Greener
- District of Opportunity
- Safe and Healthy and Thriving
- Accessible Value for Money

This strategy sets clear targets to eliminate the Council's revenue dependency on investment income and focus resources on front line services in a time when government funding has been reduced.

The Council agreed on the 8th December 2010 to joint working arrangements with South Northamptonshire Council and these arrangements were confirmed with the appointment of the Shared Chief Executive in May 2011. This was followed up by the appointment of three directors and eight heads of service in October 2011. Further joint working arrangements have either been implemented or are being investigated by directorate, based on individual business cases, to deliver further savings whilst protecting frontline services.

Cherwell District Council and South Northamptonshire Council will remain ***separate*** independent entities, retaining their sovereignty. Elected members of both councils will remain in charge of decision making in line with their visions, strategic aims, objectives and priorities.

1.3.3 Measuring the quality of services for users, ensuring they are delivered in accordance with the Authority's objectives and ensuring that they represent the best use of resources

Mechanisms are in place to measure the quality of services for users, ensuring they are delivered in accordance with Cherwell District Council's objectives and that they represent the best use of resources. The Council continues to improve performance management within the organisation. Service quality and best use of resources is ensured via:

- Performance Plus (a performance management system for monitoring and recording performance indicator data and business plans) responsibility of managers to exception report
- Quarterly Review of Financial Performance Reports
- VFM Review Programme

The Council recognises that to drive improvement it needs to closely monitor and review its performance. The Council routinely monitors its spend against budgets, and its performance against National and Local Performance Indicators and also against service plans and strategies. This is encapsulated in the Performance Management Framework.

Financial reports comparing budget to actual and projections to end of year are distributed to all key officers on the first working day of each month, with access/drilldown facilities appropriate to role and responsibilities. This reporting tool, known as the dashboard, includes the reasons/actions to be taken for all red flagged items. Within a further five working days, a projections module is available which includes a detailed analysis prepared by each Head of Service and Service Accountant relating to full year outturn projection.

Financial reporting is effectively delivered through the financial dashboard which is produced and distributed on a monthly basis. This provides a robust mechanism for closely monitoring budgets and effectively challenging or addressing the variances identified with the relevant Heads of Service.

The dashboard has made budget monitoring far more comprehensive and timely than in previous years, producing a year end outturn with no unexpected variances against budget. It has also enabled funds to be reallocated within year to alternative Council priorities.

The VFM programme has improved the value for money of our services, released resources to support the delivery of the Council's objectives and supported the delivery of the MTFS. Annual customer surveys provide assurance and feedback to inform improvement through the Corporate Improvement Plans. The Council is constantly seeking to ensure that its resources are used economically, effectively and efficiently. The Council encourages staff involvement in the improvement process and actively uses the findings of external agencies and inspections and the national efficiency framework, to drive improvement. Every report to members carries a paragraph that assesses what efficiency savings the proposal might generate.

The annual audit letter gave an unqualified Value for Money conclusion in September 2011. This means that the Audit Commission is satisfied that the Council has adequate arrangements in place for securing economy, efficiency and effectiveness in its use of resources.

1.3.4 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

A clear statement of the respective roles and responsibilities of the executive, the members and the senior officers are held within:

- The Constitution (available on the Council's website)
- Officer job descriptions

The budget and policy framework is determined by full Council. The Executive has delegated authority to take most decisions within that framework other than regulatory matters excluded by the Local Government Act 2000. Executive decisions are subject to scrutiny. All meetings are open to the public unless confidential items, as defined by the Local Government Act 1972 as amended, are discussed. All meetings are webcast and are available in archived format for six months from the date of the meeting.

The Overview and Scrutiny Committee has overall responsibility for the performance of all overview and scrutiny functions (under the Local Government Act 2000 and Local Government and Public Involvement in Health Act 2007) on behalf of the Council. In particular it is responsible for scrutinising decisions and decision making, developing and reviewing policy, exercising call-in procedures and investigating matters of local concern.

This work is delivered by the Overview and Scrutiny Committee and the Resources and Performance Scrutiny Board. Both of the Committees can establish 'Task and Finish' groups to undertake particular reviews in accordance with the annual overview and scrutiny work programme.

The Standards Committee has responsibility for ensuring the highest standards of behaviour and has undertaken an assessment role for all complaints about breaches of the code of conduct since 8th May 2008 (when this responsibility was transferred from the Standards Board for England). The Standards Committee produces an Annual Report which goes to full Council. The Localism Act which has gone through Parliament abolishes the current Standards regime and replaces it with an obligation on the Council to adopt a new code of conduct by 1 July and to introduce arrangements for the acceptance and disposal of complaints of Councillor misconduct at District, Town and Parish Council levels In May 2012 the Council agreed to establish a new Standards Committee and delegated authority to the Monitoring Office to introduce the necessary arrangements.

The Accounts, Audit and Risk Committee has responsibility for risk management and financial probity, and signs off the Council's annual Statement of Accounts. The Corporate Governance Panel is made up of two members of the Accounts Audit and Risk Committee and one member of the Standards Committee.

