

Committee: Accounts, Audit and Risk Committee
Date: Wednesday 23 September 2009
Time: 6.30 pm
Venue: Bodicote House, Bodicote, Banbury, OX15 4AA

Membership

Councillor John Donaldson (Chairman)	Councillor Trevor Stevens (Vice-Chairman)	
Councillor Ken Attack	Councillor Devena Rae	Councillor Rose Stratford
Councillor Simon Holland	Councillor Lawrie Stratford	Councillor Barry Wood

Substitutes: Any member from the relevant political group

AGENDA

1. Apologies for Absence and Notification of Substitute Members

2. Declarations of Interest

Members are asked to declare any interest and the nature of that interest which they may have in any of the items under consideration at this meeting.

3. Petitions and Requests to Address the Meeting

The Chairman to report on any requests to submit petitions or to address the meeting.

4. Urgent Business

The Chairman to advise whether they have agreed to any item of urgent business being admitted to the agenda.

5. Minutes (Pages 1 - 3)

To confirm as a correct record the Minutes of the meeting of the Committee held on 24 June 2009.

6. Statement of Accounts 2008/2009 (Pages 4 - 96)

Report of Head of Finance

Recommendations

It is recommended that the Committee resolve to:-

- 1) Take note of the adjustments to the financial statement made subsequent to the adoption of the draft accounts on June 24th 2009 – these are detailed in paragraphs 5.1 and appendix 1;
- 2) To note the 3 minor changes requested by external audit detailed in Appendix 1 and the audited Statement of Accounts 2008/09 in Appendix 2.
- 3) To note the continued improvement in closedown process and Use of Resources score: Subject to reviewing the contents of the Annual Governance Report approve the 2008/09 financial statements

7. Annual Report and Summary of Accounts (Pages 97 - 107)

Report of Strategic Director Customer Service and Resources and Head of Finance

Recommendations

The Committee is recommended to resolve:

That the Annual Report and Summary of Accounts 2008/09 be approved for publication, subject to the inclusion of any amendments that the Committee may wish to make.

8. External Audit Annual Governance Report (Pages 108 - 136)

Report of Chief Executive and Strategic Director Customer Service and Resources

Recommendations

The committee is asked to:

- 1) Consider the matters raised in the report before approving the financial statements and recommending to Council;
- 2) Take note of the VFM Conclusion and Use of Resources score;
- 3) Approve the letter of representation on behalf of the Council. (detailed in page 14 of the Annual Governance Report)

9. Internal Audit Progress Report (Pages 137 - 151)

Report of Chief Internal Auditor

Recommendations

The Accounts, Audit and Risk Committee is recommended to consider and approve this report.

10. Verbal Updates

Accounts, Audit and Risk Committee Member Training – Chairman to report

11. Exclusion of the Press and Public

The following report contains exempt information as defined in the following paragraphs of Part 1, Schedule 12A of the Local Government Act 1972.

1– Information relating to any individual.

2 – Information which is likely to reveal the identity of an individual.

3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Members are reminded that whilst the following item has been marked as exempt, it is for the meeting to decide whether or not to consider each of them in private or in public. In making the decision, members should balance the interests of individuals or the Council itself in having access to the information. In considering their discretion members should also be mindful of the advice of Council Officers.

Should Members decide not to make a decision in public, they are recommended to pass the following recommendation:

“That, in accordance with Section 100A(4) of Local Government Act 1972, the press and public be excluded from the meeting for the following items of business, on the grounds that they could involve the likely disclosure of exempt information as defined in paragraphs 1 and 2 of Part 1, Schedule 12A of that Act.”

12. Serious Incident Review Meeting (Pages 152 - 159)

Report of Serious Incident Review Panel

Information about this Agenda

Apologies for Absence

Apologies for absence should be notified to democracy@cherwell-dc.gov.uk or 01295 221587 prior to the start of the meeting.

Declarations of Interest

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item. The definition of personal and prejudicial interests is set out in Part 5 Section A of the constitution. The Democratic Support Officer will have a copy available for inspection at all meetings.

Personal Interest: Members must declare the interest but may stay in the room, debate and vote on the issue.

Prejudicial Interest: Member must withdraw from the meeting room and should inform the Chairman accordingly.

With the exception of the some very specific circumstances, a Member with a personal interest also has a prejudicial interest if it is one which a Member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest.

Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates

Members are reminded that any member who is two months in arrears with Council Tax must declare the fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

Queries Regarding this Agenda

Please contact James Doble, Legal and Democratic Services james.doble@cherwell-dc.gov.uk (01295 221587)

Mary Harpley
Chief Executive

Published on Tuesday 15 September 2009

Agenda Item 5

Cherwell District Council

Accounts, Audit and Risk Committee

Minutes of a meeting of the Accounts, Audit and Risk Committee held at Bodicote House, Bodicote, Banbury, OX15 4AA, on 24 June 2009 at 6.30 pm

Present: Councillor John Donaldson (Chairman)

Councillor Trevor Stevens (Vice-Chairman)

Councillor Ken Atack

Councillor Devena Rae

Councillor Lawrie Stratford

Councillor Rose Stratford

Councillor Barry Wood

Officers: Mary Harpley, Chief Executive and Head of Paid Service
Julie Evans, Strategic Director - Customer Service & Resources
Karen Curtin, Head of Finance
Chris Dickens, Chief Internal Auditor
Jessica Lacey, Technical Accountant
Alexa Coates, Senior Democratic and Scrutiny Officer
Natasha Clark, Trainee Democratic and Scrutiny Officer

3 **Declarations of Interest**

There were no declarations of interest.

4 **Petitions and Requests to Address the Meeting**

There were no petitions or requests to address the meeting.

5 **Urgent Business**

There was no urgent business.

6 **Minutes**

The minutes of the meetings held on 15 April 2009, 20 May 2009 and 18 June 2009 were agreed as correct records and signed by the Chairman.

7 **Statement of Accounts (Subject to Audit) 2008/09**

The Strategic Director Customer Service and Resources and the Head of Finance submitted the Draft Statement of Accounts for 2008/09 for the Committee's consideration, together with a note of the informal meetings held

on 18 and 23 June 2009 where the Statement had been examined in detail. The note contained answers and explanations to all 45 questions raised by Members on 18 and 23 June 2009 and since that meeting, and where necessary, the Statement had been revised and amended accordingly.

Members examined the revised Statement and Officers outlined the changes and answered further questions.

The Strategic Director Customer Service and Resources addressed the Committee in her role as Chief Financial Officer and advised the Committee that she felt the Statement was a fair reflection of the Council's current position.

The Committee thanked all staff in the Closedown Team for their hard work in preparing the Statement of Accounts 2008/09 and answering all of their questions.

Resolved

That the Statement of Accounts (Subject to Audit) 2008/09 be approved.

8 Internal Audit Annual Report 2008/09

The Chief Internal Auditor submitted the Internal Audit Annual Report 2008/09 for the Committee's consideration. The report presented the Chief Internal Auditor's annual opinion on the adequacy and effectiveness of the Council's system of internal control, as required by the Accounts and Audit Regulations.

The Chief Internal Auditor reported that the program of internal audit work for the year ended 31 March 2009 had not identified any significant control weaknesses. However, an issue relating to IT back-up arrangements had been identified which the internal audit team believed to be a significant internal control issue. As a consequence, the internal audit team had given 'moderate assurance' on the design adequacy and effectiveness of the system of internal control.

Resolved

That the Internal Audit Annual Report 2008/09 be approved.

9 Internal Audit Risk Assessment and Audit Plan 2009/10

The Chief Internal Auditor submitted the Internal Audit Risk Assessment and Draft Operational Plan 2009/10 – Strategic Plan 2009–2012 for the Committee's consideration highlighting that Risk Assessment was a key factor in deciding how to allocate internal audit resources.

The Chief Internal Auditor informed the Committee that internal audit would undertake consultation with key stakeholders and subsequently seek final approval of the risk assessment and internal audit plan. The plan would

remain flexible. Officers would produce a further report for the Committee's consideration if any changes to the plan were required.

Resolved

That the Internal Audit Risk Assessment and Draft Operational Plan 2009/10 – Strategic Plan 2009–2012 be approved.

10

Verbal Updates

a) Corporate Governance Panel

The Chairman reported that the Corporate Governance Panel comprising Councillors Donaldson, Atack and Rae, had met with Officers on 11 June 2009 to consider the Annual Governance Statement. The Chairman felt that the meeting had been very productive and Members were satisfied with the outcomes. The Annual Governance Statement formed part of the Statement of Accounts 2008/09.

b) Member Training

The Accounts, Audit and Risk Committee Terms of Reference had been circulated to Members before the meeting. The Chairman advised Members that training sessions for the Committee would be arranged in due course.

The Chairman reminded Members to contact Democratic Services Officers to arrange a Member support discussion.

c) Work Programme Planning

The Chairman advised the Committee that this item was to be discussed in detail at a future meeting.

11

Outcome of Investigation

The Strategic Director Customer Service and Resources advised Members of a critical incident that had been noted in the 2008/09 Annual Governance Statement. Members were advised that this would be considered in more detail as part of a formal review which the committee would undertake, following an independently facilitated training session arranged for August 2009.

The meeting ended at 8.10 pm

Chairman:

Date:

Agenda Item 6

CHERWELL DISTRICT COUNCIL

ACCOUNTS, AUDIT AND RISK COMMITTEE

23rd SEPTEMBER 2009

JOINT REPORT OF THE STRATEGIC DIRECTOR - CUSTOMER SERVICES & RESOURCES AND THE HEAD OF FINANCE

STATEMENT OF ACCOUNTS 2008/09

1 Introduction and Purpose of Report

- 1.1 The preliminary "subject to audit" Statement of Accounts 2008/09 was reported to the Committee at its meeting on 24th June 2009. During the time those draft Statements were being prepared, the Council employed its internal auditors, the accounting firm PWC, to examine compliance with the Statement of Recommended Practice (SoRP) and other accounting regulations.

As part of the Council's own supervisory review in July, staff identified three classification errors: £952,000 within the analysis of the debtors note; £196,000 within the analysis of the creditors note; and £72,000 mis-classification between National non-Domestic Rates (NNDR) and Revenue Support Grant (RSG) on the Income and Expenditure Account.

These changes were identified by the Finance officers of the Council during the final period of review between the Accounts, Audit & Risk Committee on 24th June 2009, and the commencement of the audit on 20th July 2009. These changes were discussed and approved by the Audit Commission on the first day of the audit and these statements were used for the basis of audit. These have been adjusted in the final version of the accounts in Appendix 2.

At the time this report is being written it is expected that the Statement of Accounts will receive an unqualified Audit Opinion.

2 Wards Affected

- 2.1 All Wards.

3 Contact Officers

- 3.1 Karen Curtin – Head of Finance (Ext 1551)
Jessica Lacey – Technical Accountant (Ext 1564)

4 Effect on Policy

- 4.1 This report has no effect on policy.

5 Changes from the Statement of Accounts "Subject to Audit" 2008/09

- 5.1 A schedule has been maintained of all changes made since the June draft accounts and is included in Appendix 1. A full detailed audit trail is available from the Technical Accountant for Member's inspection.

As mentioned above, in 2008/09 a total of 4 adjustments to the accounts have been implemented by the finance team since adoption by this committee on 24th June 2009.

These relate to the following -

1) In preparing the analysis of the debtors and creditors for 2008/09, £1.6m of debtors was wrongly analysed as Sundry Debtors and Other Local Authorities rather than Government Departments. Similarly in creditors, £196k was wrongly analysed between Sundry Creditors and Government Departments. Overall this has no material impact on the accounts as the net worth of the Council remains the same and the total value of debtors and creditors on the balance sheet does not change. Reporting on Agresso will be reviewed and changed in preparation for the 2009/10 year-end to ensure this does not happen again.

2) There was an error of £237k in the Financial Instruments Credit Risk section of the accounts. This is because the 5% adjustment which is applied to adjust for market conditions was applied to the full debtor's value of £11.8m whereas £4.7m of Central & Local Government debt should have subtracted before the 5% was applied.

3) We have moved £73k from General Government Grants to Non-domestic Rates Redistribution on the Income & Expenditure statement. This is because when the Revenue Support Grant payment was originally received in the year, it was mis-coded.

4) Finally, there are 3 minor casting errors which have been raised by the auditors during their review of the financial statements.

6 Audit Opinion

6.1 The Auditor's Annual Governance Report, which includes issues relating to the Financial Statement 2008/09, opinion on Value for Money and Use of Resources is included elsewhere on the agenda.

At the time of writing this report it is anticipated that an unqualified "presents fairly" Audit Opinion will be given shortly and within the 30th September 2009 deadline. This opinion will then be included within the published Statement of Accounts.

The following summary is included within the governance report.

Financial Statements	
Unqualified audit opinion	Yes
Financial statements free from error	Yes
Adequate internal control environment	Yes

The accounts adopted by the Accounts, Audit and Risk Committee on 24 June 2009 were made available for audit supported by detailed working papers. There were no errors in the financial statements provided at the commencement of the audit on 20th July 2009.

The audit commission only identified 3 minor presentational errors which have been amended in the final set of accounts.

The Use of resources judgement associated with the financial statements is included within the theme "managing finance" and has been scored as a 3. Kloe 1.3 on financial reporting is scored as a 3 and the annual governance report contains the following reference to the 2008/09 closedown process.

“For 2008/09, the Council had produced a thorough and comprehensive closedown plan. The accounts were properly approved by the Accounts, Audit and Risk Committee and published by the due date on the Council’s website. The Council’s working papers to support the accounts are clear and they have a strong focus on SORP compliance.

Improved member involvement has continued again this year. This was shown through the members challenging the process of the accounts and through the continuation of a specific accounts panel.”

7 Letter of Representation

The Audit Commission require a Letter of Representation signed by both the Chairman of this Committee, Councillor John Donaldson, and the Section 151 Officer, Julie Evans, Strategic Director – Customer Services & Resources as part of their standard close down procedures.

The draft letter is attached as Appendix 2 of the Auditor’s Annual Governance Report.

8 Risk Assessment, Financial Effects and Contributions to Efficiency Savings

8.1 The following details were approved by Karen Muir (ext. 1559).

8.2 Risk Assessment – There are no risks arising directly from the approval of the Statement of Accounts 2008/09.

8.3 Financial Effects – There are no financial effects arising from this report.

8.4 Efficiency savings – There are no efficiency savings arising from this report.

9 Recommendation

9.1 It is recommended that the Committee resolve :-

- a) take note of the adjustments to the financial statement made subsequent to the adoption of the draft accounts on June 24th 2009 – these are detailed in paragraphs 5.1 and appendix 1; and
- b) To note the 3 minor changes requested by external audit detailed in Appendix 1 and the audited Statement of Accounts 2008/09 in Appendix 2.
- c) To note the continued improvement in closedown process and Use of Resources score:
- d) Subject to reviewing the contents of the Annual Governance Report approve the 2008/09 financial statements

Background Papers

- (a) Statement of Accounts "Subject to Audit" 2008/09, as circulated with the Agenda for this Committee’s meeting on 24th June 2009.
- (b) Various Final Accounts 2007/08 and 2008/09 working paper files.
- (c) Agresso Accounts 2008/09.

**Detailed Audit Trail of Changes
Statement of Accounts 2008/09**

Page No.	Note No.	Line	24th June 2009 Version	23rd Sept 2009 Version
8	2.5	ICT Information Services	114	113
35	5.0	General Government Grants	(1,236)	(1,309)
35	5.0	Non-domestic Rates Redistribution	(9,123)	(9,050)
45	10.7	Revenue Support Grant	1,187	1,260
58	10.27	Sundry Debtors	2,170	1,515
58	10.27	Other Local Authorities	2,160	1,208
58	10.27	Government Departments	1,441	3,048
59	10.28	Sundry Creditors	(5,221)	(5,025)
59	10.28	Government Departments	(535)	(731)
67	10.39	Debtors	592	355
74	12.2	Non-domestic Rateable Value 2009	149.97	151.68
74	12.2	Non-domestic Rateable Value 2008	148.10	149.97
75	12.3	Total	639	638

CHERWELL DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2008/09

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1. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1.1 The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts.

1.2 The Chief Financial Officer's responsibilities

The Chief Financial Officer (151 Officer) is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper practices, as set out in the CIPFA / LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code 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 Code of Practice
- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

1.3 Chief Financial Officer Certificate

I certify that the Statement of Accounts presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2009.

Julie Evans MBA CPFA
Chief Financial Officer

Date:

1.4 Chairman of Accounts, Audit and Risk Committee Certificate

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

Councillor John Donaldson,
Chairman of Accounts, Audit and Risk Committee

Date:

2. EXPLANATORY FOREWORD

2.1 Introduction

The Authority's Statement of Accounts for the year 2008/09 is set out on the following pages. It is prepared in accordance with the 2008 Statement of Recommended Practice (SoRP) and Best Value Accounting Code of Practice (BVACoP), both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

This foreword gives a brief summary of the Authority's overall financial results for 2008/09. 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

The period presented a number of financial challenges to the Council. Maintaining services alongside the successful delivery of £29 million approved capital investments, within agreed budget parameters in a turbulent economic climate, demanded the highest levels of resource management.

We started the year with £159 million of net assets, earmarked reserves of £12.5 million and a general fund balance of £1.9 million. As at 31st March 2009 the net asset figure had fallen by £29 million primarily as a result of the increased pension deficit and impairment of assets. At the end of the year we had net assets of £130 million, £9.2 million of earmarked reserves and £1.9 million of general fund reserves.

The downturn in the economy resulted in a number of budget pressures. One of the most immediate impacts of the credit crunch in Cherwell, like elsewhere, is the rapid slow down in the housing market. This has resulted in a reduction in the year of planning and land charge income. In addition costs in some areas significantly increased for example, fuel costs and waste disposal gate fees. There is also rising pressure and increased demand on a number of Council services, notably benefits and housing support/advice. These factors have resulted in additional costs circa £0.5 million

£27 million of planned capital investment was fully delivered with a fractional overspend of £10k well within budget tolerances. Highlights include an expansion to the ongoing £29 million sports modernisation programme providing an outdoor heated pool at Woodgreen. £1million investment in housing schemes; increasing the number of social housing and affordable homes available in the district and a further £1 million invested in home improvement grants; directly helping older people and those with disabilities to live independently in their own homes.

Cherwell District Council is one of at least 123 local authorities that have been affected by the collapse of Icelandic banking institutions with £6.5 million short term investments in one of the affected banks, Glitnir. The Council has not seen any immediate impact on its ability to finance and deliver its services, and is confident that by continuing to work actively through the LGA we will successfully recover the frozen funds, and the interest on them.

The unprecedented level of turbulence in the economy could not have been anticipated. 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 £45k was utilised from this balance during 2008/09 a clear indication of effective financial control.

2.3 Revenue Expenditure

During 2008/09 the General Fund Revenue account has been subject to regular and rigorous monitoring as part of the Performance Management Framework. Our continued commitment to improve accuracy of budgeting and forecasting has driven an increased focus and heightened importance of accurate budgeting. Effective budget monitoring has been embedded throughout the Authority. 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 Authority’s financial position. This tool has significantly increased the Authority’s ability to manage day-to-day costs and is used to report quarterly to members through the monthly Performance Management Framework. As a result, the end of year position contains no surprises; the year-end variances now being reported have been accurately anticipated throughout the year.

The table below summarises the revenue position against budget in BVACoP format:

	Budget £000s	Actual £000s	Variance £000s
Central Services to the Public			
Local Tax Collection	943	1,401	458
Elections	318	295	(23)
Other Central Services	1,320	473	(847)
Residual Operating Costs	(29)	13	42
Cultural, Environmental & Planning			
Cultural and Related Services	4,895	5,739	844
Environmental Services	6,862	7,313	451
Planning and Development	3,699	4,064	365
Flood Alleviation Scheme	0	2,000	2,000
Highways, Roads & Transport Services	1,015	1,826	811
Housing Services			
General Fund Housing	2,727	4,931	2,204
Corporate & Democratic Core	3,898	4,169	271
Non Distributed Cost	719	357	(362)
Net Cost of Services	26,367	32,581	6,214

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

	Variance £000s	Year-end adjustments not budgeted £000s	Actual Budget Variance £000s
Economic Impact	544	0	544
Concessionary fares	327	0	327
Other	83	0	83
Pension	(1,230)	(1,230)	0
Flood Alleviation Scheme	2,000	2,000	0
REFCUS	3,252	3,252	0
Restructure	168	168	0
Impairment	2,245	2,245	0
Capital Income	(1,175)	(1,174)	(1)
Variation in Expenditure	6,214	5,260	954

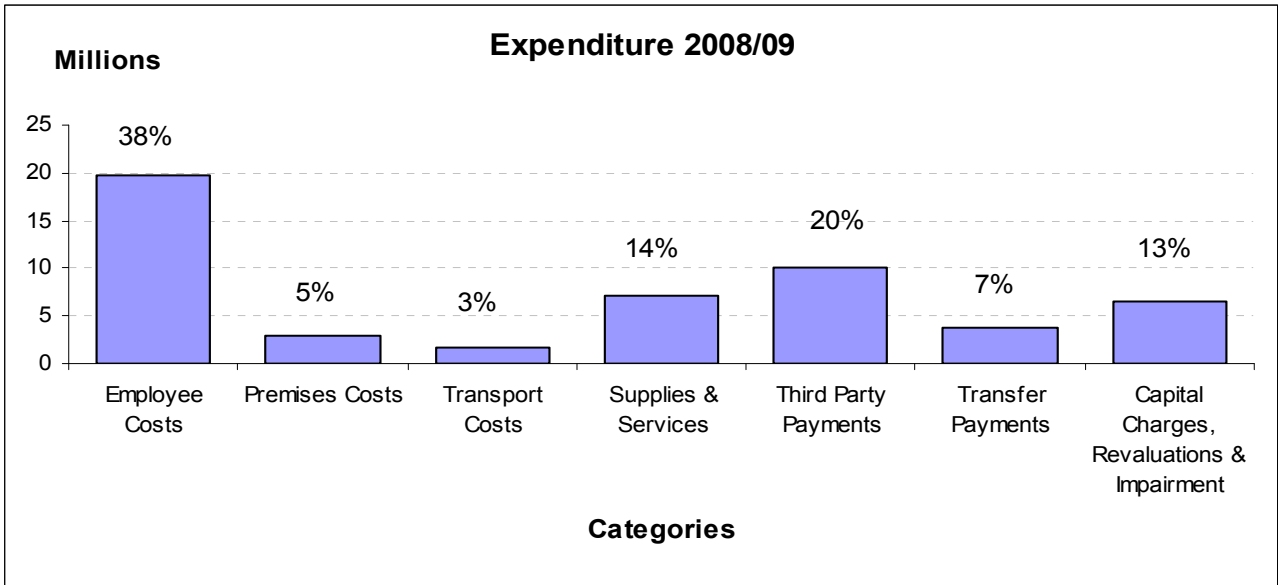
The main budgetary pressures attributable to the economic downturn are summarised on the table below.