The Corporate Governance Panel (see membership in 1.5) reviews the governance arrangements of the Council and provides member input into this Annual Governance Statement. The senior officer management team is the Joint Management Team which meets formally once a fortnight.

1.3.5 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The key documents and techniques used to develop the code of conduct and high standards of behaviour that we achieve within Cherwell District Council comprise:

- The Constitution
- Codes of conduct and associated protocols
- Employee Handbook
- Internal / External Communications Policy
- Whistle blowing policy
- Recruitment policy and Appraisal processes
- Registers of member and staff interests
- Complaints policy and procedures
- Internal Audit work
- External Audit Reports
- Chief Executive briefings
- Cascade
- Staff Induction Programme
- Intranet and Website Messages

The Council has adopted codes of conduct for members and officers. The codes and protocols of the Council are in part three of the constitution. The Localism Act 2011 provides for the abolition of the current standards regime and its replacement by a new one which is expected to come into force on 1 July 2012. Standards for England ceased to exist on 31 March 2012 and the Council now has to introduce new arrangements to receive and consider complaints alleging breach of a new code of conduct. The Council agreed to adopt this new code at its meeting in May 2012 and delegated authority to the Monitoring Officer to introduce the necessary arrangements. The new code of conduct is a mandatory requirement and includes provision for the registration and notification of disclosable pecuniary interests backed up by criminal sanction.

1.3.6 Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

Under the Local Government Act 1972, as amended, the Council is able to delegate decisions to committees or officers but is required to have a scheme of delegation setting this out. The scheme of delegation is part of the Council's constitution. There has been further work on the constitution this year by the Monitoring Officer. A draft scheme of officer delegations reflecting the joint working arrangements with South Northamptonshire Council has been considered by the Joint Arrangements Steering Group for recommendation to both Councils and a report will be taken to an appropriate meeting of Cherwell District Council to adopt it. An accurate up to date constitution reduces the risk of challenge to the Council's decisions.

One of the key aspects of the internal control environment is the management of risk. The Council has a risk management strategy which was reviewed in 2011/12, and Heads of Service are responsible for maintaining the risk management system and ensuring risks are appropriately mitigated and managed. The Performance and Risk Officer administers the risk management system (Performance Plus). All Heads of Service review and update their strategic, corporate and partnership risks online quarterly. For each risk noted on the register, responsible officers are required to identify controls that are in place to mitigate the risk.

A risk management workshop for the management team is held on an annual basis, the most recent being in February 2012. The purpose of these workshops is to review and revise the strategic risk register and provide an update on the Council's risk management strategy. Risks are categorised as either strategic, corporate, partnership or operational. All strategic, corporate and partnership risks are reviewed on a quarterly basis and integrated risk and performance reports are received by the Joint Management Team (JMT). In addition the Executive and the Audit, Accounts and Risk Committee receive quarterly risk reports. The risk management handbook has also been updated and training has been provided for the Accounts, Audit and Risk Committee.

Operational risks are also managed using the Performance Plus software and monitoring responsibility is at the departmental management team level. Where necessary, operational risks are escalated to JMT. Operational risks are reviewed on a quarterly basis.

Due to the recent joint working arrangements with South Northamptonshire Council, a Joint Risk and Opportunities Management Strategy has been drafted which will assist both Councils in achieving their objectives through pro-active risk management.

The risk register was considered by the Joint Management Team, and ensures that identification and consideration of risk corporately and across services is emphasised and highlighted. The South Northamptonshire Council's Audit Committee and the Cherwell District Council's Accounts, Audit and Risk Committee receive regular risk management updates and review the strategic risk register. This oversight of risk ensures there is senior officer level and political commitment to effective risk management.

The inclusion of risk registers within service plans and risk logs in key programmes and projects seeks to reinforce the importance of assessing and being aware of the risks associated with each service and major projects.

Risk registers are backed up by management assurance statements signed off by Heads of Service or Directors for the corporate risks. This reinforces the responsibilities of senior managers in managing risk. In 2011/12 all management assurance statements were signed.

Now joint working arrangements are in place, the following list summarises the key activities that will be undertaken to ensure risk management continues to be embedded across both councils.

1. A quarterly process of risk review covering both the strategic and operational risk registers.

2. Quarterly monitoring reports will be presented to relevant council committees to ensure Councillors have good access to risk information.

3. Risk management awareness training sessions will be facilitated for Councillors and employees. Members of the committees with specific responsibility for the management of risk will be offered dedicated training events. The potential of risk management awareness to be included on induction programmes will be explored.

4. An internal audit of risk management will take place annually.

5. The Joint Management Team takes responsibility for ensuring that management actions highlighted in the risk registers are implemented.

6. Support is available to risk owners when assessing new risks. The ‘bow tie’ risk analysis model is available to use as part of the process.

7. A process of annual review is undertaken by the Joint Management Team to ensure the risk register remains up to date and that obsolete risks are removed.

8. Officer working groups as required to embed, review or develop risk practices.

9. The councils will seek to learn from other organisations where appropriate, and to keep up to date with best practice in risk management.

Budget monitoring takes place monthly with all Heads of Service. Any variations to profile are reported on to JMT on a monthly basis with any required corrective action identified and agreed upon. Proposals to increase or reduce expenditure will have a risk assessment as to the consequences. There are specific earmarked reserves to deal with identified non-insurable risks.

The Council has staff with specific responsibility for health and safety and a comprehensive policy covering all aspects of the Council's work. Quarterly monitoring reports are produced for Council and Employee Joint Committee.

The Investigation team aim to prevent, detect, investigate and sanction cases of fraud under the Council’s Prosecution Policy. Internally, the Investigations Manager provides corporate and benefit fraud awareness training to all new staff via induction training. More in-depth and frequent training is provided to front line staff and other staff where it is needed, such as Customer Services, Benefits, Human Resources and Elections. External training has also been delivered in 2011 to one of the Council’s major partners, Sanctuary Housing Association.

During 2011/12, 184 investigations were completed of which 66 offenders were sanctioned, with a third being prosecuted via the criminal courts. £209,000 of fraudulently obtained benefits was identified for recovery. £6,250 of this total relates specifically to single person discount fraud claimed falsely, as the team looks to actively counter the threat of this type of fraud. Using Local Government Finance Act legislation, the team fined three of the offenders for their actions and prosecuted one further offender for this type of abuse. The strategy of publishing our prosecutions in the local papers acts as a deterrent against this type of abuse and gives assurance to Cherwell Residents that the Council is discharging its responsibility to protect public funds. In addition, these press releases advise how the public can access the Investigation team’s service by way of the hotline number. 74 residents made anonymous referrals to the Investigations team in 2011/12 leading to 11 successful investigations.

Corporate Fraud investigations (other than exemption and discount fraud) amounted to four cases involving electoral fraud, internal theft, corporate fly tipping and supplier fraud. Investigations were able to report back that there were some weaknesses in our internal procedures that would leave the Council open to abuse and these have been reported to the service areas and Internal Audit for review. Two employees have now left the Council’s employment, one with a criminal record due to their actions. A default notice of £456.38 has been served on one of the Council’s major partners following investigation into theft. Since 1st April 2012, a digital camera and accessories (value £94.00) has been located at a suppliers who maintained it had been delivered until investigated and electoral malpractice during the May local elections has been reported to the party involved, following consultation with the

Police. As this involved the registration of electors and postal vote applications, no further action was taken, on the advice of The Economic Crime Unit.

The Council participates in the National Fraud Initiative as well as the Housing Benefit Matching Service exercises. This process identifies potential cases of irregularities within Housing Benefits, Licensing and Payroll. Single Person Discount (SPD) matches were received in January 2012, following publication of the electoral roll, which is matched against it. However, Cherwell and all of the Oxfordshire authorities have entered into an enhanced SPD exercise, partly funded by the County Council. This involves not only electoral data, but in addition credit data.

All investigation policies have been updated to make them generic to both CDC and SNC and are available on the intranet under Policies & Procedures. To comply with the Bribery Act 2010, a new policy has been approved by the Accounts, Audit & Risk Committee with training on this Act delivered to key officers by Investigations and Price Waterhouse Cooper during 2011.

1.3.7 The Authority's financial management arrangements do conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

In June 2009, CIPFA launched its 'Statement on the Role of the Chief Financial Officer (CFO) in Public Service Organisations'.

The Statement supports CIPFA's work to strengthen governance and financial management across the public services. CIPFA's Statement sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

The statement advocates that the CFO in a public services organisation:

- Is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest
- Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the organisation's financial strategy
- Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

- Must lead and direct a finance function that is resourced to be fit for purpose
- Must be professionally qualified and suitably experienced.

For each principle, the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the CFO role within the organisation. Many day to day responsibilities may in practice be delegated or even outsourced, but the CFO should maintain oversight and control.

CIPFA has issued its 'Statement on the Role of the Chief Financial Officer in Local Government (2010)'. The statement draws heavily on the 'Statement of the Role of the Chief Financial Officer in Public Service Organisations' and applies the principles and roles set out in that document to local government.

For six months of 2011-12 the CFO at Cherwell District Council was the Head of Finance. With the implementation of joint working arrangements during the year with South Northamptonshire Council, the Head of Finance at South Northamptonshire was appointed joint Director of Resources in September 2011. This role now operates as the CFO over both authorities. The joint Head of Finance and Procurement is deputy S151 officer to the CFO.

1.3.8 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The Council's Accounts, Audit and Risk Committee undertake the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities. In particular it has an ongoing role in ensuring a responsive and effective internal audit function and the effective management of the Council's risks and provides 'robust challenge' to the internal control and other governance arrangements of the Council. During 2011/12, the Committee has sought to increase its effectiveness through additional training and greater engagement with the internal audit function. These sessions include an overview of Local Government Finance, an overview of International Financial Reporting Standards and the impact on district councils and specific sessions with internal and external audit. The National Audit Office produces a checklist for audit committees, which is based on five good practice principles relating to:

1) the role of the committee
2) membership
3) skills
4) scope of work
5) communication.

This checklist has been completed for 2011/12 and this indicates that the audit committee is working effectively. This checklist will be completed annually and will form the basis for areas of improvement or training needs for the committee's work programme.