Economic Reasons (net of provisions)	£000s
Planning Income	290
Land Charges	156
Fuel	67
Gates Fees	31
	<u>544</u>

The following table and chart looks at our expenditure in a different way to show the main types of expenditure we incur and the change from 2007/08:

	2007/08 % of costs	2008/09 % of costs
Employee Costs	48%	38%
Supplies & Services	15%	14%
Third Party Payments	15%	20%
Capital Charges, Revaluations & Impairment	7%	13%
Transfer Payments	7%	7%
Premises Costs	5%	5%
Transport Costs	3%	3%
	<u>100%</u>	<u>100%</u>

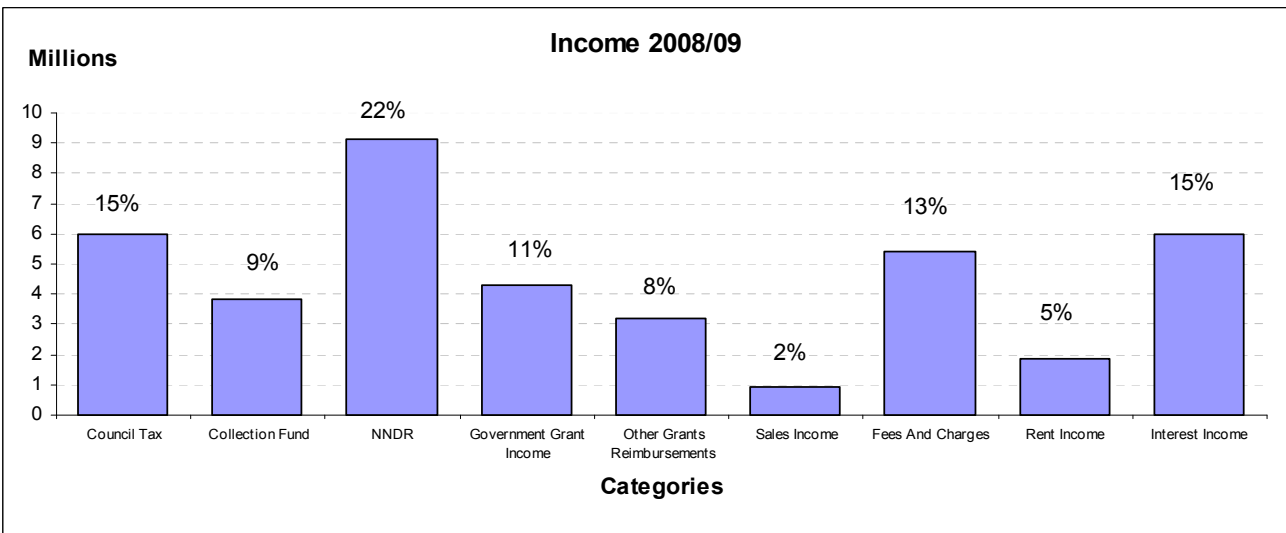
The 10% reduction in employee costs is in relation to the buyout of performance related pay and the impact of the reduction in workforce due to the restructure and outsourcing of the management of the leisure centres.



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.

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 Income (mainly receipts from the sale of such assets), are detailed in the Notes to the Financial Statements and summarised in the tables below:

	2008/09 £000s
Capital Investment	
Operational Assets	8,562
Non-operational Assets	14,551
Intangible Assets	259
Revenue Expenditure Funded from Capital under Statute (REFCUS)	5,252
	<hr/> 28,624 <hr/>

The capital programme has been financed using government grants, third party contributions, capital receipts and revenue contribution and is analysed by category below:

	2008/09 £000s
Sources of finance	
Capital Receipts	21,444
Government Grants and Other Contributions - assets	1,259
Direct Revenue Financing	669
REFCUS - Capital Receipts	2,519
REFCUS - Government Grants and Other Contributions	733
REFCUS - funded from Earmarked reserve through Revenue	2,000
	<hr/> 28,624 <hr/>

Comparison of Capital spending by scheme 2008/09 against budget

	Budget £000s	Actual £000s	Variance £000s
Capital Programme by Project			
Banbury Pedestrianisation	91	117	26
Bicester Town Centre Redevelopment	93	28	(65)
Bodicote House- Accommodation Changes	1,034	1,070	36
Disabled Facilities Grants	875	910	35
Future Regeneration Schemes Preliminary Prof Fees	50	9	(41)
Hanwell Fields Sports Pavilion	184	225	41
ICT - Business Services	136	119	(16)
ICT - Customer Services	189	320	131
ICT - Home and Remote Working	4	7	3
ICT - Information Services	103	113	10
ICT - Infrastructure	167	100	(67)
ICT - Operational	345	388	43
LASHG - London Road Bicester	94	0	(94)
LASHG - Ploughley Road Ambroseden	67	67	0
LASHG - Spirit Motor Site	225	225	0
Local Authority Social Housing Grant	44	44	0
Merton Street Flats	100	100	0
Off Road Parking Facilities	156	163	7
Other Discretionary Grants	314	426	113
Sports Centre Modernisation Programme	19,249	19,242	(8)
Street Scene Replacement Programme	50	0	(50)
Temporary Accommodation Acquisition Scheme	64	64	0
The Sanctuary Acquisition Scheme	959	959	0
Tooleys/ Museum	73	117	44
Various Small Schemes	499	425	(74)
Vehicle Replacement Programme	949	954	4
Woodgreen Leisure Centre inc Car Parks & Footways	500	432	(68)
Total Capital Programme 2008/09	26,614	26,624	10
Flood Alleviation Scheme	2,000	2,000	0
Total Capital Investment	28,614	28,624	10

The overspend of £10k is well within budget tolerances. This is the second successive year that the capital programme has been delivered on budget and this is as a result of the increased monitoring on the capital programme during the year. The capital programme has been subject to monthly review by Corporate Management Team and 3 reviews by the Executive.

2.6 Impairment

All assets have been reviewed in detail for impairment in 2008/09 and adjustments made for those assets whose value has reduced either as a result of general movement in market prices or due to their condition and usage. Impairment due to the fall in market prices equates to £7.3 million and a further £1.3 million relates to non enhancing capital spend.

The major impairments in 2008/09 were:

Impairments	Original Value £000s	Capital Expenditure	Decreased by £000s	Value as at 31 March 2009 £000s	Last Valuation Date
Castle Quay Shopping Centre	19,583	0	(4,365)	15,218	1st April 2008
Bodicote House	5,876	1,162	(1,588)	5,450	1st April 2004
Banbury Bus Station	2,110	0	(652)	1,458	1st April 2004
Banbury Museum	4,254	117	(465)	3,906	1st April 2004
Crown Car Park, Bicester	2,177	0	(259)	1,918	1st April 2008

Part of the impairment can be offset against previous revaluations held in the reserve (£4.8 million), with the remainder charged to the Income and Expenditure Account. This does not have an impact on Council Tax.

2.7 Revaluation

The closing position on the reserve at 31st March 2009 shows revaluation gains accumulated since 1st April 2007. The revaluations in 2008/09 equate to £3.2 million.

The major revaluations in 2008/09 were:

Revaluation	Original Value £000s	Increased by £000s	Value as at 31 March 2009 £000s	Last Valuation Date
Woodgreen Leisure Centre	0	2,135	2,135	First Valuation
Shared Ownership Properties	682	880	1,562	First Valuation
Banbury Tourist Information Office	550	144	694	1st April 2004
Horse Fair Public Conveniences, Banbury	142	44	186	1st April 2004
Tooleys Boatyard	570	31	601	1st April 2004

2.8 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 the management restructure, flood alleviation, sports centre modernisation and job evaluation. Reserves have also been subject to 2 reviews in the year whereby we have assessed the likelihood of the need to retain the reserve and an assessment of the appropriate amount. We will continue to review our reserves on a frequent basis. The value of earmarked reserves has reduced from £12.5 million to £9.2 million during the year. A full list of these reserves is shown in Note 10.35.

The original budget estimated that there would be no movement on General Fund balances. 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. The final accounts show that £45,000 was utilised from this balance during 2008/09 and the closing balance equates to £1.9 million.

2.9 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 31st March 2009 we had a total of £85 million (£111 million in 2007/08) invested. In the year changes in cash flow and higher interest rates resulted in investment income above original budget by £0.8 million. The budget was based on an average investment balance of £97 million and an interest rate of 5.3%. The actual average balance was £103 million which attracted an average return of 5.8%.

2.10 Investments in Iceland

The Council currently has a total of £6.5 million in short term investments (i.e. those with maturity periods of up to one year) with one of the affected banks Glitner.

The position relating to the recovery of Council investments in Icelandic banks and the associated interest is uncertain with no reliable forecast available of what might be re-paid, or at what time. At this stage we are confident of receiving 100% of our principal and the lion's share of accrued interest within the next 12 months on the basis that the Local Government Association has obtained legal opinion that local authority deposits will be given preferential status in the administration process.

For the purpose of these accounts we have followed guidance from CIPFA and made impairment against the interest accrued to date. This can be seen in Note 10.25.

2.11 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 31 March 2009 is £0.6 million surplus. The Council Tax element of this surplus will be shared by the District Council and the major precepting bodies.

2.12 Pension

The application of Financial Reporting Standard (FRS) 17 has resulted in a pension liability of £45.7 million shown in the Balance Sheet, an increase of £17.8 million in the year. 2008 has seen unprecedented changes to market conditions resulting from the credit crunch and onset of a global recession. These changes directly influence both the value of pensions and the assets held to back them. Asset values have seen persistent falls over 2008 from almost all sectors. Funds have seen double-digit negative returns over the year and these falls have increased pension deficits significantly.

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. It does however significantly increase the likelihood that additional contributions will be required in the future.

The next actuarial review of the fund will be based on the position as at 31st March 2010. The results of the review should be known in late 2010 with any changes to contribution rates expected to be implemented with effect from 2011/12.

Further details are set out in the Accounting Policies (section 3) and Pension Notes (section 14).

2.13 Single Status (Equal Pay Claims)

The Council has previously undertaken an independent review which concluded minimum risk of potential claims. The only area identified as having a small risk of a potential claim was the Performance Related Pay Scheme, which has since been withdrawn.

We are currently undergoing a full job evaluation exercise for implementation with effect from 1st April 2010 and the anticipated increase in costs as a result of this exercise have been reflected in the Council's Medium Term Financial Strategy. Taking this together with the experience of others to date, we do not anticipate any significantly backdated claims.

2.14 Audit

The first draft of these accounts was approved for publication on 24th June 2009. These accounts were approved by the Accounts Audit & Risk Committee on 23rd September 2009.

2.15 Explanation of the Statements

The accounts consist of:

- **Annual Governance Statement (page 22)**

The Annual Governance Statement sets out the Council's responsibility for Internal Control and describes both the purpose of internal control and the internal control environment. The statement also summarises the Council's review of the effectiveness of internal control and highlights significant internal control issues and actions to be taken in order to address these.

- **Income and Expenditure Account (page 35)**

This account summarises the resources that have been generated and consumed in providing services and managing the Council during 2008/09. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets consumed and the real projected value of retirement benefits earned by employees in the year.

- **Statement of Movement on the General Fund Balance (page 36)**

This is a reconciliation showing how the balance of resources generated/consumed in the year links in with the statutory requirements for raising Council Tax. The main differences being:

- Capital investment is accounted for as it is financed rather than when the fixed assets are consumed
- Retirement benefits are charged as amounts become payable to the pension fund rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that was raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

- **Statement of Total Recognised Gains and Losses (page 37)**

This statement brings together all the gains and losses of the Council for the year and shows the aggregate decrease in its net worth. In addition to the deficit on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

- **The Balance Sheet (page 38)**

This sets out all the Council's assets and liabilities on 31st March 2009. The statement shows the balances and reserves at the Council's disposal, its long-term indebtedness and the fixed assets and net current assets employed in its operations together with summarised information on the fixed assets held.

- **The Cash Flow Statement (page 40)**

This statement summarises the Council's cash transactions for the year.

The Statement of Accounts is supported by the Statement of Responsibilities, the Statement of Accounting Policies, and the Notes which follow the core financial statements. In addition there is a glossary of financial terms to assist the reader.

Julie Evans MBA CPFA
Chief Financial Officer

Date:

3. STATEMENT OF ACCOUNTING POLICIES

3.1 General principles

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year end. The Accounts are prepared in accordance with the Statement of Recommended Practice (SoRP) and the Best Value Accounting Code of Practice (BVACoP), both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Accounting policies and estimation techniques have been selected and exercised having regard to the principles and concepts set out in Financial Reporting Statement 18 (FRS18), specifically:

The qualitative characteristics of financial information:

- Relevance
- Reliability
- Comparability
- Understandable
- Materiality

Pervasive Accounting Concepts:

- Accruals
- Going Concern
- Primacy of Legislative Requirements

The accounting convention adopted in these financial statements is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

3.2 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:

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

3.3 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires a settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Provisions are reviewed at the end of each financial year. Where the Council considers that a provision is no longer required, it is reversed and credited back to the relevant service revenue account.

3.4 Reserves

The Council sets aside specific amounts as reserves to meet potential future commitments for both capital and revenue purposes. These reserves have been established using revenue resources and are therefore available directly for revenue purposes or to finance capital expenditure. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance.

When revenue expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in the year to score against the Net Cost of Services in the Income and Expenditure Account. When capital expenditure to be met from a reserve is incurred, the expenditure is financed from revenue resources and recorded in the Statement on the Movement of the General Fund Balance. The reserve is then appropriated back into the General Fund Balance Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits, but do not represent usable capital resources for the Council – the Revaluation Reserve, Capital Adjustment Account and Pension Reserve are explained in the relevant policies below.

3.5 Government Grants and Contributions (Revenue)

Government grants and third party contributions (e.g. S106 agreements) are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in the service revenue accounts with service expenditure to which they relate. Grants received to cover general expenditure e.g. Revenue Support Grant and Non-domestic Rates redistribution are credited to the Income and Expenditure Account after Net Operating Expenditure.

3.6 Retirement Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Oxfordshire County Council. The Local Government scheme is accounted for as a defined benefit scheme.

- **The Local Government Pension 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 at 31st March 2009 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, principally market value for investments.

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 Income and Expenditure Account to the revenue accounts 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 Net Cost of Services in the Income and Expenditure Accounts 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 Net Operating Expenditure in the Income and Expenditure Account.
- **Expected return on assets** – the annual investment return on the assets attributable to the Council, based on an average of the expected long term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
- **Gains/losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- **Actuarial gains and losses** – changes in the net 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 – debited/credited to the Statement of Total Recognised Gains and Losses.
- **Contributions paid to the Oxfordshire County Council pension fund** – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

3.7 VAT

All items of income and expenditure are shown in the accounts exclusive of Value Added Tax. VAT is normally fully reclaimed from HM Revenue and Customs. If in respect of any transaction, VAT is irrecoverable that sum has been included in the appropriate revenue or capital account.

3.8 Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of CIPFA Best Value Accounting Code of Practice (BVACoP) 2008. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the councils status as a multi-functional democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in BVACoP and accounted for as separate headings in the Income and Expenditure Account as part of Net Cost of Services.

3.9 Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their use or disposal are classified as Community assets and valued at historic cost, which is usually nil. Examples of community assets are parks and historic buildings.

3.10 Intangible Assets

These are regarded as “non-financial fixed assets that do not have physical substance but are identifiable and controllable by the entity through custody or legal rights”. Purchased intangible assets, which represents IT software, are recorded at cost and are amortised to the revenue account over the estimated life of the assets as determined by the Head of Customer Services and Information systems.

3.11 Fixed Assets

- **Tangible Fixed Assets** - assets that have physical substance and are held for the provision of services or for administrative purposes on a continuing basis.

Expenditure that has been capitalised includes expenditure on the:

- acquisition, reclamation, enhancement or laying out of land;
- acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures; and
- acquisition, installation or replacement of moveable or immovable plant, machinery, apparatus and vehicles.

In this context, enhancement means the carrying out of works which are intended to:

- lengthen substantially the useful life of the asset; or
- increase substantially the open market value of the asset; or
- increase substantially the extent to which the asset can or will be used for the purpose of or in conjunction with the functions of the Local Authority concerned.

- **Recognition** - expenditure on the acquisition, creation or enhancement of tangible fixed assets has been capitalised on an accruals basis, provided that it yields benefits to the council and the service that it provides for more than one financial year. The de-minimis level for capital expenditure in 2008/09 is £10,000.
- **Measurement** - assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:
 - Other land and buildings – lower of net current replacement cost or net realisable value in existing use.
 - Vehicles plant and equipment – depreciated historical cost.
 - Infrastructure assets and community assets – depreciated historical cost.
 - Investment properties and surplus assets, held for disposal – lower of net current replacement cost or net realisable value.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value.
- Specialised operational properties – depreciated replacement cost.
- Investment properties and surplus assets, held for disposal – market value.

Valuations for assets included in the Balance Sheet at current value are carried out on a five year rolling programme, or where there are material changes in the value. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

- **Impairment** - the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:
 - where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service account.
 - otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess being charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there are accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

- **Disposals** - In accordance with SoRP 2008, capital receipts not linked to asset disposals are recognised as income.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure

Account as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Any amounts in excess of £10,000 are categorised as capital receipts. Capital receipts cannot be used to finance revenue expenditure they can only be used to finance capital expenditure.

Receipts from the disposal of fixed assets are accounted for on an accruals basis and the unapplied balance is included in the Balance Sheet as Usable Capital Receipts.

A proportion of receipts relating to housing disposals are payable to the Government with the balance being available to finance future capital expenditure. This does not apply to the authority's share of receipts from sales under the preserved right to buy arising as part of the stock transfer agreement, where 100% of the proceeds are available to finance future capital expenditure.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

- **Depreciation** - All fixed assets other than land and investment properties have been depreciated, except where the Council believe that the useful life of the asset is so long as to make depreciation immaterial.

Depreciation is calculated on the following basis:

- assets are depreciated on a straight-line basis, over the estimated life of the asset.

Newly acquired assets are depreciated from the year after acquisition, unless the variation in charge is considered material.

In this respect only, the council does not fully comply with the requirements of FRS15.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation 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.

- **Capital Grants and Contributions** - where grants and contributions are received they are initially credited into a Capital Grants or Capital Contributions Unapplied Account.

Where a capital grant has resulted in the creation of a capital asset, the grant is written down over the expected useful life of the asset, the grant is not written down in the year it is received. Revenue grants are matched to the expenditure to which they relate.

Whether paid on account, by instalments or in arrears, government grants and other contributions and donations are recognised in the accounts on the date that the grant conditions have been satisfied.

Service specific grants are matched in the revenue accounts against the service expenditure they relate to. Where capital expenditure does not result in an asset, this is now charged directly to Revenue (see below); where this expenditure is financed from capital grants or contributions, these are treated as revenue income.

When the grant or contribution is used to finance fixed assets with a finite useful life, the amounts are credited to a Government Grants Deferred Account or Capital Contributions Deferred Account. The balance on these accounts are then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to the assets.

3.12 Charges to Revenue for Fixed Assets

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

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service

The council is not required to raise council tax to cover depreciation, impairment losses or amortisation. These transactions are therefore reversed in the Statement of Movement on the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account.

3.13 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Previously known as deferred charges, Revenue Expenditure Funded from Capital under Statute represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue expenditure funded from capital under statute incurred during the year is charged directly to the relevant service revenue account. Where the council has determined to meet the cost of the REFCUS from existing capital resources, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

3.14 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

(Note not relevant for Cherwell District Council) – The Council is debt free

3.15 Financial Assets

Financial Assets are classified into two types;

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- available-for-sale assets – assets that have a quoted market price and/ or do not have fixed or determinable payments
- **Loans and Receivables** - Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the assets multiplied by the effective rate of interest for the instrument. For most of the loans that

the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account which is the amount receivable for the year in accordance with 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 Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

- **Available for Sale Assets** - Available for sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gain/losses previously recognised in the STGRL.

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

3.16 Exceptional Items

Exceptional items are ones that are material in terms of the Authority's overall expenditure and are not expected to recur frequently or regularly. Exceptional items are included in the cost of the service to which they relate (or on the face of the Income and Expenditure Account if that degree of prominence is necessary in order to give a fair presentation of the accounts). A full explanation of each exceptional item is given in the Notes to the Core Financial Statements.

3.17 Prior Period Adjustments

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

Material adjustments applicable to prior years are accounted for by restating the comparative figures for the preceding period in the Statement and notes and adjusting the opening balance of reserves for the cumulative effect. A full explanation of each prior adjustment is given in the notes to the Core Financial Statements.

3.18 Leases

- **Finance Leases** - The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Council.

Rental payments under finance leases are apportioned between the finance charge and the reduction in the outstanding obligation, with the finance charge being allocated to revenue over the term of the lease.

Fixed assets recognised under finance leases are accounted for using the policies applied generally to tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life.

- **Operating Lease Payments** - Leases that do not meet the definition of finance leases are accounted for as operating leases.

Rentals payable under operating leases have been charged to service revenue accounts on a straight-line basis over the term of the lease.

- **Operating Lease Income** - Where the Council operates as the Lessor, operating lease income is credited to the Income and Expenditure Account on a straight line basis over the term of the lease.

3.19 Stocks and Work in Progress

Stocks and stores are included in the Balance Sheet at the lower of cost or net realisable value.

3.20 Provision for Bad and Doubtful Debts

Provision has been made for bad and doubtful debts based on an age profile analysis of the outstanding debtor balances and the nature of the outstanding debt.

4. ANNUAL GOVERNANCE STATEMENT

4.1. 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 CIPFA/SOLACE Framework for *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.cherwell-dc.gov.uk.

This statement explains how Cherwell District Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2003 4(2), as amended by the Accounts and Audit (Amendment) (England) Regulations 2006.

4.2 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.

4.3 The Governance Framework

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

The Council's strategic objectives are set out in the Corporate Plan and Improvement Strategy 2007-2012. These objectives are derived directly from the Cherwell Community Plan and its 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.

In addition to our established annual budgeting engagement with residents, we will seek to further improve and strengthen our approach to ensure residents are consulted and engaged in relation to longer term strategies in the coming year.

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, the Cherwell Link magazine and consultation documents. The Council leads the Cherwell Community Partnership which acts as the Local Strategic Partnership (LSP) for Cherwell. Membership of

the LSP includes members from the district, town and parish councils, the faith, business and voluntary communities. As part of a refresh of the Community Strategy, the LSP is undertaking a significant policy and evidence review and consultation with stakeholders to set a vision and objectives for the next twenty years.

This piece of work includes a developmental phase where partners, community groups and stakeholders are asked to help us develop the new strategy and a formal phase where the draft strategy will be available for full consultation on our consultation portal which can be found at: <http://consult.cherwell.gov.uk/portal>

The Service and Financial Planning process incorporates substantial consultation with all sections of the community. 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 workshops with various stakeholders (parish councils, the voluntary sector, the LSP, all council Members, and a workshop for local residents). In addition we hold specific workshops with 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.

The corporate agenda is communicated to staff through a “cascade” system and the magazine “Inside Cherwell”, as well as through staff engagement in the service planning process.

4.3.2 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 new Medium Term Financial Strategy in place to ensure future ambitions are resourced, and during the coming year will develop a new Community Plan for the district.

The new medium term financial strategy sets clear targets to eliminate the Council’s revenue dependency on investment income over the coming four years.

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

A Use of Resources Steering Group comprising elected members and senior officers leads the Value for Money (VFM) agenda in the Council and monitors its delivery. A comprehensive programme of VFM reviews is in progress which measures the quality of services for users, helps ensure they are delivered in accordance with the Council’s objectives and that they represent the best use of resources. To date, the VFM Review programme has identified efficiency savings totaling £1.3 million: £0.5 million from Housing, £0.4 million from benefits, £0.2 million from internal audit and £0.2 million from reductions in land charges, development control, waste and safer communities. The programme has improved the value for money of those services, released resources to support the delivery of the Council’s objectives and supported the delivery of the Medium Term Financial Strategy. 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 high level Corporate Improvement Plan provides a focus for improvement in those areas of activity that the Council has identified as priorities. 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 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 Best Value 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 Head of Service and Service Accountant relating to full year outturn projection.

Financial reporting has been transformed through use of the financial dashboard. Previously, the process was highly labour intensive, with the Service Accountants spending most of their time producing reports, rather than closely monitoring budgets and effectively challenging/addressing the variances identified with the relevant Heads of Service.

The dashboard has made budget monitoring far more robust 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 additional Council priorities.

4.3.4 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

The Council has reviewed and streamlined its constitution. The new constitution was adopted on 20th April 2009. There is now an introduction which sets out clearly how the Council works and how it reaches decisions. There is a rewritten part one setting out terms of reference for each committee and the scheme of delegation. All the procedure rules for each committee have been reviewed. Public speaking has been introduced at planning committee and a leaflet produced for the benefit of the public to explain how this works. The principle of public speaking was agreed by planning committee in February 2009.

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 being discussed. All meetings are webcast and are available in archived format for six months from the date of the meeting.

The Standards Committee has responsibility for ensuring the highest standards of behaviour and has undertaken an assessment role in 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 Accounts, Audit and Risk Committee has responsibility for risk management and financial probity, and signs off the Council's annual Statement of Accounts. The senior officer management team is the Corporate Management Team which meets formally once a fortnight.

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

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. There have been revisions to the planning guidance this year, and work on the partnership protocol. A major review will take place when the new code of conduct is issued later this year (consultation on this closed on 24th December 2008, a full response to the consultation was sent by Cherwell having considered

the Government's proposals in detail at Standards Committee and Personnel and General Committee).

The emphasis for the Standards Committee this year has been training on the local assessment of complaints. This responsibility includes monitoring the conduct of parish and town councils. So far all complaints received have concerned either parishes or town councils. A Corporate Governance Panel, made up of two members of Accounts, Audit and Risk Committee and one member of Standards Committee, has been set up to consider and approve the Annual Governance Statement before it is considered by Accounts Audit and Risk Committee.

4.3.6 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

There has been a major review of the constitution this year by the Monitoring Officer. This has involved all Heads of Service being asked to review their specific powers to ensure they are up to date and that any duplications or ambiguities are resolved. The roles of the Monitoring Officer and the Chief Finance Officer are set out in the introduction to the constitution. The two statutory posts together ensure that the legal framework the Council operates in is sound and in compliance with both legislation and all financial regulations and guidance which apply to public sector organisations.

One of the key aspects of the internal control environment is the management of risk. The Council has a risk management strategy and Heads of Service are responsible for maintaining the risk management system and ensuring risks are appropriately mitigated and managed. The Risk and Insurance Officer administers the risk management system. All Heads of Service review and update their risk register online quarterly. For each risk noted on the register, responsible officers are required to identify controls that are in place to mitigate the risk effect.

Budget monitoring takes place monthly with all Heads of Service. Any variations to profile are reported on and managed. Proposals to increase or reduce expenditure will have a risk assessment as to the consequences. There are specifically 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 Head of Exchequer has reviewed and updated the Council's money laundering policy this year. The Council has also actively participated in the National Fraud Initiative.

The Council has an Internal Audit service which operates substantially to the standards set out in the *Code of Practice for Internal Audit in Local Government in the UK* during 2008/09. During 2008/09, this service was provided initially by an 'in-house' team, overseen by an Internal Audit Manager and reporting to the Strategic Director, Customer Service and Resources. From August 2008, an Interim Chief Internal Auditor was brought in to manage the internal audit service. During the remainder of the year, 'in-house' staff members left or took up alternative employment and additional resource was commissioned from PricewaterhouseCoopers under the management of the Interim Chief Internal Auditor.

The Personnel and General Committee provides a forum for developing a shared understanding of member and officer roles and objectives.

4.3.7 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. During 2008/09, 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 and an overview of International Financial Reporting Standards and the impact on district councils. In addition, the Chairman of the Accounts, Audit and Risk Committee was involved in the evaluation process for the appointment of new internal auditors with effect from 1st April 2009.

4.3.8 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 Legal and Democratic Services is designated as the Council's Monitoring Officer and it is her responsibility to ensure that the Council's business is conducted in a legal and proper fashion and in accordance with Council policies. She would have reported to the full Council if she believed, after appropriate consultation, that any proposal, decision or omission would give rise to unlawfulness, maladministration or breaches of the constitution.

During the 2008/09 financial year, the Head of Finance was designated Chief Finance Officer 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. On 1st April 2009 the Director of Customer Services and Resources became the Council's Chief Financial Officer.

4.3.9 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.

In both instances, complaints can be made by telephone, in writing or by visiting the Council. A leaflet entitled *Don't Turn a Blind Eye* is given to new starters as part of their induction to the Council. The Council aims to resolve all complaints at the point of contact where possible. Where this is not achievable, the Council's complaints procedure (available on the website) outlines a formal process for rectifying issues. Of 221 complaints received in 2008/09, 120 were rectified within ten days.

The Council has a dedicated whistle blowing hotline which is publicised on the Council's website and intranet. The Fraud Investigation team aim to prevent, detect, investigate and sanction cases of fraud under the Council's Prosecution Policy. Internally, the Benefit 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.

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.

As part of the 2008/09 Audit Plan, Internal Audit carried out a review of governance at the Council through use of a questionnaire. It was concluded that the governance arrangements in the Council are sound, and many examples of good compliance with the CIPFA framework are exhibited. When surveyed, members and officers generally agreed or strongly agreed with the positive statements being posed in respect of corporate governance. The Council has set a clear set of objectives that is driving improvement in governance within all roles, responsibilities and decision making processes.

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

Annual support interviews are offered to all Members which identify their support and development needs. All councillors elected in 2008 received a personal development interview. Of the remaining councillors, twelve to date have had such interviews. Personal plans are produced following these interviews which inform the member development programme. The development programme for elected members provides a range of formal and informal learning events including: conferences, seminars, briefings, workshops and forums. During 2008/09 18 training sessions were offered and were attended by 147 councillors. A Member Development and Support Strategy has been drafted, the key aims and objectives of which include supporting the delivery of the Council's strategic priorities.

4.3.11 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. The Council undertakes a statistically representative annual satisfaction survey in addition to the National Place Survey. The Council also has an annual budget consultation programme that underpins the service and financial planning process and collects feedback from users of the one-stop shop via the GOV METRIC system.

In addition to the consultation that underpins the Community Strategy, consultation linked to the service and financial planning process takes place through the Equality and Access Advisory Panel. The aim of this is to help address issues of access and inclusion and the impact of our services and policies in terms of equalities.

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 from the Council.

The Council also undertakes communication, consultation and engagement through partnership bodies including the LSP, Voluntary Organisations Forum, the Older People's

Forum, the Banbury Asian Forum and the Polish Association. There is also a programme of consultation with older people.

We hold formal twice yearly parish liaison events which provide clear channels of communication and engagement with the parish councils.

The Council has a Corporate Communications Strategy and there is a programme of communication with the residents of Cherwell. During 2007/08, four editions of Cherwell Link (the resident's magazine) were issued, an increase from three issues sent the previous year.

The Council issued an average of twenty news releases each month, uploading all of these to the front page of our corporate website. As a result the council's activities appeared in 971 media articles across the district, generating 180,000 column centimetres of newsprint. This figure is almost double the amount of coverage received in the previous year. In addition, coverage was achieved on local radio and TV using print and broadcast media to take messages about the Council's services to the widest possible audience.

To achieve the same level of print coverage in paid-for advertising the council would have to spend £888,335. Compared to a total corporate communications budget of around £250,000 this represents good value for money.

Improvements to the visual appearance of Council communications has helped to create a consistent look to Council literature, helping customers to identify it more easily. All publications include an 'access panel' advising customers how to obtain the information in different languages and formats.

The Council's web site was relaunched in April 2008, providing improved electronic access to information on services and the latest news. The website has received an AAA rating for accessibility under global W3C Guidelines, complying fully with the Disability Discrimination Act.

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.

4.3.12 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 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. We undertake audits of partnership arrangements annually and prepare action plans to address weaknesses and ensure value for money.

A review of the Council's key partnerships was reported to the Executive on 16th March 2009. It sets out the achievements in 2008/09 and the actions proposed for 2009/10, both for service delivery and improving the management and governance of partnerships. In doing so, the report shows the:

- improvements that have been achieved in the governance and accountability across the Council's seventeen significant partnerships during 2008/09 such as strengthening terms of reference, risk management and data sharing;
- contribution partnership working is making to deliver the Council's strategic priorities and the Local Area Agreement;
- the added value being gained by working in partnership, reflected through a value for money assessment of each of the Council's significant partnerships.

The Council's strong partnership working has been recognised as part of the Council's Comprehensive Performance Assessment undertaken in November 2008. The inspectors praised the Council's strong partnership working, saying that the Council is an effective leader of partnership working locally. The Council is well placed to exploit the opportunities that are presented by partnership working, 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.

The report to the Executive proposes strengthening partnership working further across the spectrum of governance and accountability, service delivery, improving value for money, managing performance and supporting members in their role on partnerships. Equally, we will continue to play a key role in the countywide partnership arrangements and have plans to host a Cherwell Partnerships Conference to celebrate achievements, consider future partnership opportunities, share knowledge and best practice during 2009/10.

4.4 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 Corporate 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.

4.5 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 Internal Controls Working Group (ICWG), 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 ICWG during the year were:-

- Director of Customer Services and Resources
- Chief Financial Officer (151 Officer)
- Head of Legal and Democratic Services (Monitoring Officer)
- Head of Human Resources
- Head of Exchequer
- Head of Business Services
- Risk Management and Insurance Officer

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 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 ICWG, to Corporate Management Team and/or the Executive. Monitoring reports are taken to Corporate Management Team and to the Accounts and Audit Committee, and are integrated with the Performance Management Framework.

The Council has a matrix-based framework for documenting adherence to the principles of good governance set out in the SOLACE/CIPFA code. The Chief Executive and Directors completed the matrices with their Service Heads at the close of 2008/09. They clearly evidence the mechanisms established to support the principles. During 2008/09 a quarterly governance framework monitoring system was introduced to replace the Statement on Internal Control returns used in previous years. This identifies significant issues to be reported to the Corporate Management Team and Accounts, Audit and Risk Committee on a regular basis.

4.6 The Constitutional Framework

4.6.1 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.

4.6.2 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 the external auditor.

4.6.3 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. The Overview and Scrutiny Committee establishes Task and Finish Groups to undertake particular reviews in accordance with the annual overview and scrutiny work programme.

4.6.4 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 and two substitute parish council representatives who 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.

The Council's major policy objectives flow principally from the Community Plan, which is subject both to mid-year monitoring and an annual progress review that is reported not only to the Community Planning 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.

The Head of Legal and Democratic Services, as Monitoring Officer, has reviewed the continued relevance and effectiveness of the constitution. This has been a major piece of work over the past year. Amendments go to the relevant committee, for example Planning, Overview and Scrutiny, then to the Executive and to Standards. In future, Standards Committee are explicitly delegated to consider changes which impact on the ethical framework. Any new legislation is identified, and implications, particularly financial, are reported to the Executive.

4.6.5 Internal Audit

Up to the end of July 2008, the Council's 'in-house' Internal Audit team, overseen by an Internal Audit Manager and reporting to the Strategic Director, Customer Service and Resources, continued to provide an internal audit service operating in substantial compliance with the relevant professional and best practice requirements. Work continued to be undertaken on completion of outstanding reviews from 2007/08 and additional work requested by the Audit Commission. In August, following a selection process, an Interim Chief Internal Auditor was appointed to lead the internal audit team and to provide a more strategic internal audit service to the Council. A revised internal audit plan for 2008/09 was prepared and approved by the Accounts, Audit and Risk Committee. Subsequently, two members of the audit team resigned and the remaining member of the team found alternative employment within the Council. In order to ensure that the internal audit plan was delivered, additional resource was commissioned from PricewaterhouseCoopers under the management of the Interim Chief Internal Auditor.

The internal audit service has continued to operate in accordance with the requisite auditing standards and over 90% of the internal audit plan was delivered within the financial year, with the outstanding reviews being completed shortly afterwards.

Following an extensive tender and selection process, PricewaterhouseCoopers have been appointed to provide the Council's internal audit service, on a fully outsourced basis, with effect from 1st April 2009.

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 and;
- 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:

Good Assurance – significant risks in the areas reviewed have been identified and mitigated to an acceptable level, and controls are robust and operating effectively. Those charged with governance can gain substantial assurance on the effectiveness of the internal control environment.

Fair Assurance – whilst overall controls are operating at an acceptable level in the areas reviewed, there is still further scope for improvement in either the application or operation of some controls, or the identification and mitigation of risks. Those charged with governance can gain moderate assurance on the effectiveness of the internal control environment.

Weak Assurance – either there are significant weaknesses in the application or operation of some controls in the areas reviewed, or there are significant risks which have not been identified or mitigated to an acceptable level. Those charged with governance can gain limited assurance on the effectiveness of the internal control environment.

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 carry out an annual self-assessment that is reviewed by the Strategic Director and external audit.

The Internal Audit Annual Report presented to the Accounts, Audit and Risk Committee on 24th June 2009 included the following opinion on internal control from PWC:

"We have completed the programme of internal audit work for the year ended 31st March 2009 (taking account of agreed amendments to the plan) and we can report that our work, including work in relation to risk management and governance, did not identify any significant control weaknesses that we consider to be pervasive in their effect on the system of internal control".

- However, an issue was identified outside of the scope of the audit plan during the year in relation to back-up arrangements within the Council. Subsequent investigations highlighted a number of control issues in relation to the Council's IT processes including disaster recovery and back-up arrangements. Management acted promptly and took appropriate action to safeguard the Council's data. An investigation was commissioned and improved processes and controls are proposed.

We believe that this weakness is a '**Significant Internal Control Issue**' and we reflect this in section 4.7.

4.6.6 Risk Management

The Risk Management Strategy dated June 2008 was updated in line with current best practice, and approved by the Executive in March 2009.

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

The Accounts, Audit and Risk Committees received and considered reports on the management of strategic risks on a regular basis and agreed a new review programme.

During 2008/09 the Council's strategic and corporate 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 Risk Management & Insurance Officer.

4.6.7 Performance and Value for Money

Progress in meeting targets for Best Value 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 Management Panel at each of its meetings. Budget monitoring is reported to the Executive and to the Finance Management Panel, Finance Scrutiny Working Group and Resources and Performance Scrutiny Board on a regular basis.

There is a yearly programme of VFM reviews, targeted in the first year on known areas of high reported cost. During 2008/09, reviews were completed covering Street Cleaning, Property Management, Fees and Charges, Support Cost Allocations, Land Charges and a review of Legal Services started. These reviews identified actual and potential efficiency savings of around £210,000, opportunities for increasing income of around £480,000 and significant service improvements. Further savings are expected from Property Management following the market testing of that service. Efficiency savings identified during the year fulfilled the criteria required by the new national efficiency regime (National Indicator 179).

4.6.8 Independent Assessment

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 2007/08 letter was reported to the Executive and the Accounts and Audit Committee in April 2009, together with an action plan to address any concerns and an update of outstanding issues from previous action plans. The Council received an unqualified audit opinion on its 2007/08 accounts, the latest published, and the auditor confirmed that value for money arrangements had improved to level three which means that the Council is "performing well" in achieving value for money. The overall judgement for the Council's "Use of Resources" was at Level 3 – "consistently above minimum requirements – performing well".

Other external inspections review the effectiveness of the arrangements the Council has in place in those areas relevant to their particular interest. These include bodies such as the Benefits Fraud Inspectorate or through validation processes for Investors in People, Chartermark etc.

The most significant change in the independent assessment of the Council during the period was the attainment of **Excellent** status for the Council under the Audit Commission's Comprehensive Performance Assessment (CPA) regime. We achieved exceptionally good score – 54 points out of a possible 60, when the threshold for 'Excellent' is 45. This makes us one of the top ten performing district councils in the country. We are very proud of the result. CPA involves in-depth consideration, from a team of independent inspectors of five aspects of a Council – its Ambition, Prioritisation, Capacity, Performance Management and Achievement. The Council scored very well across the board and was awarded the highest possible scores for Ambition and Achievement.

Going into the inspection we were confident we were excellent, but it was very pleasing to see that the standards we set ourselves are so high.

4.7 Significant Governance Issues

4.7.1 Issues raised in the 2007/08 Annual Governance Statement

No.	Issue	Action taken
1	The Job Evaluation Exercise taking place during the coming year, will impact the workforce as a whole and could result in some instability or reduced capacity to deliver our services and objectives.	The Job Evaluation exercise is well underway and has been successfully resourced with no adverse impact on capacity. Organisational performance has continued to improve throughout the job evaluation period to date and the project is on track to be completed by January 2010, and implemented in April 2010.

4.7.2 Issues arising from the 2008/09 Annual Governance Statement

No.	Issue	Action taken
1	The impact of the economic climate has been challenging and we will need to be aware of elements that will impact our expenditure including interest rates, inflation, planning income, land charges and the impact on our benefits and housing services.	This will be carefully managed by the Corporate Management Team under the direction of the Executive, and progress regularly monitored.
2	An issue was identified during the year in relation to back-up arrangements within the Council. Subsequent investigations highlighted a number of control issues in relation to the Council's IT processes including disaster recovery back up arrangements.	Interim measures were implemented immediately to safeguard the Council's information. A full review was commissioned and a detailed action plan produced. Arrangements will be subject to further review by internal audit and the Audit Committee in 2009/10.

We propose to take steps over this coming year to address the above issues to further enhance our governance arrangements. In addition to the interim measures detailed above, we are committed to undertaking a detailed review of our current arrangements for safeguarding information and to taking any necessary actions arising from this review to ensure that our information governance arrangements, including back up and disaster recovery, are both robust and effective.

We are satisfied that these steps will address the need for the improvements that were identified in our review of effectiveness. We will monitor the implementation and operation of these steps as part of our next annual review.

Mary Harpley
Chief Executive
September 2009

Cllr Barry Wood BSc ACMA
Leader of the Council
September 2009

5. INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Net Expenditure 2007/08 £000s		Expenditure 2008/09 £000s	Income 2008/09 £000s	Net Expenditure 2008/09 £000s
2,567	Central Services to the Public	9,221	(7,039)	2,182
15,209	Cultural, Environmental & Planning Services	23,336	(6,220)	17,116
1,844	Highways, Roads & Transport Services	2,451	(625)	1,826
4,292	Housing Services	31,851	(26,920)	4,931
3,480	Corporate & Democratic Core	4,447	(278)	4,169
1,401	Non Distributed Cost	357	0	357
581	Exceptional item - flooding	2,000	0	2,000
4,865	Exceptional item - restructure and PRP	0	0	0
34,239	Net Cost of Services	73,663	(41,082)	32,581
24	Loss on the disposal of fixed assets			77
0	Investment losses			49
(1,517)	Income from disposal of capital interests			(700)
3,560	Parish Council Precepts			3,755
(880)	Surplus on trading undertakings			(271)
2	Interest payable and similar charges			126
39	Contribution of housing capital receipts to Government Pool			155
(6,849)	Interest & investment income			(6,050)
620	Pensions interest cost and expected return on pensions assets			1,750
29,238	Net Operating Expenditure			31,472
(9,563)	Demand on the Collection Fund			(9,818)
(1,590)	General government grants			(1,309)
(8,518)	Non-domestic rates redistribution			(9,050)
9,567	Deficit for year			11,295

6. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

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

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

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund balance.

2007/08 £000s		2008/09 £000s
9,567	Deficit for the year on the Income & Expenditure Account	11,295
(10,606)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(11,250)
<u>(1,039)</u>	(Increase) / decrease in General Fund Balance	<u>45</u>
(910)	General Fund Balance brought forward	(1,949)
<u>(1,949)</u>	General Fund Balance carried forward	<u>(1,904)</u>

7. STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase or decrease in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits

2007/08 £000s		2008/09 £000s
9,567	Deficit for the year on the Income & Expenditure Account	11,295
(11,862)	(Surplus) / deficit arising from the revaluation of fixed assets	327
(4,290)	Actuarial (gains) / losses on pension fund assets & liabilities	17,360
91	Movement on Collection Fund Balance	38
<u>(6,494)</u>	Total recognised (gains) / losses for the year	<u>29,020</u>

2007/08			2008/09		
£000s	£000s		£000s	£000s	
		Financed by:			
(76,175)		Capital Adjustment Account	(92,021)	10.38	65
(85,126)		Usable Capital Receipts Reserve	(62,101)	10.36	64
(10,766)		Revaluation Reserve	(10,227)	10.37	64
(12,476)		Earmarked Reserves	(9,159)	10.35	63
(74)		Deferred Capital Receipts	(52)	10.34	62
27,850		Pensions Reserve	45,730	10.34	62
	<u>(156,767)</u>			<u>(127,830)</u>	
		Balances			
(1,949)		General Fund	(1,904)	10.34	62
(125)		Collection Fund	(87)	12.3	75
	<u>(2,074)</u>			<u>(1,991)</u>	
	<u>(158,841)</u>	Total Net Worth		<u>(129,821)</u>	

9. CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement as cash in hand and deposits repayable on demand less overdrafts payable on demand. The current SoRP has removed the requirement to provide a detailed analysis of revenue cash transactions when using the indirect method.

2007/08 £000s		2008/09 £000s
10,261	Net cash outflow from revenue activities	12,793
	Returns on Investments and Servicing of Finance	
	Cash Inflows:	
(3,253)	Interest received	(8,078)
<u>(3,253)</u>	Net cash inflow from investment and servicing of finance	<u>(8,078)</u>
	Capital Activities	
	Cash Outflows	
3,071	Purchase of fixed assets	21,533
<u>2,500</u>	Purchase of long-term investments	<u>1,000</u>
<u>5,571</u>		<u>22,533</u>
	Cash Inflows	
(1,026)	Sale of fixed assets	(370)
(61)	Capital grants received	0
<u>(3,076)</u>	Other capital cash income	<u>(1,947)</u>
<u>(4,163)</u>		<u>(2,317)</u>
<u>1408</u>	Net Cash flow from Capital Activities	<u>20,216</u>
8,416	Net cash outflow before financing	24,931
	Management of Liquid Resources	
(9,930)	Net decrease in short term deposits	(25,050)
	Financing	
	Cash Inflows:	
12	Capital element of finance lease rental payments	0
<u>(1,502)</u>	Net increase in cash	<u>(119)</u>

10. NOTES TO THE CORE FINANCIAL STATEMENTS

10.1 Restatement of prior period and exceptional / extraordinary items

Prior period

Under the 2008/09 SoRP, the accounting treatment of Revenue Expenditure funded from Capital under statute (REFCUS), (formerly Deferred Charges) has changed. Expenditure of a capital nature under the capital controls regulations, which does not produce an asset of the authority, is charged directly to revenue. It is however still financed from capital resources and credited back to the Statement of Movement on the General Fund, so there is no impact on the Council Tax.