1.3.9 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

Chief Officers and Service Heads take responsibility for ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Monitoring Officer and Chief Financial Officer provide advice and participate in the quarterly reviews described below.

Every report to Members requires completion of financial, legal, equality and risk implications, signed off by an appropriate officer. All reports are vetted by the Chief Executive, Finance and Legal Services, to ensure there are no areas of non-compliance or policy conflicts.

The Head of Law and Governance is designated as the Council's Monitoring Officer and it is his responsibility to ensure that the Council's business is conducted in a legal and proper fashion and in accordance with Council policies. He would have reported to the full Council if he believed, after appropriate consultation, that any proposal, decision or omission would give rise to unlawfulness, maladministration or breaches of the constitution.

During the 2011/12 financial year, the Head of Finance (for the Period April to September) and the Director of Resources (for October to March) were designated as the people responsible for the administration of the Council's finances under section 151 of the Local Government Act 1972, and ensured the financial management of the Council was conducted in accordance with the Financial Regulations and Corporate Financial Procedures. Financial management facilitates service delivery through the five-year Medium Term Strategy and the annual budget process, underpinned by the Treasury Management Strategy.

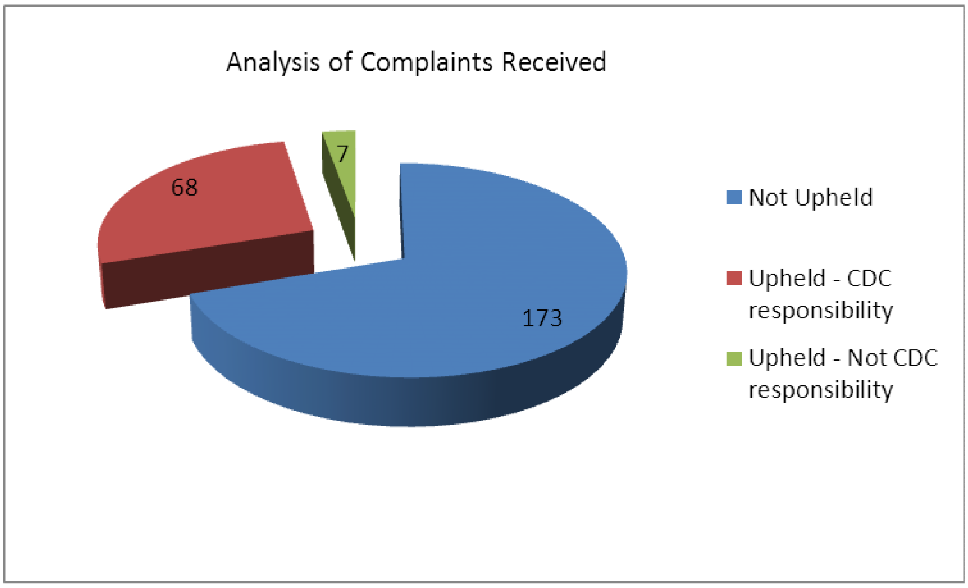
1.3.10 Whistle blowing and receiving and investigating complaints from the Public

The Council has well-developed processes for whistle blowing and for receiving and investigating complaints both internally and from the public. The whistle blowing policy is available on the intranet and the corporate complaints procedure is available on the internet. All new members of staff receive a copy of the whistle blowing policy and a leaflet entitled 'Don't Turn a Blind Eye' in their induction packs.

The Council has a dedicated whistle blowing hotline which is publicised on the Council's website and intranet. There was one incident of whistleblowing reported in 2011/2012, which resulted in the suspect resigning from CDC employment during the criminal/disciplinary process.

Complaints can be made by telephone, in writing or by visiting the Council. The Council aims to resolve all complaints at the point of contact wherever possible. Where this is not achievable, the Council's complaints procedure (available on the website) outlines a formal process for rectifying issues. The definition of a complaint is:

- a service being delivered at a lower standard than is set out in council policy or SLAs
- the attitude of staff
- neglect or delay in responding to customers
- failure to follow agreed procedures/policies
- evidence of bias or unfair discrimination.



During 2010/11 the procedure for recording and responding to complaints was centralised and the role of Complaints Manager incorporated into the Customer Service Manager role. During the 2011/12 year the recording process, monitoring and reporting has been built into the corporate customer relationship management system. 248 complaints were recorded in 2011/12 of which 69.7% were either not a complaint or not upheld. The analysis of complaints is monitored regularly to identify common themes / trends and development needs.

The Local Government Ombudsman received 19 new enquiries and complaints in relation to Cherwell District Council during 2011/2012, all of which were investigated. 12 of the new complaints investigated by the Local Government Ombudsman's investigative team related to Highways & Transport, two to Environment Services & Public Services & Regulations, two to

Housing, two to Planning & Development, and one to other contacts. In one case the Council was found guilty of maladministration, two complaints were resolved by way of a local settlement between the Council and the complainant, and sixteen complaints were not pursued at the Ombudsman's discretion. The average number of days taken to respond to first enquiries from the investigative team was well within the required 28 days.