	2007/08 £000s	REFCUS restatement	2008/09 £000s
Cash Flow Statement			
Net Cash Outflow on Revenue Activities	8,941	1,320	10,261
Other Capital Cash payments	2,175	(2,175)	0
Capital Grants received	(640)	579	(61)
Other capital cash income	(3,352)	276	(3,076)

There is no overall impact on the Income & Expenditure Account, but REFCUS is now charged directly to the relevant subjective heading rather than capital charges.

This also changes the reconciliation of revenue cashflow in Note 10.43 and the analysis of grants at Note 10.45.

Exceptional items

Under the Council's power of well being, the Council has committed to provide £2 million of funding to the Environment Agency in advance to support the flood alleviation project. The Council is one of several partners supporting this initiative.

This is a capital scheme which is classified as REFCUS and charged directly to the Income and Expenditure Account (see provisions Note 10.33). This has been financed by a release from earmarked reserves, so the net impact to council tax payers is nil.

10.2 Trading Operations

Trading accounts are maintained where the service manager is required to operate in a commercial environment. The financial results for 2008/09 were as follows:

Net (Surplus) / Deficit 2007/08 £000s		Expenditure 2008/09 £000s	Income 2008/09 £000s	Net (Surplus) / Deficit 2008/09 £000s
	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.			
(34)		1,842	(1,404)	438
	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			
(73)		143	(145)	(2)
	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.			
(79)		60	(101)	(41)
	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.			
(694)		1,367	(2,033)	(666)
<u>(880)</u>		<u>3,412</u>	<u>(3,683)</u>	<u>(271)</u>

The net reduction in surplus from 2007/08 to 2008/09 is due to impairment of assets, these include car parks, retained garages, Hurrans Garden Centre, estate shops and land at Hook Norton and Sibford Gower.

10.3 Section 137 Local Government Act 1972 (as amended)

As a result of the amending provisions in section 8 of the Local Government Act 2000 the only part of Section 137 that still applies to this Council is Section 137(3). This empowers local authorities to make contributions to charitable funds and not-for-profit bodies providing a public service.

2007/08		2008/09
£000s		£000s
78	Grants to Voluntary Organisations	118
27	Rural Strategy	36
20	Services for the Elderly	32
28	Shopmobility	28
10	Occupational Health Advice	11
9	Kidlington Information Centre	11
16	Community Associations	7
0	Hanwell Fields Community Centre	6
50	Leonard Cheshire Homes	0
238		249

10.4 Expenditure on Publicity

Section 5 of the Local Government Act 1986 requires local authorities to identify the cost of publicity during the year which has been included in the Income and Expenditure Account.

Publicity is defined as “any communication, in whatever form, addressed to the public at large or to a section of the public”

2007/08		2008/09
£000s		£000s
177	Recruitment Advertising	186
89	Other Publicity	81
67	Other Advertising	80
199	Information Services	38
532		385

10.5 The Building Control Trading Account

The Local Authority Building Control regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities, performed by the Building Control Service cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Service divided between chargeable and non-chargeable activities.

Total Activities 2007/08 £000s		Chargeable 2008/09 £000s	Non-chargeable 2008/09 £000s	Total 2008/09 £000s
	Expenditure			
390	Employee Expenses	219	105	324
18	Premises	14	6	20
18	Transport	13	6	19
15	Supplies and Services	7	3	10
35	Third Party Payments	43	0	43
115	Support Services	194	69	263
<u>2</u>	Capital Charges	<u>0</u>	<u>0</u>	<u>0</u>
<u>593</u>		<u>490</u>	<u>189</u>	<u>679</u>
	Income			
(441)	Building regulation charges	(408)	0	(408)
<u>(14)</u>	Miscellaneous income	<u>0</u>	<u>(11)</u>	<u>(11)</u>
<u>(455)</u>		<u>(408)</u>	<u>(11)</u>	<u>(419)</u>
<u>138</u>	Deficit for year 2008/09	<u>82</u>	<u>178</u>	<u>260</u>

The large deficit is largely as a result of the capital impairment of £1.38 million recharged to all cost centres following the revaluation of Bodicote House.

The Regulations also require the Chargeable Account to break even over a three-year rolling period.

Summary of Three-year Position

	£000s
Surplus 2006/07	(19)
Surplus 2007/08	(24)
Deficit 2008/09	82
	<u><u>39</u></u>

10.6 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:

2007/08 £000s		2008/09 £000s
350	Bicester Town Council	347
124	Oxfordshire County Council	130
78	Kidlington Parish Council	105
2	Other Parish Councils	2
<hr/> 554 <hr/>		<hr/> 584 <hr/>

10.7 General Government Grants

2007/08 £000s		2008/09 £000s
1,430	Revenue Support Grant	1,260
160	Local Authority Business Growth Incentive Scheme	0
0	Area Based Grant	49
<hr/> 1,590 <hr/>		<hr/> 1,309 <hr/>

10.8 Local Area Agreements

From 2008/09 Local Area Agreements have been replaced by Area Based Grants and included in the above Note 10.7 General Government Grants.

10.9 Members' Allowances

The Local Authorities (Members Allowances) Regulations 2003 requires local authorities to publish the amounts paid to members under the members' allowances scheme. The allowances available in 2008/09 were as follows:

2007/08 £s		2008/09 £s
	Members' Allowances	
3,918	Basic Allowance	4,035
	Special Responsibility Allowance	
6,072	Leader of the Council	6,999
5,931	Members of the Executive	6,108
<u>15,921</u>		<u>17,142</u>

The total of Members' Allowances paid in the year amounted to £305,984. This compares to £297,754 in 2007/2008. A detailed list of allowances paid to each member is available for examination.

10.10 Officers' Emoluments

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 £50,000.

Number of employees 2007/08 including PRP	Number of employees 2007/08 excluding PRP	Remuneration Band	Number of employees 2008/09 including PRP	Number of employees 2008/09 excluding PRP
15	9	£50,000 to £59,999	17	13
11	6	£60,000 to £69,999	5	4
4	2	£70,000 to £79,999	0	1
2	2	£80,000 to £89,999	5	4
1	1	£90,000 to £99,999	0	0
1	1	£100,000 to £109,999	1	1
1	0	£110,000 to £119,999	0	0
2	0	£120,000 to £129,999	0	0
1	0	£280,000 to £285,000	0	0
<u>38</u>	<u>21</u>		<u>28</u>	<u>23</u>

10.11 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 2009 with Central Government, Oxfordshire County Council, Thames Valley Police Authority and town and parish councils, are disclosed in the 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 transactions greater than £5,000 are listed below:

Mary Harpley Chief Executive	Governor at Oxford & Cherwell Valley College with whom the Council had various financial transactions totalling £17,630. Board of Trustees at North Oxfordshire Carers Centre which received a £9,747 grant.
Cllr. Macnamara Cllr. O'Sullivan	Member of Oxford Radcliffe Hospitals Trust received a grant of £11,127. Member on the Board of Banbury Community Transport Association which received concessionary fares money in 2008/09 of £20,702. Also Board Member of Banbury Citizens Advice Bureau which received various grants totalling £148,101.
Cllr. R Stratford	Board Member of Bicester Citizens Advice Bureau which received £58,476 grant from the Council. Partnership Member for Courtyard Youth Arts Centre which received a grant of £37,595.
Cllr. Reynolds	Councillor's wife works part time at Spiceball Sports Centre. The Council had a contract with DC Leisure who managed the facility on our behalf. In 2008/09 payments to DC Leisure totalled £70,114.
Cllr. Turner	Chairman of the Mill Arts Centre Management Committee which received an arts grant of £39,500 and Business Development Initiative funding of £8,000.

10.12 Audit Costs

In 2008/09 the council incurred the following fees relating to external audit and inspection:

2007/08 £000s		2008/09 £000s
117	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	108
30	Fees payable to the Audit Commission for the certification of grant claims and returns	25
0	Fees payable in respect of other services provided by the appointed auditor	15
14	Fees payable to the Audit Commission in respect of statutory inspection	7
<u>161</u>		<u>155</u>

10.13 Breakdown of Reconciling Items in the Statement of Movement on the General Fund Balance

2007/08 £000s		2008/09 £000s
	Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(3,539)	Depreciation and impairment of fixed assets	(6,401)
(4,020)	Net charges made for retirement benefits in accordance with FRS17	(3,670)
(2,185)	Revenue Expenditure to be financed from capital resources	(2,519)
(8)	Amortisation of intangible fixed assets	(80)
0	Net gain or loss on sale of fixed assets	(73)
265	Government Grants Deferred amortisation	446
1,517	Income from disposal of capital interests	700
(7,970)		(11,597)
	Amounts not included in the Income & Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year	
2,990	Employer's contribution payable to the Oxfordshire County Council Pension fund and retirement	3,150
1,979	Capital expenditure charged to the General Fund Balance	669
(39)	Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(155)
4,930		3,664
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
(7,566)	Net transfers to or from earmarked reserves	(3,317)
(10,606)	Net additional amount required to be credited to the General Fund balance for the year	(11,250)

10.14 Summary of Capital Expenditure and Fixed Asset Disposals

Operational Assets	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Infrastructure £000s	Community Assets £000s	Total £000s
Cost or valuation					
As at 1st April 2008	52,012	9,083	3,444	13	64,552
Additions	6,758	1,453	351	0	8,562
Disposals	0	(677)	(182)	0	(859)
Revaluations	2,425	0	0	0	2,425
Reclassifications	0	(375)	0	0	(375)
Impairments due to fall in prices	(2,855)	0	0	0	(2,855)
Impairments due to Capital Expenditure not adding value	(1,317)	(185)	0	0	(1,502)
As at 31st March 2009	57,023	9,299	3,613	13	69,948
Depreciation					
As at 1st April 2008	(2,224)	(3,369)	(925)	0	(6,518)
Charge for 2008/09	(934)	(1,277)	(133)	0	(2,344)
Written-back on disposals	0	654	121	0	775
Written-back on revaluations	183	0	0	0	183
Written-back on impairment	995	0	0	0	995
Reclassifications	0	138	0	0	138
As at 31st March 2009	(1,980)	(3,854)	(937)	0	(6,771)
Net book value of assets at 31st March 2009	55,043	5,445	2,676	13	63,177

Non-Operational Assets	Investment Properties £000s	Assets Held For Sale £000s	Assets under Construction £000s	Total £000s
Cost or valuation				
As at 1st April 2008	27,341	730	292	28,363
Additions	0	22	14,529	14,551
Disposals	(107)	(252)	0	(359)
Revaluations	907	0	0	907
Impairments	(4,513)	(25)	0	(4,538)
Net book value of assets at 31st March 2009	23,628	475	14,821	38,924

10.15 Capital Expenditure and Financing

2007/08 £000s		2008/09 £000s
	Capital Investment	
2,872	Operational Assets	8,562
318	Non-operational Assets	14,551
0	Intangible Assets	259
3,372	Revenue Expenditure Funded from Capital under Statute	5,252
<hr/> 6,562 <hr/>		<hr/> 28,624 <hr/>
	Sources of finance	
2,864	Capital Receipts	23,963
533	Government Grants and Other Contributions - assets	1,259
1,186	Government Grants and Other Contributions - REFCUS	733
1,979	Direct Revenue Financing	669
0	REFCUS funded from Earmarked Reserves through Revenue	2,000
<hr/> 6,562 <hr/>		<hr/> 28,624 <hr/>

Revenue Expenditure Funded from Capital under Statute (REFCUS), together with any grants and contributions used in it's funding, are taken to the Income & Expenditure Account and form part of the operating surplus or deficit. This is reversed in the Statement of movement on the General Fund balance to remove any impact on Council Tax.

10.16 Commitments under Capital Contracts

The total capital programme budget for 2009/10 is £27.2 million. Of this, the major capital commitments at 31 March 2009 were:

Contract	Purpose	Value £000s	Period of Investment
Castle Quay Refurbishment	Refurbishment of shopping centre	700	12 months
58 Bridge Street, Banbury	Refurbishment of building	500	5 months
Sports Centre Modernisation	Refurbishment / Construction of 3 sports Centres	10,300	12 months
Woodgreen Leisure Centre	Refurbishment of outdoor pool and building	953	9 months
		<hr/> 12,453 <hr/>	

10.17 Revenue Expenditure funded from Capital under Statute

The following analysis represents capital expenditure incurred during 2008/09 which did not result in the creation of a tangible asset owned by the Authority. This expenditure has been written off to revenue in 2008/09.

	2008/09 £000s
Type of Charge	
Flood Alleviation Scheme	2,000
Grant towards the purchase of temporary homes	1,023
Disabled Facilities Grant	910
Community Improvement Schemes	457
Local Authority Social Housing Grant	436
Other Discretionary Grants	426
	<hr/> 5,252 <hr/>

10.18 Information on Assets Held

Fixed assets owned by the Council include the following:

Total Number 2007/08		Total Number 2008/09
	Other Land & Buildings	
1	Bus Station	1
26	Car Parks	26
2	Depots	2
6	Municipal Offices	6
1	Museums	1
11	Properties for Homeless Persons	11
6	Public Conveniences	6
3	Sports Centres & Pools	4
1	Stores	1
1	Tourist Information Centre	1
<u>58</u>	Total Other Land & Buildings	<u>59</u>
	Infrastructure	
<u>3</u>	Pedestrianisation Schemes	<u>3</u>
<u>3</u>	Total Infrastructure	<u>3</u>
	Community Assets	
<u>6</u>	Public Halls & Community Centres	<u>6</u>
<u>6</u>	Total Community Assets	<u>6</u>
	Vehicles	
<u>49</u>	Vehicles	<u>63</u>
<u>49</u>	Total Vehicles, Plant & Equipment	<u>63</u>
	Non-operational Assets	
1	Advertising Sites	1
20	Estate Shops	20
14	Industrial Units	14
4	Other Properties	4
1	Shopping Centres	1
<u>40</u>	Total Non-operational Assets	<u>40</u>
<u>156</u>	Total Assets	<u>171</u>

10.19 Assets Held Under Leases

Operating leases have been entered into for the use of vehicles, wheeled bins, CCTV equipment and one building. The Council has made payments under these arrangements in the year ended 31st March 2009 as follows:

2007/08		2008/09
£000s		£000s
17	Land and Buildings	23
<u>263</u>	Other	<u>168</u>
<u>280</u>		<u>191</u>
<p>The Council was committed at 31st March 2009 to making payments of £23,000 under operating leases, as shown below. Vehicle operating leases were discontinued during the year as new vehicles were purchased.</p>		
	Land and Buildings	
23	Leases expiring between 2010/2013	23
	Other	
75	Leases expiring 2009	0
<u>107</u>	Leases expiring between 2010/2013	<u>0</u>
<u>205</u>		<u>23</u>
<p>The Council no longer holds any fixed assets under finance lease arrangements (payments made in the year ended 31st March 2008 £13,514).</p>		
<u>14</u>	Mailing Machine	<u>0</u>
<u>14</u>		<u>0</u>

10.20 Assets Held for Leases

Land and Building operating lease income and similar related income receivable in the year ended 31st March 2009 amounted to £1.6 million comprising of 12 agreements. 66% of this income relates to a lease the Council has granted from 1st July 2000 for 250 years for the Castle Quay Shopping Centre. Income receivable from this lease is variable and calculated as 15% of net letting income receivable by the lessee and amounted to £1.1 million for the year ended 31st March 2009

The gross value of assets held for use in operating leases was £22.7 million for the year ended 31st March 2009; gross depreciation was £12,000.

10.21 Valuation Information

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by David Marriott MRICS, Head of Economic Development and Estates at Cherwell District Council. The bases of valuation are as set out in the Statement of Accounting Policies and are undertaken in accordance with the Statement of Asset Valuation Practice and Guidance Notes, published by the RICS.

	Other Land & Buildings £000s	Assets Held for Sale £000s	Investment Properties £000s	Total £000s
Valued at cost:				
2008/09	29,502	150	23,628	53,280
2007/08	26,217	310	0	26,527
2006/07	0	0	0	0
2005/06	0	0	0	0
2004/05	1,303	15	0	1,318
Total	57,022	475	23,628	81,125

10.22 Information about Depreciation Methodologies

Depreciation is calculated using the straight line method of depreciation spread over the useful life of the asset.

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 5 or 10 years
- Other 3, 5 or 7 years

In accordance with FRS 15 Tangible Assets, land is non-depreciable.

10.23 Intangible Fixed Assets

	Software / Licenses £000s
Balance at 1st April 2008	
Original Cost	61
Amortisation to 1st April 2008	(14)
Reclassification from Plant & Equipment:	
Original Cost	375
Amortisation to 1st April 2008	(138)
Expenditure in year	259
Written-off to revenue in year	(15)
Amortisation in year	(65)
	<u><u>463</u></u>

Intangible assets are amortised using the straight line method spread over the useful life of the asset.

Following the continuous improvement review of the fixed asset register, it was considered more appropriate to classify certain software assets as intangible assets rather than equipment (VP&E).

10.24 Analysis of Net Assets Employed

2007/08 £000s		2008/09 £000s
118,647	General Fund	95,569
40,194	Trading Undertakings	34,252
<u><u>158,841</u></u>		<u><u>129,821</u></u>

10.25 Investments

2007/08 £000s		In Year Movement 2008/09 £000s	2008/09 £000s
	Long Term Investments		
43,249	Fixed Term Loans and Receivables	(24,542)	18,707
<u>43,249</u>		<u>(24,542)</u>	<u>18,707</u>
	Current Investments		
39,750	Fixed Term Loans and Receivables	(19)	39,731
3,804	Instant Access Loans and Receivables	(3,361)	443
24,452	Fair Value through I&E Investments	1,778	26,230
<u>68,006</u>		<u>(1,602)</u>	<u>66,404</u>
<u>111,255</u>		<u>(26,144)</u>	<u>85,111</u>

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, less impairments relating to Iceland investments. During the year, long term loans of £22,500,000 were reclassified as short term, as maturity dates now fall within the next 12 months.

Instant Access Loans and receivables

These investments have no fixed term and are variable 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 Income & Expenditure Account. Forward deals which have not been settled at the Balance Sheet date are also included at fair value.

Over the year, investments of £24,000,000 were realised to fund the Sports Centre Modernisation project.

Investment Gains and losses

2007/08 £000s		Loans and Receivables £000s	2008/09 Fair value through I&E £000s	Total £000s
6,891	Interest and Investment Income	4,174	1,876	6,050
6,891		4,174	1,876	6,050
(42)	Gains (losses) on Forward deals	0	497	497
0	Impairment of Iceland Investments	(546)	0	(546)
(42)	Net loss on revaluation	(546)	497	(49)
6,849	Net gain	3,628	2,373	6,001

Three forward deals were entered into during the year at advantageous interest rates. An overall gain of £497,000 was credited to the Income and Expenditure Account. The impairment relates to deposits with an Icelandic Bank.

Impairment of Investments

Investments included in current assets include the following investments that have been impaired because of the financial difficulties being experienced by Icelandic banks.

Bank	Date Invested	Maturity Date	Amount Invested £000s	Interest Rate	Carrying Amount £000s	Impairment £000s
GLITNIR	26/10/2006	26/10/2009	2,000	5.72%	2,111	(167)
GLITNIR	06/02/2007	08/02/2010	2,000	5.74%	2,081	(166)
GLITNIR	29/08/2008	30/03/2009	2,500	6.30%	2,379	(213)
			6,500		6,571	(546)

The carrying amounts of these investments in the balance sheet have been calculated using the present value of the expected repayments, discounted using each investment's original interest rate. The expected repayments have been estimated, based on the statements made by the administrator, in conjunction with advice received from CIPFA regarding the preferential status of these deposits under Icelandic law. The impairment loss would be significantly greater if local authority deposits are not deemed to have priority, through this preferential status.

Using fair value accounting methodology, this spreads interest over the revised term of the loan. As repayment is now anticipated to be on or before 31st March 2010, a further estimated sum of £401,000 will be credited to the Income and Expenditure Account next year. The overall loss of interest is therefore estimated at £145,000.

10.26 Long Term Debtors

2007/08 £000s		New Advances £000s	Repayments £000s	2008/09 £000s
	Mortgages to Owner Occupiers			
75	Sale of Council Houses	0	(22)	53
2	Housing Act Advances	0	(2)	0
<u>77</u>		<u>0</u>	<u>(24)</u>	<u>53</u>
	Other Long Term Debtors			
459	Fixed Interest Loans to Parish and Town Councils	0	(36)	423
11	Car Loans to Officers	6	(6)	11
<u>470</u>		<u>6</u>	<u>(42)</u>	<u>434</u>
<u>547</u>		<u>6</u>	<u>(66)</u>	<u>487</u>

10.27 Debtors

2007/08 £000s		2008/09 £000s
	Debtors	
2,594	Council Tax	3,062
1,782	Sundry Debtors	1,515
1,596	Other Local Authorities	1,208
1,459	National Non Domestic Rates	1,881
1,356	Government Departments	3,048
656	Housing Benefit Overpayments	644
2	House Purchasers	0
<u>9,445</u>		<u>11,358</u>
	Provision for Bad Debts	
(933)	Council Tax	(924)
(366)	National Non Domestic Rates	(448)
(482)	Sundry Debtors	(397)
<u>(1,781)</u>		<u>(1,769)</u>
<u>7,664</u>	Total Net Debt	<u>9,589</u>

10.28 Creditors

2007/08 £000s		2008/09 £000s
(5,074)	Sundry Creditors	(5,025)
(1,340)	Other Local Authorities	(1,153)
(625)	National Non Domestic Rates	(695)
(455)	Council Tax	(651)
(1,829)	Government Departments	(731)
(13)	Tenants Commercial Rent	(18)
(47)	Water Companies	(8)
<u>(9,383)</u>		<u>(8,281)</u>

10.29 Receipts in Advance

2007/08 £000s		2008/09 £000s
(1,984)	S106 Planning Receipts (Note 10.30)	(2,280)
(252)	National Non Domestic Rates	(1,856)
(667)	Council Tax	(765)
(538)	Other	(383)
(429)	Planning Delivery Grant	(361)
(358)	S38 Road Adoption Developer Contributions	(279)
<u>(4,228)</u>		<u>(5,924)</u>

10.30 Section 106 Planning Receipts

These receipts are monies paid to the Council by developers under Section 106 of the Town and Country Planning Act 1990, and arise from the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer. An analysis of Section 106 balances held at 31st March 2009 is set out below:

2007/08 £000s		Expenditure £000s	Income £000s	2008/09 £000s
(1,984)	Revenue schemes S106 receipts	130	(426)	(2,280)
(1,409)	Capital schemes S106 receipts	0	(71)	(1,480)
<u>(3,393)</u>				<u>(3,760)</u>

Sums not yet applied are held as receipts in advance where the purpose set out in the planning permission is a revenue activity, and in capital contributions unapplied for those to be spent on capital purposes.

10.31 Capital Grants and Capital Contributions Unapplied

	Government Grants 2008/09 £000s	Capital Contributions 2008/09 £000s
Balance brought forward 1st April 2008	(287)	(1,909)
Receipts in year	(376)	(1,123)
Financing of Capital Expenditure – fixed assets	7	1,252
Financing of Revenue expenditure financed by capital under statute	645	88
Balance carried forward at 31st March 2009	(11)	(1,692)

Capital Grants and contributions are credited to this account and released when the capital scheme to which they relate is financed. The balance on Capital Contributions comprises mainly Section 106 agreements.