1.3.11 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The Member Development and Support Strategy was agreed by Executive in September 2009. The Strategy sets out the Council's commitment to member development and support. It explains the responsibilities of the Council in delivering effective support to members. All members are given a copy of the strategy upon election to the Council and it is available on the Council's website. The strategy has raised the profile of member development within the organisation. Executive responsibility for member development sits with the Leader of Council whose areas of responsibility include Democratic Services.

All members are offered an annual support interview which identifies their support and development needs and informs the member development programme. Members and officers are also invited to suggest topics for development sessions at any point during the year. The development programme for elected members offers a range of formal and informal learning events including conferences, briefings, seminars, workshops and forums.

In 2011/12 there were 20 formal training sessions arranged by Cherwell District Council. The total attendance at all events was 200 Cherwell District councillors and 40 external attendees (other district councillors, town councillors, officers and partners). The training sessions are categorised to help members choose the appropriate training to suit their individual requirements. There are six training categories:

- essential, which cover the broad skills for being a councillor, providing information on some of the basic principles of local government such as planning and finance;
- internal knowledge, which provides information specific to Cherwell District Council;
- Committee skills, which are targeted at specific committees and roles;
- Portfolio Holder, which focus on the knowledge and skills required in these roles;
- engagement, which relate to members' responsibilities as community leaders;
- information, which refer to briefings on specific subjects as required.

In 2011/12 all of the categories were included in the Member Development programme. Sessions included planning training, meeting and chairing skills, recruitment training for Members of the Joint Personnel Committee responsible for interviewing candidates for the Joint Management Team, local government finance and Neighbourhood Planning.

Training needs for all staff are discussed as part of the annual appraisal process, and all requests for training go through the Council's Learning and Development manager to monitor both cost and link to the Council's strategic priorities.

The annual appraisal process is monitored for percentage completion, and a dip sample quality review is conducted. The appraisal process also partly informs an annual learning needs analysis that directs development of a corporate training schedule which is delivered mainly through an in-house Learning and Development team. In addition, the council has a continuing management development initiative to promote high quality performance and change management. The latest thread has been the development and delivery and a modular management skills programme combined with an internal (qualified) coaching resource to support the development of managers at all levels.

1.3.12 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

There is a Corporate Consultation Framework with a toolkit for staff providing support, guidance and a statement of our standards. The Council has an online consultation portal which provides access to consultations that are underway and information about what consultations are planned. The Council undertakes a statistically representative annual satisfaction survey and has an annual budget consultation programme that underpins the service and financial planning process.

When procuring the corporate consultation programme, an evaluation criterion was set to ensure that the research contractors took steps to ensure harder to reach groups are not excluded. Steps taken include actively recruiting and setting quotas for budget workshops to ensure participants are representative of the district, boosting samples for the postal survey in geographical areas with traditionally lower response rates, providing a shortened online version of the annual satisfaction survey, weighting data to ensure results reflect the make up of the local population and undertaking sub-group analysis of results to ensure different sections of the community are reflected in the research findings.

In addition to the corporate consultation programme, the Council also holds a number of consultative forums including the Equality and Access Advisory Panel, and in partnership with other local public sector agencies, the Faith and Disability Forums.

The Council has worked with other public agencies to establish six Neighbourhood Action Groups (NAGs) across the district where members of local communities have the opportunity to address quality of life issues at a local level. Each NAG includes both officers and elected members.

The Council also undertakes communication, consultation and engagement through partnership bodies including the Local Strategic Partnership (which holds an annual consultative conference) the Voluntary Organisations Forum and the Older People's Forum. There is also a programme of consultation with older and younger people.

We also hold formal bi-annual parish liaison events which provide clear channels of communication and engagement with the parish councils.

Partnership links exist between the communications teams of the Council, neighbouring Councils and other public sector organisations such as the Police and NHS. Joint communications activity has taken place on shared issues such as the eco town, Horton hospital and crime figures. Joint communications activity has also taken place with commercial partners such as Sainsbury’s, to alert residents of our partnership approach to improving facilities across the district.

In the main accountability and consultation is achieved using the following methods:

- Website
- Committee Management Information System (Modern Gov) (where the public reports are available for inspection).
- Corporate Improvement Programmes
- Medium Term Financial Strategy
- Annual Report and Summary of Accounts
- Statement of Accounts
- Budget Book
- Customer Satisfaction Surveys
- Press releases
- Cherwell Link (residents magazine – 4 editions in 2010/11)

- Intranet
- Corporate Briefings
- Corporate Communications Strategy
- Performance Management Reports

1.3.13 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the Authority's overall governance arrangements

The Council's aim is to fully exploit the opportunities for partnership working and strengthen the governance and performance management arrangements. There is an established Partnerships Protocol and a Partnership Framework including a toolkit to ensure good governance arrangements in respect of partnerships and other groups. This incorporates the Audit Commission's report on the governance of partnership, and ensures their document is reflected in the Authority's overall governance arrangements. The Council includes county wide and district partnerships within its performance management framework and has a partnership risk register.

We undertake audits of partnership arrangements annually and prepare action plans to address weaknesses and ensure value for money. These form part of our annual audit programme.