10.32 Capital Grants and Capital Contributions Deferred

	Government Grants 2008/09 £000s	Capital Contributions 2008/09 £000s
Balance brought forward at 1st April 2008	(1,552)	(889)
Deferred in year	(7)	(1,252)
Release to revenue in the year	429	17
Balance carried forward at 31st March 2009	(1,130)	(2,124)

When a grant or contribution has been applied to the financing of capital expenditure on fixed assets, an amount is transferred from the unapplied account to the relevant deferred account. The deferred grant or contribution is released to revenue over the expected life of the asset in the appropriate section of the Income and Expenditure Account to match the annual depreciation charge.

10.33 Provisions

2007/08 £000s		Movement in year £000s	2008/09 £000s
0	Flood Alleviation Scheme	(2,000)	(2,000)
(1,320)	Pension Costs	151	(1,169)
(43)	Landlord Deposit Guarantee	(53)	(96)
0	Performance Reward Provision	(73)	(73)
(50)	Sports Development	0	(50)
0	Landlord Deposit Guarantee Bond for Charter	(32)	(32)
(4)	Health Walks Training	0	(4)
<u>(1,417)</u>		<u>(2,007)</u>	<u>(3,424)</u>

The new provision for the Flood Alleviation Scheme is an exceptional item as described in Note 10.1.

The provision for £1.169 million was established in 2007/08 and is in relation to the future pension 'strain' of staff receiving their pension before the normal retirement age and is a result of the fundamental restructure during 2007/8. The movement of £151,000 relates to the release of the provision to cover expenditure and further provision for 2008/09 retirements.

10.34 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.

2007/08 £000s		Movement in Year £000s	2008/09 £000s	Purpose of Reserve	Further Detail
(10,766)	Revaluation Reserve	539	(10,227)	Store of gains on revaluation of fixed assets not realised through sales.	10.37
(76,175)	Capital Adjustment Account	(15,846)	(92,021)	Store of capital resources set aside to meet past expenditure.	10.38
(85,126)	Capital Receipts Reserve	23,025	(62,101)	Proceeds of fixed asset sales available to meet future investment.	10.36
(75)	Deferred Capital Receipts	23	(52)	Principal outstanding from mortgages to owner occupiers.	10.26
27,850	Pension Reserve	17,880	45,730	Balancing account to allow for inclusion of pension liability in the balance sheet.	14.1
(12,476)	Earmarked Reserves	3,317	(9,159)	Various individual needs.	10.35
(1,949)	General Fund	45	(1,904)	Resources available to meet future running costs.	
(125)	Collection Fund	38	(87)	Represents the Council's share of the Collection Fund surplus or deficit.	12.3
<u>(158,842)</u>		<u>29,021</u>	<u>(129,821)</u>		

10.35 Earmarked Reserves

2007/08 £000s		Movement in Year £000s	2008/09 £000s
	Insurance Reserves		
(750)	Insurance Reserve Fund	250	(500)
(160)	Ex HRA Insurance Reserve	(140)	(300)
(7)	Civil Contingencies	7	0
<u>(917)</u>		<u>117</u>	<u>(800)</u>
	Capital Reserves		
(2,531)	Flooding Reserve	2,531	0
<u>(2,531)</u>		<u>2,531</u>	<u>0</u>
	Sports Centre Reserves		
(23)	Spiceball Park Building Reserve	23	0
(4)	Bicester and Ploughly Reserve	4	0
(81)	Kidlington and Gosford Reserve	81	0
<u>(108)</u>		<u>108</u>	<u>0</u>
	Building Control Reserve		
(47)	Building Control Reserve	0	(47)
<u>(47)</u>		<u>0</u>	<u>(47)</u>
	Repairs and Renewals Reserve		
(833)	Plant and Transport Renewals Fund	33	(800)
(300)	Wheeled bin replacements	(100)	(400)
<u>(1,133)</u>		<u>(67)</u>	<u>(1,200)</u>
	Other Earmarked Reserves		
(5,000)	Environmental Warranties Reserve	1,500	(3,500)
(313)	Corporate Change Reserve	(601)	(914)
(500)	Planning Control Reserve	(211)	(711)
(696)	Planning Policy Reserve	(1)	(697)
0	Interest Rate Risk Reserve	(600)	(600)
(434)	Corporate IT Contingency Reserve	184	(250)
0	Economic Risk Reserve	(200)	(200)
(104)	Restructuring Reserve	(4)	(108)
(100)	Hanwell Fields Open Space Reserve	0	(100)
(89)	Job Evaluation Reserve	57	(32)
(48)	Konver - Economic Development Reserve	48	0
(35)	Housing Development Reserve	35	0
(250)	Training Reserve	250	0
(171)	Council Tax Equalisation Reserve	171	0
<u>(7,740)</u>		<u>628</u>	<u>(7,112)</u>
<u>(12,476)</u>		<u>3,317</u>	<u>(9,159)</u>

These Reserves were established under the provisions of the Local Government (Miscellaneous Provisions) Act 1976, Section 28.

The Sports Centres Reserves receive contributions determined annually directly from their respective revenue accounts and are mainly expended on facility improvements. The other Reserve Funds are mainly provided for the repair and maintenance of selected properties, vehicles, plant and equipment and to meet future capital and extraordinary expenditure.

10.36 Capital Receipts Reserve

2007/08 £000s		2008/09 £000s
(85,442)	Balance bought forward 1st April 2008	(85,126)
	Receipts in year	
(1,048)	Disposal of Fixed Assets	(370)
(1,517)	Disposal of Capital Interests	(700)
(22)	Repayment of Mortgages	(23)
2,864	Financing of Capital Expenditure	23,963
39	Payments to Housing Capital Receipts Pool	155
<u>(85,126)</u>		<u>(62,101)</u>

10.37 Revaluation Reserve

2007/08 £000s		2008/09 £000s
0	Balance bought forward 1st April 2008	(10,766)
(10,284)	Revaluation of assets	(3,332)
(1,577)	Written-back depreciation on revaluations	(1,177)
994	Disposal of assets	95
101	Adjustment for historic cost depreciation	117
0	Impairment of assets	4,836
<u>(10,766)</u>		<u>(10,227)</u>

10.38 Capital Adjustment Account

2007/08 £000s		2008/09 £000s
0	Balance bought forward 1st April 2008	(76,175)
(38,550)	Transfer from Capital Financing Account	0
(38,202)	Transfer from Fixed Asset Restatement Account	0
	Capital Financing	
(2,864)	Capital Receipts	(23,963)
0	Revenue expenditure funded from capital under statute financed from earmarked reserves	(2,000)
(1,186)	Revenue expenditure funded from capital under statute financed from grants & contributions	(733)
(1,979)	Revenue	(669)
(265)	Government Grants & Contributions Deferred	(446)
(101)	Adjustment for written-back depreciation	(117)
8	Amortisation of Intangible Fixed Assets	80
53	Disposal of assets	348
2,111	Depreciation of Fixed Assets	2,342
1,429	Impairment of Fixed Assets	4,060
3,371	Revenue expenditure funded from capital under statute	5,252
<u>(76,175)</u>		<u>(92,021)</u>

10.39 Financial Instruments – Risk Analysis

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 implementing restrictions 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 Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures 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 budget. 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.

These 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.

Credit risk

Credit risk arises from deposits with banks and financial institutions (counterparties), as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Long Term investments are only made to counterparties awarded high credit ratings e.g. A or AA. Short term investments are made subject to satisfactory credit ratings or asset size exceeding £1 billion, where formal ratings are not available.

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

	Amount at 31st March 2009 £000s	Historical experience of default %	Adjustment for market conditions at 31st March 2009 %	Estimated maximum exposure to default £000s
Deposits with banks and financial institutions				
AAA rated counterparties	443	0.00%	0.00%	0
AA rated counterparties	46,017	0.06%	0.06%	28
A rated counterparties	27,328	0.65%	0.65%	178
BBB rated counterparties	4,752	3.11%	3.11%	148
Other counterparties	6,571	42.67%	42.67%	2,804
Debtors	11,845	5.00%	5.00%	355
Total	<u>96,956</u>			<u>3,513</u>

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £6.5m invested in this sector at that time. These investments are shown as Other Counterparties in the above table. In accordance with accounting practice the Council has been notified of objective evidence that some impairment relating to interest has occurred and the investments have been impaired according to accounting requirements. (See Note 25).

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

The Council also uses non credit rated institutions (for instance smaller building societies or bank subsidiaries where the parent has a satisfactory rating). In these circumstances these investments would be classified as other counterparties.

Debtors including all long and short term debt (£11,845,000), less central (£3,048,000) and local government (£1,695,000) are assessed at the local default rate of 5%. Bad Debt Provisions totalled £1,770,435 at 31st March 2009. The Council generally allows 30 days credit for its debtors, such that £5,615,000 of the £6,050,000 invoices debtors balance is past its due date for payment. The past due amount can be analysed by age as follows:

	2008/09 £000s
Less than three months	187
Three to twelve months	2,741
More than one year	2,687
	<u>5,615</u>

Creditors are paid according to terms; there are no defaults or exposures to be considered.

Collateral – During the reporting period the council held no collateral as security.

Liquidity risk

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

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

Refinancing and Maturity Risk

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

The approved prudential indicator limits investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes the monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council has no longer term financial liabilities. All trade and other payables (£8,257,000) are due to be paid in less than one year.

The maturity analysis of financial assets is as follows:

	2008/09
	£000s
Less than one year	66,405
Between one and two years	4,179
Between two and three years	9,334
More than three years	5,194
	<hr/>
	85,112
	<hr/> <hr/>

All trade and other receivables are due to be paid in less than one year so debtors of £11,845,000 are not shown in the table above.

Market risk

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

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

Changes in interest payable and receivable on variable rate investments will be posted to the Income and Expenditure Account and effect the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council’s prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. If all interest rates had been 1% higher with all other variables held constant) the financial effect would be:

	2008/09 £000s
Increase in interest receivable on variable rate investments	(20)
Impact on Income & Expenditure Account	(20)
Decrease in fair value of fixed rate investment assets	172
Impact on STRGL	172

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost

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

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

10.40 Contingent Assets

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.

The Council has submitted Fleming VAT reclaims to H.M. Revenue and Customs under Section 121 of the Finance Act 2008. These are in relation to reclaimable VAT on leisure, car parking, bulky waste and mileage. The outcome of these claims is uncertain at the Balance Sheet date.

10.41 Contingent Liabilities

There are none to report.

10.42 Events after the Balance Sheet Date

There were no reportable events after the balance sheet date.

10.43 Reconciliation between the Net Surplus / Deficit on the Income and Expenditure account to Revenue Activities Net Cash Flow

This reconciliation identifies items included within the Revenue Accounts that do not result in cash flows under the Revenue Activities in the Cash Flow Statement.

2007/08		2008/09
£000s		£000s
9,567	Deficit on the Income and Expenditure Account	11,295
91	Deficit on the Collection Fund	38
6,849	Net Cash Outflow from Investment and Servicing of Finance	5,875
	Adjustments for non-cash transactions	
(4,179)	Capital Related transactions	(5,910)
1,517	Gain on disposal of fixed assets	700
(1,030)	FRS 17 (Pensions)	(520)
(978)	Other non-cash transactions	(2,087)
	Items on an accruals basis	
(208)	Increase/ (decrease) in debtors	2,048
(1,368)	(Increase) / decrease in creditors	1,354
10,261	Net Cash Outflow from revenue activities	12,793

10.44 Analysis of Cash, Debt and Investments

2007/08 £000s		Cash Flow £000s	Non-Cash £000s	2008/09 £000s
68,006	Current asset investments	(25,050)	23,448	66,404
43,249	Long Term Investments	1,000	(25,542)	18,707
5	Cash and Bank	(3)	0	2
(257)	Bank Overdraft	122	0	(135)
111,003		(23,931)	(2,094)	84,978

10.45 Analysis of Government Grants

2007/08 £000s		2008/09 £000s
	Revenue Activities	
	Other Government Grants	
	Housing Benefit	
(966)	Benefits Administration	(819)
15	Benefits Investigation	0
(429)	Planning Delivery Grant	(503)
(66)	Concessionary Fares	(426)
(375)	Disabled Facilities Grant	(410)
(219)	Business Rate Collection	(224)
(37)	Crime and Disorder Grant	(163)
(23)	Flooding Grant	(131)
(100)	Homelessness Grant	(105)
0	LABGI	(66)
0	Discretionary Housing Payments	(51)
0	Council tax Billing	(11)
(144)	Defective Housing Loan Charge Grant	0
(33)	Supporting People	0
(204)	Regional Housing Capital Pot	0
(8)	Gipsy Site Grant	0
(33)	Defra (Recycling)	0
(2,622)		(2,909)
	Capital Activities	
	Capital Grants Received	
(61)	Defra (Recycling)	0
(61)		0

10.46 Authorisation of Accounts for Issue

The Statement of accounts was authorised for issue on 23rd September 2009 by Julie Evans MBA CPFA the Chief Financial Officer (s151) for Cherwell District Council. The financial impact of any events taking place after 31 March 2009 has been considered up until this authorisation date.

11. 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 Authority.

2007/08 £000s		2008/09 £000s
	Income	
(63,186)	Council Tax	(65,785)
	Transfers from General Fund	
(5,527)	Council Tax Benefits	(5,905)
(57,875)	Business Ratepayers	(61,954)
(126,588)		(133,644)
	Expenditure	
	Precepts and Demands	
51,630	Oxfordshire County Council	54,137
6,850	Thames Valley Police Authority	7,191
9,367	Cherwell District Council	9,717
	Business rate	
57,656	Payment to National Pool	61,730
219	Cost of Collection allowance	224
	Bad and doubtful debts	
196	Write offs	186
(90)	Provision	(9)
	Contribution towards previous year's Collection Fund surplus	
1,410		736
127,238		133,912
650	(Surplus) / Deficit for the year	268
(1,556)	Balance at start of year	(906)
(906)	Balance at end of year	(638)

12. NOTES TO THE COLLECTION FUND

12.1 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 Authority 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, £1430.11 (2007/08 £1378.62), is, 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	3,980.00	6/9	2,653.3
B	12,250.00	7/9	9,527.8
C	14,331.25	8/9	12,738.9
D	8,965.75	9/9	8,965.8
E	6,513.50	11/9	7,960.9
F	2,911.00	13/9	4,204.8
G	2,124.75	15/9	3,541.3
H	187.75	18/9	375.5
Band A entitled to Disabled Relief Reduction	7.50	5/9	4.2
			49,972.5
Ministry of Defence Properties			245.0
			50,217.5

12.2 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 2008/09 there are two multipliers, the small business non-domestic rating multiplier of 45.8p and the non-domestic rating multiplier of 46.2p. 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 Authorities Funds on the basis of a fixed amount per head of population.

The total Non-Domestic Rateable Value at 31 March 2009 was £151.68 million (2008 £149.97 million).

12.3 Analysis of Collection Fund Balance

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

2007/08 £000s		2008/09 £000s
(690)	Oxfordshire County Council	(486)
(91)	Thames Valley Police Authority	(65)
<u>(781)</u>	Disclosed as creditors in the balance sheet	<u>(551)</u>
(125)	Cherwell District Council	(87)
<u>(906)</u>		<u>(638)</u>

13. Group Accounts

Under the terms of FRS9 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 is 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 – 10.11 Related Parties.

14. The Pension Fund Accounts

14.1 Disclosure under FRS17 (LGPS funded benefits)

Introduction

The disclosures below relate to the funded liabilities within the Oxfordshire County Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme. Cherwell District Council participates in the Fund which provides defined benefits, based on members' final pensionable salary.

In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS17) disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

Contributions for the accounting period ending 31st March 2010

The Employer's regular contributions to the Fund for the accounting period 31st March 2010 are estimated to be £2.69 million. In addition, Strain on Fund Contributions may be required.

Assumptions

The latest actuarial valuation of Cherwell District Council's liabilities took place as at 31st March 2007. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were:

	31 March 2009	31 March 2008	31 March 2007
	%	%	%
Inflation	3.4	3.7	3.2
Rate of general increase in salaries *	4.9	5.2	4.7
Rate of increase to pensions in payment	3.4	3.7	3.2
Rate of increase to deferred pensions	3.4	3.7	3.2
Discount rate	6.7	6.8	5.3

* In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31st March 2007

Principal demographic assumptions

Post retirement mortality	MALES		FEMALES	
	PNMA00 with allowance for MC improvement factors to 2007 31 March 2009	PNMA00 with allowance for MC improvement factors to 2007 31 March 2008	PNFA00 with allowance for MC improvement factors to 2007 31 March 2009	PNFA00 with allowance for MC improvement factors to 2007 31 March 2008
Base table (in 2007)				
Scaling to above base table rates	100%	100%	100%	100%
Cohort improvement factors (from 2007)	80% of LC	100% of MC	60% of LC	100% of MC
Minimum underpin to improvement factors	1.25%	1.00%	1.25%	0.50%
Future lifetime from age 65 (currently aged 65)	23.1	22.1	25	24.1
Future lifetime from age 65 (currently aged 45)	25.4	24	27.3	25.3

Expected return on assets

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assumed rates of return adopted by the Employer for the purposes of FRS17.

	Long-term expected rate of return 31 March 2009 (% pa) *	Asset split 31 March 2009 (%)	Long-term expected rate of return 31 March 2008 (% pa) *	Asset split 31 March 2008 (%)	Long-term expected rate of return 31 March 2007 (% pa) *	Asset split 31 March 2007 (%)
Equities	7	62.3	7.6	70	7.7	72.4
Property	6	4.5	6.6	6.2	6.7	7.1
Government bonds	4	14	4.6	10.7	4.7	9.6
Corporate bonds	5.8	7.9	6.8	6.2	5.3	5.4
Cash / Other	1.6	11.3	6	6.9	5.6	5.5
Total	5.8	100	7.1	100	7.1	100

* Following the Amendment to FRS17 issued in December 2006, disclosure of the expected return on assets by asset category is no longer required (only the total rate needs to be disclosed along with the asset values). The overall expected rate of return on Fund assets is a weighted average of the individual expected rates of return on each asset class, and is shown in the bottom row of the above table.

The Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31st March 2009.

Reconciliation of funded status to balance sheet

	31 March 2009 £000s	31 March 2008 £000s	31 March 2007 £000s
Notional value of assets	44,220	58,360	59,040
Present value of liabilities	86,450	82,720	86,750
Net pension liability	(42,230)	(24,360)	(27,710)

Analysis of Income and Expenditure / Profit and Loss charge

	31 March 2009 £000s	31 March 2008 £000s
Current service cost	1,560	2,180
Past service cost	360	990
Interest cost	5,590	4,600
Expected return on assets	(4,080)	(4,160)
Curtailement cost	0	0
Settlement cost	0	0
Expense recognised	3,430	3,610

Changes to the present value of liabilities during the accounting period

	31 March 2009 £000s	31 March 2008 £000s
Opening present value of liabilities	82,720	86,750
Current service cost	1,560	2,180
Interest cost	5,590	4,600
Contributions by participants	790	690
Actuarial gains *	(710)	(9,330)
Net benefits paid out #	(3,860)	(3,160)
Past service cost	360	990
Closing present value of liabilities	86,450	82,720

* Includes changes to the actuarial assumptions.

Consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums of £0.05 million for the period ending 31st March 2009.

Changes to the fair value of assets during the accounting period

	31 March 2009 £000s	31 March 2008 £000s
Opening fair value of assets	58,360	59,040
Expected return on assets	4,080	4,160
Actuarial losses on assets	(18,080)	(5,140)
Contributions by the employer	2,930	2,770
Contributions by participants	790	690
Net benefits paid out #	(3,860)	(3,160)
Closing fair value of assets	44,220	58,360

Consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums of £0.05 million for the period ending 31st March 2009.

Using the valuation assumptions under the revised FRS17, the value of assets at 1st April 2008 has been reduced by £0.13 million. This is reflected in the Statement of Total recognised Gains & Losses for the current year.

Actual return on assets

	31 March 2009 £000s	31 March 2008 £000s
Expected return on assets	4,080	4,160
Actuarial losses on assets	(18,080)	(5,140)
Actual return on assets	(14,000)	(980)

Analysis of amount recognised in Statement of Total Recognised Gains & Losses

	31 March 2009 £000s	31 March 2008 £000s
Total actuarial gains / (losses)	(17,500)	4,190
Total gain / (loss) in STRGL	(17,500)	4,190

History of asset values, present value of liabilities and deficit

	31 March 2009 £000s	31 March 2008 £000s
Fair value of assets	44,220	58,360
Present value of liabilities	86,450	82,720
Deficit	(42,230)	(24,360)

In accordance with Paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous two periods are measured at current bid price. Asset values previously measured at mid-market value for periods ending 2008 and 2007 have been re-measured for this purpose. Asset values for periods ending 2006 and 2005 are shown at mid-market value and have not been re-measured as permitted by FRS17 (as revised).

Information for years other than the two years above can be obtained from previous FRS17 disclosures.

History of experience gains and losses

	31 March 2009 £000s	31 March 2008 £000s
Experience losses on assets	(18,080)	(5,140)
Experience losses on liabilities #	(410)	(1,130)

In accordance with Paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6th April 2007. The history of experience loss on liabilities shown has not been re-stated for periods ending 2007, 2006 and 2005 and includes the experience relating to unfunded liabilities.

This item consists of losses in respect of liability experience only - and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

14.2 Disclosure under FRS17 (LGPS unfunded benefits)

Introduction

The disclosures below relate to unfunded pension arrangements established by Cherwell District Council. These are defined benefit arrangements based on members' final pensionable salary.

In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS17) disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

In the accounting period ending 31st March 2010 the Employer expects to pay £0.23 million directly to beneficiaries

Assumptions

The latest actuarial valuation of unfunded LGPS benefits took place as at 31st March 2009. The principal assumptions used by the independent qualified actuaries in updating the latest valuation results for FRS17 purposes were:

	31 March 2009 %	31 March 2008 %	31 March 2007 %
Inflation	3.4	3.7	3.2
Rate of increase to pensions in payment	3.4	3.7	3.2
Discount rate	6.7	6.8	5.3

Principal demographic assumptions

Post retirement mortality	MALES		FEMALES	
	PNMA00 with allowance for MC improvement factors to 2007	PNMA00 with allowance for MC improvement factors to 2007	PNFA00 with allowance for MC improvement factors to 2007	PNFA00 with allowance for MC improvement factors to 2007
Base table (in 2007)	31 March 2009	31 March 2008	31 March 2009	31 March 2008
Scaling to above base table rates	100%	100%	100%	100%
Cohort improvement factors (from 2007)	80% of LC	100% of MC	60% of LC	100% of MC
Minimum underpin to improvement factors	1.25%	1.00%	1.25%	0.50%
Future lifetime from age 65 (currently aged 65)	23.1	22.1	25	24.1
Future lifetime from age 65 (currently aged 45)	25.4	24	27.3	25.3

Reconciliation of funded status to balance sheet

	31 March 2009 £000s	31 March 2008 £000s	31 March 2007 £000s
Present value of liabilities	3,500	3,620	3,540
Net pension liability	(3,500)	(3,620)	(3,540)

Analysis of Income and Expenditure charge

	31 March 2009 £000s	31 March 2008 £000s
Current service cost	0	0
Past service cost	0	240
Interest cost	240	190
Expected return on assets	0	0
Curtailment cost	0	0
Settlement cost	0	0
Expense recognised	240	430

Changes to the present value of unfunded liabilities during the accounting period

	31 March 2009 £000s	31 March 2008 £000s
Opening present value of liabilities	3,620	3,540
Current service cost	0	0
Interest cost	240	190
Actuarial gains on liabilities *	(140)	(130)
Net benefits paid out #	(220)	(220)
Past service cost	0	240
Closing present value of liabilities	3,500	3,620

Analysis of amount recognised in Statement of Total Recognised Gains & Losses

	31 March 2009 £000s	31 March 2008 £000s
Total actuarial gains	140	130
Total gain in STRGL	140	130

History of present value of liabilities and surplus / deficit

	31 March 2009 £000s	31 March 2008 £000s
Present value of liabilities	3,500	3,620
Deficit	(3,500)	(3,620)

Information for years other than the two years above can be obtained from previous FRS17 disclosures.