The LSP is a key partnership for the Council, the role of Chairman is held by the Leader of the Council and there are clear terms of reference in place to cover membership, roles and responsibilities and the objectives of the partnership. The LSP Board provides the leadership and decision making body for the partnership and is supported by a management group that plans the work programme of the board and coordinates performance management and action planning. The Management Group is chaired by the LSP Board member with the role of performance champion.

To ensure the partnership listens to the wider views of the local community, it holds an annual conference which is open to all stakeholders and provides an annual report of its activity. Where appropriate the LSP sets up sub-committees to co-ordinate work programmes, examples include the Climate Change Partnership and the Brighter Future in Banbury Steering Group. Sub-partnerships have their own terms of reference, agreed by the LSP Board, and report back to the Board with performance and progress updates on a regular basis.

Performance of the Council's key partnerships (that is those who directly contribute to the Council's strategic objectives) is reported to the Executive on a quarterly basis through the Council's Performance Management Framework (PMF). This includes partnerships at both the county wide and district level. It reports achievements, issues and risks.

There are clear arrangements for Member roles on partnerships and outside bodies and this has been supported by training in 2011/12 and a process of annual review.

The Council's track record of strong partnership working has been recognised as part of previous Comprehensive Performance and Area Assessments. The Council is well placed to exploit the opportunities that are presented by partnership working at both the county and district level, whether with the private sector, other authorities and agencies or with the voluntary and community sector. This is particularly important with the increasing pressure on resources and funding arising from the economic downturn. Examples in 2011/12 include the partnership approaches in response to addressing the impact of the recession, and the establishment of a multi-agency Local Strategic Partnership sub-group to lead the Banbury Brighter Futures Project (project to break the cycle of deprivation).

1.4 Review of Effectiveness of Governance

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Joint Management Team which has responsibility for the development and maintenance of the governance environment, Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The Council uses the Corporate Governance Group to monitor the effectiveness of the Council's governance framework.

1.5 The Authority's Assurance Framework

The review of the effectiveness of the system of internal control is underpinned by an Assurance Framework for internal control. The Framework is managed by the Corporate Governance Group, consisting of senior officers from a range of relevant disciplines, and seeks to provide assurance by adopting a dual approach, assessing information from a service perspective provided by service managers and a more corporate overview from each of the Group members.

The members of the Corporate Governance Group during the year were:-

- Head of Finance and Procurement
- Head of Law and Governance
- Corporate Performance Manager
- Chief Internal Auditor

Within the framework, individual service managers are required to complete a detailed assessment at the end of each quarter, in which they confirm the arrangements that they are operating to maintain internal control, and how effective they believe them to be. These assessments are then analysed centrally by the group to provide a picture of any local weaknesses and to help identify any corporate themes that may not be remarkable in one service, but may assume greater significance when exhibited across a range of services.

There is a process, whereby significant issues raised within the framework can be escalated, through the Corporate Governance Group, to Joint Management Team and/or the Executive. There have been no issues escalated during 2011/12.

1.6 The Constitutional Framework

1.6.1 The Executive

The Local Government Act 2000 sets out the functions which the Executive may perform. The Executive is not permitted to carry out any regulatory function. The Leader of the Council selects the Executive which is a maximum number of ten. 'Portfolios' are given by the Leader to the individual Members of the Executive.

1.6.2 Accounts, Audit and Risk Committee

To monitor the audit and risk management processes of the Council and ensure they comply with best practice and provide value for money. To approve the Council's statement of accounts and respond to any issues raised by internal audit or the external auditor.

1.6.3 Overview and Scrutiny

The Overview and Scrutiny Committee has overall responsibility for the performance of all overview and scrutiny functions (under the Local Government Act 2000 and Local Government and Public Involvement in Health Act 2007) on behalf of the Council. In particular it is responsible for scrutinising decisions and decision making, developing and reviewing policy, exercising call-in procedures and investigating matters of local concern. This work is delivered by the Overview and Scrutiny Committee and the Resources and Performance Scrutiny Board. Both of the Committees establish 'Task and Finish' groups to undertake particular reviews in accordance with the annual overview and scrutiny work programme.

The role of scrutiny in following up recommendations: At every meeting of each scrutiny committee, there is a standard agenda item: 'Overview and Scrutiny Annual Work Programme'. This includes a follow up schedule for all previous scrutiny reviews. The committees normally review progress on the implementation of their recommendations at six month intervals, unless the nature of the review suggests a shorter or longer timescale is appropriate. The Lead Member and relevant Director and/or Service Head are asked to provide a written progress report and to attend the meeting to brief the committee. There were no call-ins during 2011/12.

1.6.4 Standards Committee

The Local Government Act 2000 required the creation of a Standards Committee to adopt and monitor compliance with the Councillors' Code of Conduct. Since 8th May 2008 the Standards Committee has been responsible for assessing all complaints about breaches of the code of conduct by any councillors, whether district, town or parish, within the administrative area of Cherwell. The Standards Committee has an Independent Chairman and Vice Chairman, and two other Independent members. There are two parish council representatives. All are fully trained and able to take part in Standards Committee meetings and to participate in assessments and reviews of assessments and hearings, when required. During 2011/2012 there have been four complaints heard by an Assessment subcommittee. All the complaints received by the Standards Committee since 2008 have been about parish or town councils.