History of experience gains and losses

	31 March 2009 £000s	31 March 2008 £000s
Experience gains / (losses) #	160	(70)

In accordance with Paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6th April 2007. This disclosure note presents the history of liabilities, and experience gain / (loss) on liabilities, for periods ending 2008 and 2009. For periods ending 2007 and earlier unfunded liabilities are included in the disclosure note for funded benefits."

This item consists of gains / (losses) in respect of liability experience only - and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

15. Glossary of Terms used in Financial Statements

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

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.

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 authorities. 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.

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.

Best Value Accounting Code of Practice (BVACoP)

This Code of Practice provides guidance on the reporting structure, to enable consistency and comparison of costs with other authorities. The highest structure level shown in the statements are mandatory.

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 authorities 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 service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

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

Capital Receipts

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

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 public services. They set and monitor professional standards and provide education and training in accountancy and financial management.

Collection Fund

This account reflects the statutory requirement to maintain a separate Fund, which shows the transactions of the billing Authority 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.

Communities & Local Government (CLG)

CLG works to create a thriving, sustainable, vibrant community that improves everyone's life.

Community Assets

Assets that the local Authority intends to hold in perpetuity, that have no specific life span and that may have restrictions on their disposal. Examples of such assets include the park at the Cherwell Valley Project and the Oxford Canal Waterways walk.

Commutated Sums

Commutated 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.

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 owed by an Authority at the balance sheet date for goods received or work done.

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 due to an Authority but unpaid at the balance sheet date.

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.

Expected Return on Assets

Under the provisions of FRS17 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 Reporting Standards (FRS)

These are accounting standards as approved and published by the Accounting Standards Board, which pronounce the method of accounting treatment to be applied for specific areas. They apply to all organisations preparing Accounting Statements in the UK.

Financial Reporting Standard 17 (Retirement Benefits)

The objectives of FRS17 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.

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.

Housing Benefit

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

Housing Revenue Account (HRA)

The Council has a statutory duty to maintain a separate revenue account for the provision of council housing. The account shows the expenditure on housing and how this has been financed by rents, government subsidies and other income. This account was closed during 2004/05, following the transfer of the Housing Stock to Charter Housing in March 2004.

Impairment

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

Income and Expenditure Account

The Income and Expenditure Account reports the net cost of the functions for which the Authority 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.

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 FRS17 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.

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.

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.

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.

Operating Lease

A lease under which the ownership of the asset remains with the lesser; for practical purposes it is equivalent to contract hiring.

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 FRS17 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.

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.

Precepts

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

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.

Provisions

An amount of money put aside in the accounts for anticipated liabilities which cannot be accurately estimated e.g. provision for bad debts.

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.

Statement of Recommended Practice (SoRP)

A guidance publication which interprets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom

Statement of Total Movement in Reserves

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.

Stocks

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.

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.

CHERWELL DISTRICT COUNCIL

ACCOUNTS, AUDIT AND RISK COMMITTEE

23rd SEPTEMBER 2009

JOINT REPORT OF STRATEGIC DIRECTOR CUSTOMER SERVICE AND RESOURCES AND THE HEAD OF FINANCE

ANNUAL REPORT AND SUMMARY OF ACCOUNTS 2008/09

1 Introduction and Purpose of Report

- 1.1 The purpose of this report is to seek approval for the combined Annual Report and Summary of Accounts 2008/09 (latest draft attached), subject to any amendments the Accounts, Audit and Risk Committee may wish to make. A further revision will be presented to the Committee at the meeting.

2 Wards Affected

- 2.1 All wards are affected.

3 Effect on Policy

- 3.1 None.

4 Contact Officer(s)

- 4.1 Julie Evans (Ext 1585)
Karen Curtin (Ext 1551)

5 Executive Summary

- 5.1 In keeping with our commitment to ensure transparency in our business and provide accessible easily understandable information for all this combined report builds on the successful "accessible" format of our combined report last year (copies available on request).
- 5.2 The Annual Report and Summary of Accounts 2008/09 is a public document that sets out what the Council achieved during the year, how we managed our finances, and what we intend to achieve in 2009/10. As well as meeting the requirement to publish a summary of accounts it is the vehicle for our environmental statement and reflective of the contribution made by our significant partners during the year. The purpose of the document is to communicate information about performance and finance (often considered complex and unwieldy by the general public) in an informative, easily understood and accessible way. The report will be available on-line, and in hard copy at all of our customer service facilities. In addition we will circulate copies to all our partners and community groups and make it available on request in a variety of formats to ensure it is accessible to as a wide an audience as possible.
- 5.3 The Annual Report and Summary of Accounts 2008/09 shows the Council has delivered its promises during the year it was recognised as "Excellent" by external inspection. Outcomes reflect further improvement in overall performance, effective management of finances during

a period of unprecedented economic turmoil, efficient use of resources maintaining the increase in Council Tax below the level of inflation. In setting out our ambitions for 2009/10 we demonstrate a commitment to further improve the performance of the organisations and the services we deliver to the public and further reduction in costs.

The report is a key means by which we communicate our achievements and plans to the public. We will reach as wide an audience as is possible by detailing availability in the next publication of Cherwell Link. The report will be available on line and through the council's customer service facilities. Copies will be sent to our partner organisations and community groups. We will ensure accessibility is as wide as possible by making the document available on request in Braille, large print, in other languages, and audio tape. We will also ensure people are able to provide comments and feedback on the document format and content.

6 Risk Assessment, Financial Effects and Contributions to Efficiency Savings

- 6.1 The following details approved by and Karen Muir (ext. 1559).
- 6.2 Risk assessment – The Annual Report and Summary of Accounts 2008/09 record the delivery of the Council's strategic objectives, key performance indicators and management of resources during year. The appropriate risk register entries were made for the period covered.
- 6.3 Financial effects – there are no financial issues arising from this report. Its publication is funded from within existing resources.
- 6.4 Efficiency savings – there are no efficiency savings arising from this report.

7 Recommendation

- 7.1 That the Annual Report and Summary of Accounts 2008/09 be approved for publication, subject to the inclusion of any amendments that the Committee may wish to make.

Background Papers: None.



Annual Report and Summary of Accounts 2008/09

Delivering in partnership

Leader's message



This annual report and summary of accounts is an easy-to-read overview of how Cherwell District Council has continued to improve and protect public services during 2008/09. We've maintained a sound financial position, characterised by reduced running costs. Not many organisations can say they have improved services and reduced their costs at the same time - a major achievement. Councillors are clear that residents expect this from a council that has been graded "excellent" by the Audit Commission - something I am very proud of.

The financial year 2008/09 was busy, productive, and an important milestone year for Cherwell District Council. We embedded a robust performance management regime, which enables councillors to track and manage priority projects, while keeping enough capacity to react to the emerging economic downturn.

This report details our achievements and shows how we performed against our public promises. A further investment of £15 million to complete our ambitious £25 million sport centre modernisation programme means residents can access brand new leisure facilities across the district. Working with our partners we've helped reduce thefts from vehicles, robbery and household burglaries by 9 per cent, against a target of 5 per cent and we kept council tax increases below the rate of inflation.

Our last financial year was a "good news story" and I pay credit here to the hard work and dedication of council staff. The public should be assured that the council will not rest on its laurels. Cherwell District Council will continue to improve services while reducing costs. We believe we have a winning formula.

Councillor Barry Wood
Leader, Cherwell District Council

What we promised	What we did
Ensure 90 per cent of our streets and parks are clean at any one time	Target exceeded - 93 per cent streets and parks clean at any one time
Achieve a recycling rate of 49 per cent	Target exceeded - recycling rate is 49.6 per cent
Reduce waste going to landfill by 1,500 tonnes	Target exceeded - 1,640 fewer tonnes sent to landfill
Reduce the council's CO ₂ emissions by 4 per cent	The refurbishment of Bodicote House and other new measures will help us reduce emissions
Ensure at least 78 per cent of residents, when asked, say they feel safe at home and in the community	Target exceeded - 87 per cent of residents felt safe outside in the local area during the day and 57 per cent after dark
Work with Thames Valley Police to reduce crime involving theft from vehicles, robbery and household burglary by 5 per cent	Target exceeded - theft from vehicles, robbery and household burglaries reduced by 9 per cent
Support provision of the best possible services at the Horton General Hospital	Target achieved - we continued to support and influence the Better Healthcare Programme which is developing proposals for services at the Horton

Support new and improved healthcare services in Bicester and surrounding areas	Some progress made - we continue to work with the Primary Care Trust
Invest £15m in rebuilding or refurbishing our sports centres to deliver better future services in Banbury, Bicester and Kidlington	Target achieved - with the construction work completed in 2008/09 leading to the opening of fully-modernised Bicester and Kidlington leisure centres in June 2009 and of Woodgreen Pool in Banbury in August 2009
Contribute to the creation of 200 new jobs in the district	Target exceeded - 817 new jobs created (although more were lost as a result of the economic downturn)
Achieve 400 new homes including a minimum of 100 affordable homes	Target exceeded - 428 new homes completed including 122 affordable homes
Enhance Kidlington village centre by replacing the street furniture	Completed in May 2009
Ensure that at least 90 per cent of our customers, when asked, are satisfied with our service when contacting the council	Target exceeded - in March 2009, 99 per cent of the council's face-to-face and telephone customers were satisfied with the customer service they received
Keep our council tax increase to below inflation	Target achieved - the council tax increase for 2009/10 was below the rate of inflation (for the third year in a row)
Provide rural customers with more ways to access our services, including ten new access points in local communities	Target exceeded - Customers can pay council bills at 26 PayPoints throughout the district, including 9 in village locations, and access council information and services at three LinkPoint kiosks located in villages.
Ensure that 70 per cent of our customers when asked feel well-informed about the council	Target not achieved - The 2008 annual customer satisfaction survey showed 64 per cent of residents feel well informed. We are taking action to improve on this performance

Chief Executive's look forward



As I write this we are halfway through 2009/10. We are making very good progress towards our 16 promises for this year, including the promise to reduce our costs by a further £1 million by the beginning of 2010/11.

We continue to manage the impact of the economic recession on the council itself - it's reducing our income from some services such as planning applications and significantly increasing our workload in others, such as housing benefits. It looks as if we'll have to manage these challenges for some time. We may well face substantial cuts to our funding from central

government over the next few years and we are doing all we can now to be best-placed to protect services when this happens.

We have worked hard this year to support residents who have been made redundant or face the threat of redundancy. Our Job Clubs in Banbury and Bicester have been an important part of this and we'll continue to focus our efforts on supporting people who find themselves in this situation.

Mary Harpley
Chief Executive

2008/09 – Headlines

- We were awarded 'excellent' status under the comprehensive performance assessment (previously 'good') and became the joint fifth best-performing district council in the country out of 238.



- We improved our score (the scale is one to four) under the national use of resources inspection regime for financial reporting' and for value for money (from two to three).

- All of this was achieved at the same time as reducing overall operating costs.

excellent

Recognised as an **excellent council** by the Audit Commission

Cherwell: A district of opportunity

- We led and funded the successful launch of a job club in Banbury and started planning for a job club in Bicester.



- The number of households living in temporary accommodation fell to under 100 for the first time. This has now improved further, reducing to 63 families against a target of 96.

- Implemented the new rural strategy.



A cleaner, greener Cherwell

- Our street cleansing service now operates additional hours in urban areas.

- We met our targets for dealing with litter, graffiti, and fly posting, reducing the low level of environmental crime even further.

- We processed 86 per cent of 'major' planning applications within the Government target of 13 weeks, against a target of 80 per cent.

- We invested in additional waste bins and new street cleansing vehicles which will improve cleansing standards and operational efficiency.



A safe and healthy Cherwell

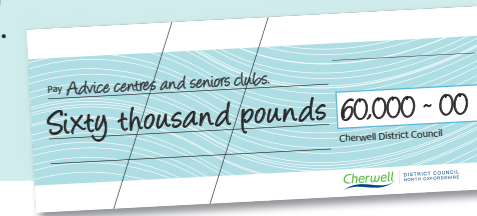
- We exceeded targets for reducing serious violent crime and serious acquisitive crime.



- We established six neighbourhood action groups with community representation.

- We allocated grants to improve 17 village halls.

- An additional £60,000 of grant funding given to support advice centres and seniors clubs.



An accessible council

- We opened one-stop shops in Banbury, Bicester and Kidlington.

- We installed three Link Point kiosks at Cropredy Bridge Stores, Sibford Gower and Deddington Library. Opening hours extended to 8.45am to 5pm, five days a week, and a range of online services available 24/7.

- We resolved all complaints within the published time.



A value for money council:

- We delivered over £1 million of efficiency savings.

- We completed the refurbishment of Bodicote House to plan and budget, helping reduce our costs and improve our environmental performance.



- We will receive income from letting the town centre offices in Banbury to the primary care trust for a new GP led health centre and dentist and are exploring options to let Old Bodicote House.

Summary of accounts 2008/2009

Head of finance's statement

The council's statement of accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting. The council's annual accounts are subject to an annual audit inspection by the Audit Commission. The purpose of the accounts is to give residents, businesses, tax payers

and partners clear information about the council's finances.

A full copy of the accounts is available for examination on request. It is available at www.cherwell.gov.uk or if you prefer a printed copy can be ordered via the website.



This summary gives a brief overview of the council's expenditure and income and its financial position for the year ending 31 March, 2009.

Our income and expenditure account for the year ending 31 March, 2009 shows that we spent £30.6 million on running services but after exceptional items, other costs and income, our spend for the year was £20.2 million. The money that we spend comes from local and national taxes and business rates given back to us by central Government. The council receives income from four sources: council tax, central government grants and business rates, investment income and fees and charges.

Actual
2008/09
£'000

Expenditure	
Service expenditure	30,581
Net service expenditure	30,581
Exceptional items	2,000
Net cost of services	32,581
Town and parish precepts	3,755
Surplus from trading activities and sale of assets	-845
Investment income	-6,050
Interest cost on pension fund	1,750
Other accounting items (including pension fund and depreciation)	-7,652
Use of reserves	-3,317
Amount we spent	20,222
Funding	
Collection fund	-3,857
Cherwell District Council tax	-5,961
Government grant - general	-1,236
Government grant - NNDR from pool	-9,123
Total funding	20,177
Decrease in general fund balance in 2008/09	-45
General fund balance at 31 March, 2008	1,949
General fund balance at 31 March, 2009	1,904

Service expenditure by strategic priority

Safe and Healthy 31%

35% District of opportunity

Accessible value for money 12%

22% Cleaner greener



General fund balance

This balance shows how much money we had at the end of the year as our working balance (known as the general fund balance), the amount left over from the income and expenditure account, statutory amounts we took into account (such as depreciation) and money we have put away in our reserves for future projects. This becomes our opening balance for the next financial year.

Capital expenditure and financing

We invested money on a variety of capital schemes during the year, to continue providing first-class public facilities and investment in the infrastructure of the district.

The council delivered 100 per cent of its 08/09 capital budget. Capital expenditure (spending on the acquisition, creation or enhancement of fixed assets) and capital income (mainly receipts from the sale of such assets), are detailed in the notes to the financial statements and summarised in the tables below:

2008/09 capital expenditure	£'000
Operational assets	8,562
Non-operational assets	14,551
Intangible assets	259
Revenue expenditure funded from capital under statute (REFCUS)	5,252
	28,624

Capital schemes	Budget	Actual	Variance
	£`000	£`000	£`000
Town centre redevelopments	234	154	80
Housing services	2,742	2,794	(52)
Environmental services	999	954	45
ICT projects	944	1,048	(104)
Sports centre modernisation	19,249	19,242	7
Bodicote house accomodation changes	1,034	1,070	(36)
Health and recreation	913	937	(24)
Various small value schemes	499	425	74
Flood alleviation scheme*	2,000	2,000	0
	28,614	28,624	(10)

The table below shows how we funded our capital programme:

2007/08 capital expenditure financing	£'000
Capital receipts	23,963
Government grants and other contributions - assets	1,259
Government grants and other contributions - REFCUS	733
Direct revenue financing	669
REFCUS funded from earmarked reserve through revenue	2,000
	28,624

Balance sheet - what are we worth?

Our balance sheet gives a “snapshot-in-time” picture of our financial position at the end of the financial year. It shows the value of our assets and investments, what we owe (now and in the future) funds we hold for others and amounts owed to us. As well as how much cash we hold and how our organisation is financed (reserves and balances). All as that particular “snapshot-in-time”.

We started the year with £159 million of net assets, earmarked reserves of £12.5 million and a general fund balance of £1.9 million. As at 31 March, 2009 the net asset figure had fallen by £29 million mainly due to the fall in interest rates resulting in a forecast increased pension deficit and a reduction in value (impairment) of assets, such as land and buildings as a result of the general property market slump. At the

end of the year we remain financially sound with net assets of £130 million, £9.2 million of earmarked reserves and £1.9 million of general fund reserves.

Balance sheet	£'000
Assets such as land and buildings and stock owned by the council	102,726
Money invested to generate interest to support the council tax	85,111
Cash and bank balance	-133
Money owed to us	10,433
Money we owe**	-68,316
Total assets and liabilities	129,821

* Funds allocated in 08/09 budget, for delivery in 09/10

** Including pension fund and other funds held on behalf of others

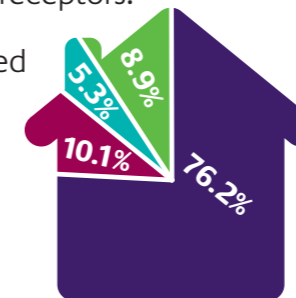
Cash flow statement

The cash flow statement summarises how much cash we paid in and how much we paid out during the year. The council's bank balance improved by £0.1 million during 2008/2009.

Collecting local taxes

Council tax: Cherwell District Council, as the billing authority, collects the council tax for Oxfordshire County Council, Thames Valley Police Authority and the individual town and parish councils as well as the district's own requirements. Council tax collected in 2008/2009 was £71.7 million. This includes an additional £0.6 million secured above the targetted 98 per cent collection rate. This amount will be distributed among all preceptors.

The council tax collected by Cherwell District Council during 2008/2009 was distributed as follows.



Cashflow	£'000
Bank balance on 1 April, 2008	-252
Cash outflow from revenue activities	12,793
Cash inflow from investments	-8,078
Net cashflow from capital activities	20,216
Net decrease in short term deposits	-25,050
Net increase in cash	-119
Bank balance on 31 March, 2009	-133

Business Rates: Business rates are set by the Government. Cherwell District Council collects the business rates due in the district and pays them directly to the government. The Government redistributes these funds to all local authorities using a method based on population. During 2008/2009 the council paid £62 million to the Government and received £9 million.

Authority	2008/2009 £'000
Oxfordshire County Council	54,137
Thames Valley Police	7,191
Parishes	3,755
Cherwell District Council	5,961
Total	71,044

Glossary

Exceptional items Exceptional items are ones that are material in terms of the authority's overall expenditure and are not expected to recur frequently or regularly.

Capital receipts These are monies received from the sale of assets e.g. council buildings and surplus land. The council is required, under current legislation, to “set aside” a proportion of the receipt to meet debt repayments where debt-free councils can spend the receipts (subject to certain restrictions).

Collection fund This account reflects the statutory requirement

to maintain a separate Fund, which shows the transactions of the billing Authority 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.

Business rates (or national non domestic rates - NNDR)

These are paid on commercial, business and non-residential properties. The Government determines the level, although the council is responsible for its billing

and collection. The proceeds are pooled and then redistributed among local authorities.

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.

A full glossary of terms used in this summary of accounts can be found in the 2008/09 statement of accounts

Cherwell's Green Credentials

We've been working hard with communities to reduce the environmental impact of our activities, so the whole district is ready to respond to new targets from Government regarding climate change.



We published our environmental strategy for a changing climate in May 2008 and produced leaflets on working together on climate change. You can read them online at www.cherwell.gov.uk in the environment and planning section, under climate change and sustainability.

How we're getting greener

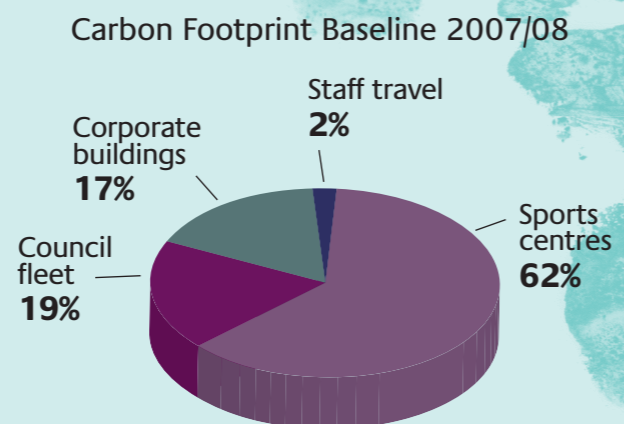
- Changes to our main office accommodation improved energy efficiency by maximising light and ventilation.
- The changes also mean we occupy 23 per cent less space than we did before, helping to reduce our energy bills. We plan to rent this space out to local organisations.
- There's also more recycling facilities in our buildings so staff can be green at work.
- A quarter of our refuse collection fleet has been replaced, with each new vehicle producing 80 per cent less nitrous oxide and 60 per cent less soot than the one it replaced.
- New light fittings and controls at Banbury Museum are expected to reduce our carbon emissions by 31 tonnes and our energy bill by £5,000.
- We're monitoring our energy consumption, using the data to highlight areas where we could reduce energy consumption and cut carbon emissions.
- We're supporting local businesses and the environment with our sustainable procurement policy – buying goods and services from suppliers with high environmental standards.
- A special partnership group now supports organisations across the district, helping them develop actions to reduce CO₂ emissions.
- More than 60,000 households received a leaflet providing advice on actions they can take to help reduce the impact of climate change.

What the future holds – what we still want to achieve

- More support for local businesses, communities and residents who want to reduce their carbon footprint.
- Ongoing replacements of or refuse collection fleet.
- Further reduction of energy consumption in council buildings
- Reducing our business mileage
- Buying energy using green tariffs



NI 194 showed a baseline of
Nitrous Oxides emissions 14256 kg
Soot 519 kg



Delivering in partnership

Communities in Cherwell face a variety of issues that the district council can't address on its own. Instead we join forces with other organisations in Oxfordshire to share expertise, objectives and success. We are grateful for the contributions from these organisations and we recognise many of the services our community receives could not be delivered without successful partnership working.