The Localism Act 2011 will abolish the current Standards Committee with effect from a future date, currently anticipated to be 1 July 2012. At its meeting in May 2012 the Council agreed to establish a new Standards Committee solely comprised of voting members of Cherwell District Council (as required by the 2011 Act) with effect from the relevant future date.

The Council's major policy objectives flow principally from the Sustainable Community Strategy, which is subject both to mid-year monitoring and an annual progress review that is reported not only to the Cherwell Local Strategic Partnership, but also to the Council's Overview and Scrutiny committees and its Executive.

The range of priority projects and other initiatives in the Council's Corporate Improvement Plan has been monitored by the Corporate Management Team and by the Executive quarterly to ensure that improvement is being delivered.

As Monitoring Officer, the Head of Law and Governance continues to review the relevance and effectiveness of the constitution. This is particularly in the light of the shared Joint Management Team with South Northamptonshire Council. A draft scheme of officer delegations has been approved by the Joint Arrangements Steering Group for recommendation to both Councils to adopt and a report will be taken to an appropriate meeting of Cherwell District Council for this purpose. Work is also in progress on the creation of common Contract Procedure Rules and Financial Procedure Rules across the two Councils with the objective of introducing them by the Autumn of 2012. Having common schemes and procedures such as these significantly mitigates the risk of any Joint Management Team members applying an incorrect rule with resultant unlawful action on the Council's behalf.

1.6.5 Chief Financial Officer

During the 2011/12 financial year, the Chief Financial Officer was designated as the person responsible for the administration of the Council's finances under section 151 of the Local Government Act 1972 and ensured the financial management of the Council was conducted in accordance with the Financial Regulations and Corporate Financial Procedures.

For six months of 2011/12, the CFO at Cherwell District Council was the Head of Finance. With the implementation of joint working arrangements during the year with South Northamptonshire Council, the Head of Finance at South Northamptonshire was appointed joint Director of Resources in September 2011. This role now operates as the CFO over both authorities. The joint Head of Finance and Procurement is Deputy S151 officer to the CFO.

1.6.6 Internal Audit

Following an extensive tender and selection process, PricewaterhouseCoopers were appointed to provide the Council's internal audit service, on a fully outsourced basis, with effect from 1st April 2009 and have been successful in securing the work for a further three years in a joint procurement exercise with South Northamptonshire Council.

Internal Auditing standards, including the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (The CIPFA Code) require the Head of Internal Audit to provide those charged with governance with an opinion on the overall adequacy and effectiveness of the Council's:

- Risk management
- Control
- Governance processes.

Collectively this is referred to as 'System of Internal Control'.

The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager and/or chief officer. The report includes recommendations for improvements that are included within an action plan (and graded as high, medium or low), and requires agreement or rejection by service manager and/or chief officers.

The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months. All Internal Audit reports include a report on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions. These definitions are summarised below:

- High Assurance – no control weaknesses were identified or there were some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore internal audit can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.

- Moderate Assurance – there are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.

- Limited Assurance – there are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key systems, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where internal audit has not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. Internal audit is therefore able to give limited assurance over certain discrete aspects of the system, function or process.

- No Assurance – There are weaknesses in the design and/or operation of controls which (in aggregate) could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of the Council's objectives.

The Internal Audit service is subject to a review by the Council's external auditors, the Audit Commission, who place reliance on the work carried out by the service. Internal Audit also carries out an annual self-assessment that is reviewed by the Head of Legal and Democratic Services and external audit.

The Internal Audit Annual Report presented to the Accounts, Audit and Risk Committee on 27th June 2012 included the following opinion on internal control from PWC:

> "For almost all areas reviewed in the year, the rating this year was either better or the same as last year. The number of internal audit findings and recommendations has reduced considerably with a total number of 42 findings in 2011/12 compared to 98 in the previous year. Although the mix and focus of our internal audit work have differed between years and therefore results may not be directly comparable, the significant reduction in findings, particularly in the high and medium rated findings from 50 to 20, should be source of considerable comfort".

We have completed the program of internal audit work for the year ended 31st March 2012 with the exception of the planned Joint Member workshop. Our work identified 22 low, 19 moderate and 1 high rated findings. Based on the work we have completed, we believe that there is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and / or effectiveness of governance, risk management and internal control. The key factors that contributed to our opinion are summarised as follows:

- Creditors - One high risk issue was noted relating to non purchase orders. If purchase orders are not raised, there is an increased risk that unauthorised purchases may not be identified until invoices are received. In addition, the Council is not able to monitor commitments unless a purchase order is posted to the system. This increases the risk that the budget position is not fully understood.

This risk rating is the equivalent of the MODERATE assurance received in 2010/11

1.6.7 Risk Management

The Risk Management Strategy was reviewed, updated and agreed by the Accounts, Audit and Risk Committee at their meetings in January and March 2012. This strategy reflects the impact of shared services on the Council and as such is a risk management strategy shared between Cherwell and South Northamptonshire Councils. This ensures where there are shared risks these can be identified and managed as such, and where risks are not shared they are retained by the sovereign council.