Significant partnerships in action

You'll see a full list of our significant partnership organisations on the back cover. Here's just a selection of our achievements in 2008/9.

Oxfordshire Housing Partnership

Met our target of delivering 256 units.



Oxfordshire Safer Communities Partnership

County-wide campaign to raise awareness of domestic abuse launched by broadcaster and journalist Nick Ross, who pronounced it the best campaign of its kind he'd seen.



Oxfordshire Economic Partnership

Launched the UK's first job clubs in Banbury and Bicester to help people get back to work.



Cherwell Safer Communities Partnership

Provided funding to offer CCTV cameras for installation in taxis.



Health and Wellbeing Partnership Board

Achieved the highest participation rate of all English counties, with more than 26 per cent of adults involved in sport in Oxfordshire.



Bicester Vision

Part of Bicester Vision's work this year, as its influence continues to grow, was to organise a retail conference which attracted almost 150 retailers.

Homelessness Strategy Partnership

Raised awareness of homelessness prevention among young people with the No Place Like Home campaign



Kidlington Village Centre Management Board

Completed first phase of Exeter Close conversion, providing extended playing fields pavilion and refurbishing tennis courts.

Banbury Town Centre Partnership

Gained a Silver Guild award in the Britain in Bloom competition after installing new planters and the sun motif at Banbury Cross.




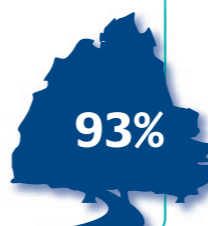



Performance indicators

All councils are required by the Government to collect information on areas such as waste, planning, benefits and housing and report on them each year.

This enables us to compare current performance against past years and see how we compare with other local authorities.

Where we are performing well

While we want to improve across all services we have prioritised those services we know are particularly important to the public. Because of this we are pleased to highlight some of our key achievements in 2008/09

 <p>Jobs 817 new jobs were created.</p>	<p>We spent £910,000 on 140 schemes to improve the homes of people with disabilities.</p>	<p>93 per cent of our streets and parks are clean at any one time against a target of 90 per cent.</p> 
<p>The waste recycling rate is 49.6 per cent, exceeding the target of 49 per cent.</p> 	<p>The amount of waste sent to landfill was reduced by 1640 tonnes against a target of 1500 tonnes.</p>	
<p>428 new homes were completed against a target of 400 and 122 affordable homes completed against a target of 100.</p> 	<p>The number of households living in temporary accommodation fell to under 100 for the first time. This has now been reduced to 63 families against a target of 96.</p>	<p>We reduced theft from vehicles, robbery and household burglaries by 9 per cent against a target of 5 per cent and met targets for reducing serious violent crime and serious acquisitive crime.</p> 

Delivering our targets

- Our corporate plan sets out our ambitions for delivering services to the community. In 2008/09 the council has met or made satisfactory progress on 96 per cent of the performance targets in the corporate plan. This is despite having considerably more difficult performance targets and surpasses the figure of 91 per cent reported last year.
- In order to ensure the council is making best use of all its resources each year we have an internal corporate improvement plan. The council met 89 per cent of the targets in the corporate improvement plan, compared with 79 per cent in 2007/08, and made satisfactory progress on another 9 per cent.
- During the year, the Audit Commission released national comparative figures for performance against best value performance indicators (BVPI) for 2007/08. This shows we achieved 74 per cent of BVPIs in the top half of performance nationally, compared with 68 per cent in 2006/07.

What we said we'd improve

In our last annual report we set out a number of areas where we wanted to improve our performance. This is how we did:

	Removing dog mess	We surpassed our targets for keeping streets free from litter including dog mess.
	Removing abandoned vehicles	We surpassed our targets for both investigating and removing abandoned vehicles.
	Providing guidance to preserve the character of all our conservation areas	64 per cent of our conservation areas have detailed character appraisals against our target of 75 per cent. These appraisals are of the highest possible quality and we will continue to make progress towards our target in 2009/10.
	Increase waste recycling by introducing a kitchen waste recycling service.	This cannot be achieved until the county council delivers the local food waste processing facility. We hope to commence the collection of kitchen waste for recycling in Autumn 2009.
	Ensure our workforce reflects the make up of the local community.	Our approach to recruitment aims to make the council attractive to everyone, regardless of ethnic background, religion or disability.
	Work with other agencies to reduce anti-social behaviour	The council, working with the police, the courts and youth services, have engaged with hundreds of young people and their parents to deal with incidents of anti-social behaviour. We have also pioneered new initiatives to support young people who could drift into crime.

For 2009/10 we have identified a number of key areas where public concern is high or performance does not meet the high standards we expect and these have been prioritised for action. They include:

- The impact of the economic recession on jobs and services.
- The progress of major regeneration and development schemes.
- Reducing the incidents of flytipping.
- Encouraging visits from schools to Banbury Museum.
- The time taken to process the smaller planning applications.
- Preserving the character of all our conservation areas.
- The time taken to deal with the increasing numbers of claims for benefits.
- Upgrading CCTV to help reduce crime and anti-social behaviour.

Glossary

Performance indicator, Information that measures the extent to which a policy, programme or initiative is achieving its outcomes. The Government sets performance indicators for local government. Until the end of 2007/08 these were known as best value performance indicators. These have now been abolished and from 2008/09 have been replaced with national indicators.

What we promise to deliver in 2009/10:

In the council tax leaflet we sent to every household we set out our 16 promises for 2009/10.

- ▶ Reduce the council's vehicle emissions by 10 per cent
- ▶ Increase resident satisfaction with street and environmental cleanliness from 66 per cent to 70 per cent by improving the removal of dog mess and abandoned vehicles
- ▶ Increase the household recycling rate to 50 per cent
- ▶ Remove 90 per cent of fly tipping within 48 hours of reporting
- ▶ Work with partners to reduce crime and anti-social behaviour by 200 offences or incidents compared with 2008/09
- ▶ Continue to support the provision of the best possible services at the Horton General Hospital
- ▶ Continue to support new and improved health care services for Bicester and surrounding areas
- ▶ Open our new Spiceball leisure centre and improved Bicester and Kidlington leisure centres, and re-open the Woodgreen open-air pool
- ▶ Help and support Cherwell's residents and businesses through uncertain times
- ▶ Contribute to the creation of 200 new jobs
- ▶ Deliver 100 affordable homes
- ▶ Work with partners to start the Bicester town-centre development
- ▶ Make major improvements to Parsons Street, Banbury
- ▶ Make it easier for local businesses to trade with us
- ▶ Place ten new Link-Points in our rural areas to provide residents and businesses with a greater choice of access to our service
- ▶ Take the steps required to reduce our costs by a further £1 million by the beginning of 2010/11

We're listening...

Whether you have suggestions about how we can improve this publication, a comment about our services or would like to tell us your views, we're keen to hear from you.

Take part

You can take part in our latest consultations by visiting our consultation portal <http://consult.cherwell.gov.uk/portal>

Talk to us

You can find out more by contacting the community planning team, exploring our website or using our comments, complaints and compliments system:

- ☎ 01295 221575
- @ consultation@cherwell-dc.gov.uk
- 🌐 www.cherwell.gov.uk
- 🐦 Follow us on twitter.
www.twitter.com/cherwellcouncil



Cllr Barry Wood,
Leader of the Council
FRINGFORD

Your Cherwell District Councillors

■ Deputy Leader
■ Chairman
■ Vice Chairman
■ Portfolio holders

 Cllr G A Reynolds SIBFORD	 Cllr Norman Bolster BICESTER: WEST	 Cllr Michael Gibbard YARNTON, GOSFORD & WATER EATON	 Cllr James Macnamara THE ASTONS & HEYFORDS	 Cllr Kieron Mallon BANBURY: EASINGTON	 Cllr Nigel Morris BANBURY: EASINGTON	 Cllr Debbie Pickford BICESTER: TOWN
 Cllr Nicholas Turner BANBURY: HARDWICK	 Cllr Ken Atack CROPREDY	 Cllr Diana Edwards BICESTER: TOWN	 Cllr George Parish BANBURY: RUSCOTE	 Cllr Colin Clarke BANBURY: CALTHORPE	 Cllr Mr Alastair Milne Home BANBURY: CALTHORPE	 Cllr Fred Blackwell BANBURY: EASINGTON
 Cllr Ann Bonner BANBURY: GRIMSBURY & CASTLE	 Cllr Margaret Cullip BANBURY: GRIMSBURY & CASTLE	 Cllr Christopher Smithson BANBURY: GRIMSBURY & CASTLE	 Cllr John Donaldson BANBURY: HARDWICK	 Cllr Tony Ilott BANBURY: HARDWICK	 Cllr Alyas Ahmed BANBURY: NEITHROP	 Cllr Martin Weir BANBURY: NEITHROP
 Cllr Patricia Tompson BANBURY: RUSCOTE	 Cllr Andrew Fulljames AMBROSDEN & CHESTERTON	 Cllr Keith Strangwood BANBURY: RUSCOTE	 Cllr Lawrie Stratford BICESTER: EAST	 Cllr Rose Stratford BICESTER: EAST	 Cllr Nicholas Mawer BICESTER: NORTH	 Cllr Carol Steward BICESTER: NORTH
 Cllr Nick Cotter BICESTER: SOUTH	 Cllr Daniel Sames BICESTER: SOUTH	 Cllr Russell Hurlle BICESTER: WEST	 Cllr Leslie F Sibley BICESTER: WEST	 Cllr Eric Heath BLOXHAM & BODICOTE	 Cllr Lynda Thirzie Smart BLOXHAM & BODICOTE	 Cllr Mrs Catherine Fulljames CAVERSFIELD
 Cllr Rick Atkinson ADDERBURY	 Cllr P A O'Sullivan DEDDINGTON	 Cllr Victoria Irvine HOOK NORTON	 Cllr Douglas Williamson KIDLINGTON: NORTH	 Cllr John Wyse KIDLINGTON: NORTH	 Cllr Maurice Billington KIDLINGTON: SOUTH	 Cllr Neil Prestidge KIDLINGTON: SOUTH
 Cllr Devena Rae KIDLINGTON: SOUTH	 Cllr Simon Holland KIRTLINGTON	 Cllr David Hughes LAUNTON	 Cllr Timothy Hallchurch MBE OTMOOR	 Cllr Luke Annaly THE ASTONS & HEYFORDS	 Cllr Douglas Webb WROXTON	 Cllr Trevor Stevens YARNTON, GOSFORD & WATER EATON

Cherwell District Council

Bodicote House
Bodicote
Banbury
Oxfordshire
OX15 4AA

Main telephone number for general enquiries: 01295 227001

Local offices currently deal with council tax and Housing matters for personal callers – the range of services available will be developed during 2008/09:

Banbury

Castle Quay
Banbury
OX16 9PQ

Bicester

38 Market Square
Bicester
OX6 7YD

Kidlington

Exeter Hall
Oxford Road
Kidlington
OX5 1AB

The information in this document can be made available in other languages, large print braille, audio tape or electronic format on request. Please contact 01295 227001

Jeżeli chcieliby Państwo uzyskać informacje w innym języku lub w innym formacie, prosimy dać nam znać. 01295 227001

ਜੇ ਇਹ ਜਾਣਕਾਰੀ ਤੁਹਾਨੂੰ ਕਿਸੇ ਹੋਰ ਭਾਸ਼ਾ ਵਿਚ ਜਾਂ ਕਿਸੇ ਹੋਰ ਰੂਪ ਵਿਚ ਚਾਹੀਦੀ, ਤਾਂ ਇਹ ਸਾਥੋਂ ਮੰਗ ਲਓ। 01295 227001

如欲索取以另一語文印製或另一格式製作的資料，請與我們聯絡。01295 227001

اگر آپ کو معلومات کسی دیگر زبان یا دیگر شکل میں درکار ہوں تو برائے مہربانی ہم سے پوچھئے۔
01295 227001

Our partners

Supporting People Partnership

www.oxfordshire.gov.uk/supportingpeople

Children and Young People Partnership

www.oxfordshire.gov.uk/cypp

Oxfordshire Housing Partnership

www.oxfordshirepartnership.org.uk

Oxfordshire Waste Partnership

www.oxfordshirewaste.gov.uk

Oxfordshire Economic Partnership

www.oep.org.uk

Oxfordshire Safer Communities Partnership

www.saferoxford.org.uk

Oxfordshire Voluntary Sector Development Partnership

www.oxfordshirepartnership.org.uk

Health and Well Being Partnership Board

www.oxfordshirepartnership.org.uk

Cherwell Community Planning Partnership

Homelessness Strategy Partnership

Cherwell Registered Social Landlords Partnership

Banbury Town Centre Partnership

For more information visit www.cherwell.gov.uk

Cherwell Safer Community Partnership

www.cherwellcsi.org

Cherwell M40 Investment Partnership

www.cherwell-m40.co.uk

Kidlington Village Centre Management Board

www.kidlington-pc.gov.uk

Bicester Vision

www.bicestervision.co.uk

Agenda Item 8

CHERWELL DISTRICT COUNCIL

ACCOUNTS, AUDIT AND RISK COMMITTEE

23rd SEPTEMBER 2009

REPORT OF THE STRATEGIC DIRECTOR - CUSTOMER SERVICES & RESOURCES & THE CHIEF EXECUTIVE

EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT

1 Introduction and Purpose of Report

- 1.1 To allow Members to consider the Auditors' Annual Governance Report which includes comments on the audit of the 2008/09 Statement of Accounts; Value for Money (V.F.M.) judgement and a range of important broader issues covered in this first Use of Resources exercise under the new regional based corporate assessment process (C.A.A.)

2 Wards Affected

- 2.1 All wards are affected.

3 Effect on Policy

- 3.1 None.

4 Contact Officer(s)

- 4.1 Julie Evans (Ext1595)
Karen Curtin (Ext 1551)

5 Executive Summary

- 5.1 The draft Annual Governance report is attached in Appendix 1. The Auditor's opinion of the financial statements relate to the revised Statement of Accounts, adopted by this Committee on June 24 2009.
- 5.2 The Use of Resources Judgement set out in the attached report forms part of our overall organisational assessment under the new CAA framework. The areas "scored" are broader in scope and depth than the process under the previous Corporate Performance Assessment framework (C.P.A). Overall, all elements have been assessed against what is accepted to be a harder test. The Council has received "scores" of 3 – "performing well" in all aspects of this harder test. This reflects clear progress in all elements; Officers and Members can be rightly proud of the successful outcomes delivered during the period covered.
- 5.2 Additional elements this year include more focus on Organisational Development, our consultation framework and overall governance arrangements than has been the case previously and the scores reflect a stable and sustainably robust organisation in all aspects of Resource Management.
- 5.3 The assessment framework will develop further in the coming year with additional judgements relating to asset management and our use of natural resources.

6 Risk Assessment, Financial Effects and Contributions to Efficiency Savings

6.1 The following details approved by Karen Curtin, Head of Finance (ext. 1551)

6.2 Risk assessment – there are no risk issues arising from this report

6.3 Financial effects – there are no financial effects arising from this report.

6.4 Efficiency savings – there are no efficiency savings arising from this report.

7 Recommendation

7.1

The committee is asked to:

- consider the matters raised in the report before approving the financial statements and recommending to Council;
- take note of the VFM Conclusion and Use of Resources score;
- approve the letter of representation on behalf of the Council. (detailed in page 14 of the Annual Governance Report)

Annual Governance Report

Cherwell District Council

Audit 2008/09

September 2009

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Ladies and Gentlemen

2008/09 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2008/09.

A draft of the report was discussed and agreed with the Chief Executive and Strategic Director Customer Service and Resources on 9 September 2009 and has been updated since as issues have been resolved.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 6 to 7);
- take note of the VFM Conclusion and Use of Resources score;
- take note of the adjustments to the financial statement made subsequent to the adoption of the draft accounts – these are detailed in paragraphs 7 and 8; and
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 2).

Yours faithfully

Maria Grindley
District Auditor
September 2009

Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

Financial Statements	Results	Page
Unqualified audit opinion	Yes	6
Financial statements free from error	Yes	6
Adequate internal control environment	Yes	6
Use of resources	Results	Page
Use of resources judgements	Yes	8
Arrangements to secure value for money	Yes	10

Audit opinion

- 1 My work on your financial statements is substantially complete, and I anticipate giving an unqualified opinion before the due date of 30 September 2009.

Financial statements

- 2 The accounts adopted by the Accounts, Audit and Risk Committee on 24 June 2009 were made available for audit supported by detailed working papers. There were only minor presentational errors in the statements adopted.

Use of resources

- 3 My work on your scored use of resources is complete, and I am pleased to confirm that there are no areas where you do not meet expected standards. I will therefore be able to give an unqualified value for money conclusion by the due date of 30 September 2009.

Audit Fees

- 4 As my audit is substantially complete, I can confirm that I do not propose to issue a supplementary fee letter.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

5 I ask the Accounts, Audit and Risk Committee to:

- consider the matters raised in the report before approving the financial statements (pages 6 to 7);
- take note of the VFM Conclusion and Use of Resources score;
- take note of the adjustments to the financial statement made subsequent to the adoption of the draft accounts – these are detailed in paragraphs 7 and 8; and
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 2).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

- 6** Subject to final reviews and satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Errors in the financial statements

- 7** There were no errors in the financial statements for which I requested an audit adjustment. We only identified minor presentational errors which have been amended in the final set of accounts.
- 8** As part of the Council's own supervisory review in July, staff identified three classification errors: £952,000 within the analysis of the debtors note; £196,000 within the analysis of the creditors note; and £72,000 mis-classification between National non-Domestic Rates (NNDR) and Revenue Support Grant (RSG) on the Income and Expenditure Account. These have been adjusted in the final version of the accounts.

Material weaknesses in internal control

- 9** No material weaknesses in internal control were identified as a result of my audit. However, the Council has included a significant internal control weakness in its Annual Governance Statement when an issue was identified in relation to IT back up arrangements. Subsequent investigations highlighted a number of control issues around the Council's IT processes including disaster recovery back up arrangements. The Council implemented a full review and implemented interim measures to safeguard their information and is currently considering what further action is needed.

Letter of representation

- 10** Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 2 contains the draft letter of representation I seek to obtain from you.

Financial statements

Key areas of judgement and audit risk

11 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

Table 1 **Key areas of judgement and audit risk**

Issue or risk	Finding
Economic climate and impact of impairments on financial statements.	The treatment of Icelandic bank investments was in accordance with guidance issued by CIPFA.

Use of resources

I am required to consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

I am also required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 12** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 13** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 14** The Council's use of resources theme scores are shown in Table 2 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 3.

Table 2 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	3
Managing resources	3

- 15** The Council manages its finances effectively to deliver value for money in its services for its stakeholders. Finances are planned over the medium to long term to meet strategic priorities and to ensure that the Council keeps sound financial health. The Medium Term Financial Strategy is regularly updated to keep it in line with changes in the internal and external environment that affect the operation of the Council. Value for Money Reviews are being constantly undertaken to find areas of potential economies and efficiencies and the effectiveness of services is assessed through consultation with users. Partnerships are being used effectively to ensure that finances and other resources deliver value for money. The Council produces budget monitoring and forecasting information on a timely basis which ensures that decision makers can make appropriate decisions throughout the various levels of the organisation with the most relevant information to hand. The authority has restructured its finance team

Use of resources

over the last two years and the accounts production is smooth and supported by good quality working papers.

- 16** The Council's procurement and contract management infrastructure and functions have improved strongly. There is a clear understanding of how the commissioning and procurement approach enables delivery of corporate priorities and is aligned to the Council's VFM programme. The focus is on partnership working to deliver improved outcomes for local people, based on local need. The Council has made substantial data quality and management information improvements over the past year. This supports decision making and performance management thus helping deliver priorities and improvements for local people. The Council promotes and demonstrates the values of good governance. The Council manages its own risks and maintains a solid system of internal control. There is active risk management embedded throughout all levels of the organisation and promoted and monitored in the Council's significant partnerships.
- 17** The Council is effective in planning and developing its workforce to achieve its goals. It identifies the skills it needs and invests significantly in workforce development. This has successfully enabled the Council to adapt its culture and skill its workforce to adopt different ways of working. The Council has successfully delivered its corporate restructuring. This has been done in partnership with the workforce and the union, who have worked together to align the organisation effectively behind corporate objectives. The Council is now entering its next phase of change. It is considering how radically different it needs to be as an organisation to continue to deliver improved VFM within the context of shared services and outsourcing arrangements. Within this context the Council is ensuring it encourages the values and behaviours required to support the staff and the organisation through continued change.
- 18** We have made three national notable practice submissions for Cherwell District Council:

 - The Council has worked with Oxfordshire PCT to provide a new clinic in the centre of Banbury. This will open in October 2009 with a GP clinic, a dentistry clinic and space dedicated to alcohol and drug awareness. The council financed, procured and project managed the whole process providing the PCT with a turn-key solution to provide improved healthcare services in Banbury. The model used provides the PCT with ongoing facilities services which, in turn, secures ongoing contributions to the council overheads, to the benefit of local council tax payers;
 - The Council have created one stop shops throughout the region where members of the public can access a variety of council services. Through the IT infrastructure full links are made to the County Council, Primary Care Trust and other District Council websites to ensure greater access. This provides a single gateway for 90 per cent of contacts with the Council and ensures those most vulnerable who have to access services on a face-to-face basis are not disadvantaged; and
 - As a result of extensive scenario planning based on the current economic climate, the Council realised that planned efficiencies will not be enough to reduce costs to the required level. As a result that they have written to all staff to ask them about future needs and aspirations. (e.g. retirement, taking a different role in the organisation, periods of unpaid leave etc) This is in order to match staff needs to

the corporate needs and hopefully reduce the staff costs without resorting to large scale compulsory redundancies in the future. The letter was sent to all staff in July 2009 and the move has been welcomed by unions, it has been described by IDeA as 'appears unparalleled' and Public Sector People Managers Association described the move as 'innovative and will be watched with interest by the rest of local government.'

Value for money conclusion

- 19** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 3.
- 20** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

Appendix 1 – Independent auditor’s report to Members of Cherwell District Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Cherwell District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Members of Cherwell District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer’s responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

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

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

Basis of audit opinion

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

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

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

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

Authority’s Responsibilities

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

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper

Appendix 1 – Independent auditor’s report to Members of Cherwell District Council

arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Cherwell District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

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

Maria Grindley
District Auditor

Unit 5, Isis Business Centre
Horspath Road, Cowley

Oxford, OX4 2RD

September 2009

Appendix 2 – Draft letter of representation

To:

Maria Grindley,

Unit 5, Isis Business Centre,
Horspath Road, Cowley
Oxford OX4 2RD

Cherwell District Council - Audit for the year ended 31 March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors, officers, and Members of Cherwell District Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2009.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;

Appendix 2 – Draft letter of representation

- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair values

I confirm that the presentation and disclosure of fair values measurements of material assets, liabilities and components of equity are in accordance with the financial reporting framework.

The measurement methods and significant assumptions used in determining fair value have been applied on a consistent basis, are reasonable and appropriately reflect the best estimate of fair value of assets and liabilities required to be disclosed by these standards.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. We have no other lines of credit arrangements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Specific representations – Long term investments

I confirm that we intend to hold investments in the long term.