The Strategic Risk Register was reviewed monthly by JMT and quarterly by Executive and any risks associated with the proposed action in committee reports were brought to the attention of Joint Management Team. The Health and Safety Policy was kept under continuous review by the Health and Safety Officer, and safe working practice notes updated where appropriate.

The Accounts, Audit and Risk Committee received and considered reports on the management of strategic risks on a regular basis and agreed a new review programme. During 2011/12, all the Council's strategic, corporate, partnership and operational risks were redefined to ensure a greater focus on the most significant risks identified.

All reports to the Executive and Committees include a section outlining any risk implications arising from the proposals, risk identification being approved by the Corporate Strategy and Performance Manager.

During 2011/12 additional risks were identified and added to the register. These were the strategic risks associated with the programme of shared management with South Northamptonshire Council and specific risks associated with the shared ICT project. The rationale behind this is the impact failure of the programme will have on the delivery of the Council's Medium Term Financial Strategy and therefore the strategic objectives of the organisation. In addition Internal Audit reviewed the business plan for the new shared governance arrangements in year and found that effective procedures were in place to govern the transition and mitigate against the risk.

These risks were reviewed by the Council's Joint Management Team in and they are monitored on a monthly basis. The Account, Audit and Risk Committee agree the additions of these risks to the register.

1.6.8 Performance and Value for Money

Progress in meeting targets for National and Local Performance Indicators is reviewed monthly by the Corporate Management Team, and quarterly by the Executive as part of the Performance Management Framework. This ensures that senior managers know which targets are being met and that action is being taken where performance is not meeting targets. Financial performance is measured across a range of indicators that are reported to the Finance Scrutiny Working Group at each of its meetings. Budget monitoring is regularly reported to the Executive, Finance Scrutiny Working Group, Resources and Performance Scrutiny Board and Corporate Management Team on a regular basis.

The 2011/12 VFM Programme contributed to the corporate pledge of identifying efficiency savings of £1.0m for the 2012/13 budget. The Reviews identified action plans to deliver efficiency savings totalling £1.9million over the period of the Council's MTFS, including significant service improvements.

1.6.9 Independent Assessment

During 2011/12 the Council received independent assessments in relation to:

- Waste Services and Building Control – BS EN ISO 9001
- Legal Services – LEXCEL
- Leisure Centres – accredited by Quest
- Information Technology
    - Information Security – ISO 27001
    - PCI DSS compliance

External audit is undertaken by the Audit Commission and provides assurance regarding the controls the Council has in place. Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Audit and Inspection Letter. The 2010/11 letter was published in November 2011. The key messages from the Audit Commission's report were:

- The Council received an unqualified audit opinion on its 2010/11 accounts and an unqualified value for money conclusion on stating that the Council has adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

- The Annual Audit Letter acknowledged that its review did not identify any significant weaknesses in the internal control arrangements.

1.7 Significant Governance Issues

1.7.1 Issues arising from the 2010/11 Annual Governance Statement

No.	Issue	Action taken
1	**Joint working arrangements** The Council agreed on the 8th December 2010 to joint working arrangements with South Northamptonshire Council. These arrangements will commence in 2011-12 with a senior management team comprising of twelve shared posts: a Chief Executive, three Directors and eight Heads of Service. The final structure and responsibilities of the senior management team will be agreed between the shared Chief Executive and members of both councils before further appointments are made. The shared Chief Executive (Sue Smith) took up her post on the 16th May 2011 and the plan is to implement the shared senior team by 30 September 2011. Cherwell District Council and South Northamptonshire Council will remain separate independent entities, retaining their sovereignty. Elected members of both councils will remain in charge of decision-making in line with their visions, strategic aims, objectives and priorities.	Fully implemented as per business case, timescale and within budget on 1 October 2011.
2	**Council's Firewall Design and Configuration** The subsequent report identified that there are a number of insecure configurations within the Council's firewalls which may expose the Council to the risk of unauthorised access to systems and networks from inside the council; the auditors were satisfied that sufficient controls were in place to prevent unauthorised access from external parties.	This has been followed up in year and the internal audit review of firewalls received a LOW risk rating.

1.7.2 Issues arising from the 2011/12 Annual Governance Statement

The Council faces an extremely challenging year in 2012/13 as it seeks to manage significant budget reductions, increasing demand for some key services and new ways of working, simultaneously. The following represent the key issues to be addressed in relation to significant governance issues;

No.	Issue	Action taken
1	Creditors: One high risk issue was noted relating to non purchase orders. If purchase orders are not raised, there is an increased risk that unauthorised purchases may not be identified until invoices are received. In addition, the Council is not able to monitor commitments unless a purchase order is posted to the system. This increases the risk that the budget position is not fully understood.	An action plan has been developed to improve the use of purchase orders include a no purchase order no payment policy. This action plan will be monitored throughout the year.

This document has described our governance arrangements and assessed how closely we align with good practice. In overall terms this is a positive statement for the financial year 2011/12. The Council has a good system of internal control and action plans in place to address the above significant governance issues and we are satisfied that these are appropriate. We will monitor their implementation during the course of 2012/13.

Sue Smith
Chief Executive
28 June 2012

Cllr Barry Wood BSc ACMA
Leader of the Council
28 June 2012