Post balance sheet events

Since the date of approval of the financial statements by the Accounts, Audit and Risk Committee, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

If adoption of the financial statements and the representation are on the same day this paragraph is not required.

Signed on behalf of Cherwell District Council

I confirm that the this letter has been discussed and agreed by the Accounts, Audit and Risk Committee on 23 September 2009

Name

Position

Appendix 3 – Use of resources key findings and conclusions

The following tables summarise the key finding and conclusions for each of the three use of resources themes.

Table 3 **Managing finances**

Theme score	3
Key findings and conclusions	
<p>The Council manages its finances effectively to deliver value for money in its services for its stakeholders. Finances are planned over the medium to long term to meet strategic priorities and to ensure that the Council keeps sound financial health. The Medium Term Financial Strategy is regularly updated to keep it in line with changes in the internal and external environment that the affect the operation of the Council. Value for Money Reviews are being constantly undertaken to find areas of potential economies and efficiencies and the effectiveness of services is assessed through consultation with users. Partnerships are being used effectively to ensure that finances and other resources deliver value for money. The Council produces budget monitoring and forecasting information on a timely basis which ensures that decision makers can make appropriate decisions throughout the various levels of the organisation with the most relevant information to hand. The authority has restructured its finance team over the last two years and the accounts production is smooth and supported by good quality working papers.</p>	

<p>KLOE 1.1 (financial planning)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>Financial planning at Cherwell District Council is effectively integrated. It links to strategic and corporate planning through the medium term financial strategy (MTFS) and the community plan.</p> <p>The Council has an effective long-term financial strategy to support delivery of its strategic objectives and priorities. The Council effectively consults with stakeholder to prioritise spending decisions. There is an Equality and Access Advisory Panel made up of customers that advise the Council on how best to engage with hard to reach groups of the community to ensure that customers can have a direct input into council priorities and making the Council accessible to all.</p> <p>The Council manages its spending well. The MTFS has now been updated to reflect the current external challenges. These have been revised so that the Council can carry on meeting their service requirements and strategic priorities.</p> <p>The Council is creating an environment of sound financial governance and leadership. Members provide scrutiny to the financial plans of the Council. The scrutiny committee performed a review of the contribution of fees and charges. This has lead to the income in the 2009/10 budget increasing by £448,500 to £6.3m. The Council promotes financial management in its leadership and recognises and values financial skills</p>	
<p>KLOE 1.2 (understanding costs and achieving efficiencies)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Council has a sound understanding of its costs evidenced by its value for money reviews which have provided information to assist the Council’s strategic decision making. This has lead to a reduction of costs and improved performance. For example the result of the VFM review on Internal Audit was to outsource the function. Obtaining an</p>	

Appendix 3 – Use of resources key findings and conclusions

outsourced function in line with Oxford City Council has lead to discounts in the contract. The Council has successfully achieved efficiencies in its high cost areas. Net expenditure has been reduced by £20m (which equates to 16%) between 2007/08 to 2009/10.

The Council co-ordinates its financial planning. This helps the Council to understand the value for money implications of its spending, for example through the potential impact of capital spending over the medium to long term on council tax.

The Council compares its costs to other authorities. During the land charges value for money review charges, made by the Council, identified that their charges were lower than any of the other benchmark authorities. This has enabled the Council to make the decision to increase their charges in line with other authorities and so increase their revenue income by £55,000 per annum.

The Council recognises that it must drive efficiencies and rationalisation of services through its VFM processes. The one stop shop is an example of this and has successfully created better customer access and also delivered cost efficiencies

KLOE 1.3 (financial reporting)

Score

3

VFM criterion met

Yes

Key findings and conclusions

The Council's internal financial monitoring is relevant, understandable and accruals based. It provides clear links between the budget, in year forecasts and actual year end position. The dashboard and the performance management framework ensures that the financial and non-financial performance is reported and effectively considered together. Budget holders are able to access financial and monitoring information when they need it.

For 2008/09, the Council had produced a thorough and comprehensive closedown plan. The accounts were properly approved by the Accounts, Audit and Risk Committee and published by the due date on the Council's website. The Council's working papers to support the accounts are clear and the have a strong focus on SORP compliance. Improved member involvement has continued again this year. This was shown through the members challenging the process of the accounts and through the continuation of a specific accounts panel. The Council published its Annual Report setting out the key achievements during the year for both the Council and its key partners.

Table 4 Governing the business

Theme score	3
Key findings and conclusions	
<p>The Council’s procurement and contract management infrastructure and functions have improved strongly. There is a clear understanding of how the commissioning and procurement approach enables delivery of corporate priorities and is aligned to the Council’s VFM programme. The focus is on partnership working to deliver improved outcomes for local people, based on local need. The Council has made substantial data quality and management information improvements over the past year. This supports decision making and performance management thus helping deliver priorities and improvements for local people. The Council promotes and demonstrates the values of good governance. The Council manages its own risks and maintains a solid system of internal control. There is active risk management embedded throughout all levels of the organisation and promoted and monitored in the Council’s significant partnerships.</p>	
KLOE 2.1 (commissioning and procurement)	
Score	3
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council’s commissioning is shaped by a clear vision of improved services. Its approach to procurement is championed by the corporate management team. It is continuing to develop a strategic approach to commissioning based on delivering outcomes for local people. Effective procurement and contract management has directly supported improved service provision. An example is the successful approach to its commissioning, contract and project management of the £27m sports centre modernisation programme.</p> <p>The Council engages effectively with a range of stakeholders and service users to plan and commission services. It is building on its partnerships to deliver sustainable local outcomes and efficiencies and engage with Small and Medium-sized Enterprises (SMEs). Successful partnerships include Oxford City Council for internal audit services, glass recycling,</p>	

Appendix 3 – Use of resources key findings and conclusions

recruitment arrangements and with Oxon PCT and Milton Keynes, Oxon, Bucks (MKOB) procurement partnership.

The Council has a strong record of enabling access to services through technology. It has embraced e-procurement and launched an interactive guide for procurement and contract management to raise awareness across the organisation. The Council engages with its communities in the design of services, eg the One Stop Shop, where it undertook Equality Impact Assessments as part of the design. It is also working effectively and innovatively with Oxon PCT in the development of a ‘super clinic’ in Banbury, delivering improved outcomes for local people and benefits to partners.

The Council consults effectively with users, SMEs and partners and has a more informed understanding of the supply market. It has developed a Local Business Liaison Group to improve opportunities for local suppliers and SMEs to trade with the Council, working with them to shape the supply market and using framework contracts where this ensures value for money.

The Council’s procurement and contract management functions have improved strongly. Its rigorous value for money approach and service planning process link effectively to the Procurement Forward Plan. In 08/09 it invested £200k in additional procurement capacity which has secured corporate savings of £309k in this financial year. The procurement discipline clearly supports the delivery of the Council’s wider objectives. It has supported the reduction in net costs over recent years, enabling resources to be reallocated to front line services, delivering demonstrable beneficial outcomes to the community. Although the Council does not have an up to date procurement strategy, it is procuring strategically.

KLOE 2.2 (data quality and use of information)	
Score	3
VFM criterion met	Yes

Key findings and conclusions

The Council has an ongoing action plan to improve data quality and information management. Governance, accountability and leadership arrangements have been improved and data management arrangements are integrated into the service and financial planning processes. The Council demonstrates a proactive use of information to jointly determine local priorities with partners. There are active partnership approaches across the service areas ie with the Oxfordshire PCT Joint Public Health Strategy.

The Council produces fit-for-purpose information to effectively support members and officer’s decision making. The Council’s strategic management reports, the balanced score card and dashboard are clear and well structured, enabling analysis and interrogation of the information.

The Council consults staff and stakeholders to ensure priorities are delivered and met. The Customer Contact Centre filters feedback to services, to improve responsiveness and these are reviewed regularly by portfolio holders and staff. Issues are flagged and managed at corporate level.

The Council incorporates good practice standards into its policies and procedures to safeguard its management information. The Council demonstrates a risk management culture. An operational security forum is in place and the extended management team monitor, review and takes action as required.

The Council consults and engages effectively with users and plans continued improvements. It has introduced an Access Advisory Panel for the public to speak directly to service managers about access issues and its uses a range of external user’s feedback and internal staff feedback to review and shape service delivery. Information is shared with the public via a suite of Council and partner publications, enabling further consultation and communication.

KLOE 2.3 (good governance)

Score

3

VFM criterion met

Yes

Key findings and conclusions

The Council has a very clear focus on its priorities which drive everything it does. The priorities are set out in the Corporate Plan and Improvement Strategy 2007 to 2012. They are for a district of opportunity, a safe and healthy district, a cleaner and greener district and an accessible value for money council. These are used strongly to guide planning in the Service and Financial Planning framework.

The Council provides effective governance: members and officers are clear about their roles and responsibilities. The council has an ethical framework in place and promotes ethical culture. here is a culture of openness and respect within the Council. The Standards Committee is well established and its governance arrangements are in line with good practice. The Executive sets firm policy objectives for the Council for which officers are charged with delivery and there is an

Appendix 3 – Use of resources key findings and conclusions

appropriate level of challenge between councillors and senior managers. This view is supported by opposition councillors who also feel included within a bipartisan and inclusive process. The Council's response to the Eco town proposal and Horton Hospital services at threat are both examples of the clarity in approach. Councillors and staff work hard to achieve the best outcomes for the community.

The Council is a highly effective leader of partnership working locally. It has been effective in securing the involvement of all partners. Membership of the Cherwell Community Planning Partnership (LSP) is inclusive and the Council has taken a proactive approach to the governance and development of this partnership by agreeing protocols that outline expectations for partnership working and governance arrangements for the significant partnerships that make the major contribution locally. The Council, partners and the community are clear about the ambitions for the area.

KLOE 2.4 (risk management and internal control)

Score

3

VFM criterion met

Yes

Key findings and conclusions

Risk Management is comprehensive and embedded throughout the council. The Council clearly understands the strategic risks to the delivery of its objectives and these are managed and regularly reviewed by the Executive and senior managers. Risk management is integral to the decision making process. For example, risk management is embedded within the medium term and service and financial planning processes, whilst all new decision papers taken to Executive have a full risk assessment.

Members recognise the importance of risk management. The sports centre modernisation project had risks for potential project overrun and so the project board have been very focused on being aware of this risk and called in external challenge through gateway reviews completed by procurement specialists 4Ps. This enables the Council to identify the risks it needs to retain and those it can share or pass on to others. This means that the Council can be confident that its approach to risk supports its business objectives. Partnership risks are on the risk register and risks around partnerships are monitored and reported through the partnership annual governance report.

The Council has strong counter fraud and corruption arrangements. This is shown most in the work performed by the

benefits service. In 2008/09 they had 12 successful prosecutions where claimants were fraudulently claiming benefits. The council has a sound system of internal control. The Accounts, Audit and Risk Committee delivers the core functions as required by CIPFA. This Committee demonstrated a good challenge on the accounts. Members of the Accounts, Audit and Risk Committee set up a new IFRS steering group, again demonstrating member involvement and strengthening the system of internal control.

Table 5 Managing resources

Theme score	3
Key findings and conclusions	
<p>The Council is effective in planning and developing its workforce to achieve its goals. It identifies the skills it needs and invests significantly in workforce development. This has successfully enabled the Council to adapt its culture and skill its workforce to adopt different ways of working. The Council has successfully delivered its corporate restructuring. This has been done in partnership with the workforce and the union, who have worked together to align the organisation effectively behind corporate objectives. The Council is now entering its next phase of change. It is considering how radically different it needs to be as an organisation to continue to deliver improved VFM within the context of shared services and outsourcing arrangements. Within this context the Council is ensuring it encourages the values and behaviours required to support the staff and the organisation through continued change.</p>	
KLOE 3.3 (workforce planning)	
Score	3
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council invests significantly in workforce development. Three per cent of the salary budget is targeted on training, around £500,000 per annum. This has successfully enabled the Council to date, to transform its culture and skill its</p>	

Appendix 3 – Use of resources key findings and conclusions

workforce to adopt different ways of working. The Council has an effective approach to workforce planning. The HR strategy is aligned with the Council's corporate improvement programme and workforce planning is being mainstreamed into management and financial planning. This builds upon the embedded approach to service and financial planning, which enables the Council to maintain and develop the skills sets required to deliver corporate priorities.

The Council is now entering its next phase of change in its workforce planning. The Council knows which areas are difficult for recruitment and retention and have strategies in place to overcome these. For example, the rationalisation of forty five service-based job descriptions to just five provides clear career progression opportunities for support staff. The council is considering how radically different it needs to be as an organisation, to continue to deliver improved VFM within the context of shared services and outsourcing arrangements and what values and behaviours will be required to support the organisation. This builds on the recent outsourcing arrangements for Internal Audit and transactional elements of the Revenue and Benefits functions.

The Council has successfully engaged and supported staff during the change process. It has delivered its corporate restructuring in partnership with the workforce and the union, who have worked together to align the organisation effectively behind corporate objectives. It has a good track record of consultation and the staff consultation group has been central to building and delivering organisational culture.

The HR strategy for 2008 – 2012, outlines key aims and objectives, including workforce planning, organisational and leadership development, and performance management. More effective, efficient and flexible HR frameworks and strategies, for example the new pay structure, have been put in place to support continued improvement. The Council has a good approach to equalities and diversity. They identified a Polish population approaching 7000 strong where English was not their first language. The Council knowing that a large proportion of this population would seek employment in the construction industry took steps to provide health and safety publications in Polish. The Council achieved Equality Standard for Local Government Level 3 and has developed a more empowered workforce as evidenced by its return to full standing IIP accreditation.

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CHERWELL DISTRICT COUNCIL

ACCOUNTS, AUDIT AND RISK COMMITTEE

23 SEPTEMBER 2009

REPORT OF THE CHIEF INTERNAL AUDITOR

INTERNAL AUDIT PROGRESS REPORT

1 Introduction and Purpose of Report

- 1.1 This report provides the Committee with an update of the work of Internal Audit since the last meeting.

2 Wards Affected

- 2.1 All wards are affected.

3 Effect on Policy

- 3.1 None.

4 Contact Officer(s)

- 4.1 Chris Dickens (07720 427215)

5 Risk Assessment, Financial Effects and Contributions to Efficiency Savings

- 5.1 The following details approved by Chris Dickens (07720 427215):

- 5.2 Risk Assessment

The progress of the Audit Plan approved by this Committee is monitored as part of the Council's Performance Monitoring Framework. Any failures to not achieve the audit plan could result in a risk that independent assurance will not be provided on the internal control environment as required, and could be seen to undermine the effectiveness of the Internal Audit team. Failure to achieve the audit plan could lead to adverse comment from the external auditors. This risk has been assessed on the Council's risk register, entry number 0264.

- 6.3 Financial effects

N/A

- 6.4 Efficiency savings

Efficiency savings have been made as a result of outsourcing the internal audit service. This has been reported previously to the Committee.

7 Recommendation

7.1 The Accounts, Audit and Risk Committee is **RECOMMENDED** to consider and approve this report.

Internal audit
summary report
for Accounts,
Audit and Risk
Committee

September
2009

Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

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1. Plan outturn

2009/10 Audit Plan

We have undertaken work in accordance with the 2009/10 Internal Audit Plan which was approved by the Accounts, Audit and Risk Committee at its meeting in June 2009.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. This shows that we have now commenced a number of reviews and reports are being issued either in draft or final format. We have also commenced planning in a number of reviews over the remaining quarters. At present we have completed **68.5 days out of a total planned 230 days (30%)**.

Future progress reports will continue to give an update on the percentage of the audit plan completed and will provide the Committee with assurance that our target of completing the audit plan in year is likely to be achieved.

2. Reporting and activity progress

Final reports issued

- **Car Parking** – An opinion of **MODERATE ASSURANCE** has been issued for this review. This was due to the exclusion of Excess Charge Notices due as debtors on the Councils Balance Sheet. The total value of liable debt for 2008/09 was approximately £29k. Further interrogation indicated that an additional balance of approximately £45k is due from prior years. Management acknowledged that these charges met the definition of a debtor under UK GAAP and therefore should be included on the Balance Sheet to ensure that debtors are fairly stated.
- **Council Tax** – The Council tax function was issued an opinion of **MODERATE ASSURANCE (WITH IMPROVEMENT)**. We noted an improvement of the Council Tax function from prior year and were pleased to note that the majority of prior year issues have been implemented. Issues however were still noted around inspection of empty properties and segregation of duties in the department. We recognise that the department is undergoing major change; however, management should ensure that efforts are made to implement audit recommendations to ensure a high level of internal control is maintained in the new arrangements for the delivery of the service.
- **Creditors** – The Creditors function has made excellent efforts to implement issues raised in prior year. That said, an opinion of **MODERATE ASSURANCE (LIMITED IMPROVEMENT)** has been issued due to the operating effectiveness of the Councils procurement function. From a sample of 25 orders tested, the procurement policy had not been adhered to in 12 cases and sufficient information could not be obtained for a further 5 cases. Further work is needed to embed these policies throughout the organisation.

Draft reports

The following reports are currently in draft format:-

- Data Quality
- VAT
- Payroll
- Debtors
- Cash Collection
- Performance Indicators (Assurance to External Audit)

Fieldwork commenced

Fieldwork has commenced in the following areas:-

- Non Domestic Rates

- Anti Fraud and Corruption

Additional Work Performed

We have carried out the following additional pieces of work outside the scope of our agreed audit plan:

- **Spiceball Leisure Centre** – During the initial work we performed on IFRS preparation in the previous year we observed that the contract in relation to the Councils new leisure centre required analysis under both UK GAPP and IFRS. We advised management that the scheme does not constitute a PFI but advised that the contract continues to be monitored to ensure that Value for Money is secured.
- **IFRS** – We continue to provide support to the Council through the implementation of IFRS. We are conducting a training session for the IFRS Steering Group in September 2009.
- **Investigative Work** – We continue to play an active role in any investigations within the Council

3. Summary of key risks

Overview

Our final reports include a number of recommendations and a breakdown of these can be found in Appendix Two, which summarises the risk ratings associated with each finding and recommendation. Further information is provided in the individual reports which can be produced in full if required.

At the time of this report, we have identified no issues that should be considered as significant control weaknesses.

Opinions

We would like to draw members attention to our revised audit opinions which we have introduced for 2009/10. These have been summarised in Appendix 3. In addition to the opinions issued for each review, we will provide a 'direction of travel' rating for recurring audits. These will provide a view on the implementation of prior year recommendations.

We have also amended our reports to provide members and officers with further details on the testing we have performed and the impact of our conclusions on Use of Resources and the Corporate Plan. Initial feedback from officers is that this level of information has provided useful context to the issues raised. We welcome any additional feedback on this new report format and opinions.

4. Other issues

Benefits Investigation Team – Summary of activity

In order to provide the AAR Committee with a more complete picture of the internal control activity within the Council, we have provided a summary of the activity of the Benefits Investigation Team since 1st April 2009.

Referrals received	Investigations conducted	Sanctions	Success rate for year	Total Overpayments identified for recovery for the year to date
139	133	Cautions = 12 Ad Pens = 5 Prosecutions = 7	57.60% against a target of 50%	£70,865.94

Investigations have been taken out in the majority of cases and the team are achieving a good success rate against the target set.

This information is prepared by Jeff Brawley, the Council's Benefits Investigation Manager. Internal Audit is working with Jeff in reviewing policies and procedures relating to fraud and fraud related issues. An update on this will be provided at the December meeting of the Committee.

IT Audit – increase in planned days

Following a recent risk assessment of IT, we have produced a more detailed IT audit plan (copy available on request). This shows a need for 31 days against the 25 in the original plan. The additional input will be at the specialist rate of £874 per day as set out in our proposal document meaning an additional cost to the Council of £5,244.

As detailed in the contract conditions, this proposed increase has been submitted to the Authorised Officer (Strategic Director Customer Services and Resources) for approval.

Member training

Along with our colleagues from the Audit Commission, Internal Audit provided training to some members of this Committee on the roles and responsibilities of members and officers at Audit Committee meetings. This was followed by a discussion on the role of members in relation to 'serious incidents'.

Review Panel

The Head of Internal Audit also attended the review panel which considered the serious incident relating to the server failure which was reported to the previous meeting of the AAR Committee. A separate report on the outcome of this panel is being presented to the meeting.

Appendix One

Planned activity	Planned days	Actual days	Status
1. Fundamental assurance			
OP1.1 General Ledger/ Fin. accounting	5	0	To be commenced
OP1.2 Debtors	5	4.5	Draft Report
OP1.3 Creditor payments	10	10	Final Report
OP1.4 Payroll	10	8	Draft Report
OP1.5 Budgetary Cont./ Fin. accounting	5	0	To be commenced
OP1.6 Council Tax	5	5	Final Report
OP1.7 National Non Domestic Rates	5	1	Fieldwork in progress
OP1.8 Bank Reconciliations	5	0	To be commenced
OP1.9 Cashiers	10	8	Draft Report
OP1.10 Treasury Management	5	0	To be commenced
OP1.11 Housing Benefits	10	0	To be commenced
OP1.12 Fixed Assets	5	0	To be commenced
OP1.13 IFRS Health check	5	0	To be commenced
OP1.14 VAT	5	4	Draft Report
OP 1.15 Car Parking	10	10	Final Report
OP 1.16 Risk Management	5	0	To be commenced
OP 1.17 Governance	5	0	Survey to be commenced
OP 1.18 Establishment Visits	5	0	To be commenced

Planned activity	Planned days	Actual days	Status
2. Operational system reviews			
– risk based assurance			
OP 2.1 Partnership working	5	0	To be commenced
OP 2.2 Managing in a Downturn	5	0	To be commenced
OP 2.3 ICT audits	25	2	Fieldwork commenced
OP 2.4 Job Evaluation	5	0	To be commenced
OP 2.5 Corporate Planning	10	0	To be commenced
OP2.6 CAA	10	0	To be commenced
OP 2.7 Data Quality	5	4	Draft Report

Planned activity	Planned days	Actual days	Status
3. Strategic Reviews			
OP 3.1 Performance Management	5	4	Draft Report
OP 3.2 Anti Fraud and Corruption	5	1	Fieldwork commenced

Planned activity	Planned days	Actual days	Status
4. Other			
OP 4.1 General Follow Up	10	2	Ongoing
OP 4.3 Audit Management	30	10	Ongoing
TOTAL	230	68.5	

Appendix Two

Summary of recommendations (final reports only)

Assignment	High	Medium	Low	Total	Overall opinion
Car Parking	1	4	2	7	MODERATE
Council Tax	0	8	1	9	MODERATE
Creditors	1	2	1	4	MODERATE
Total	2	14	4	20	

Appendix Three

Our assessment criteria are shown below:

Each of the issues identified has been categorised according to risk as follows:

Significance	
High	A significant and serious control weakness, which must be referred to the Internal Control Working Group via the Service Unit Manager's quarterly Assurance Statement on the effectiveness of internal control. Immediate action is required.
Medium	A weakness that could undermine the system of internal control and compromise its operation. Action is required as soon as possible.
Low	An improvement to comply with best practice or which offers efficiency savings. Action date to be agreed within a maximum of 12 months.

Overall opinion rating:

Level of assurance	Description
High	No control weaknesses were identified; or Our work found 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 we 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	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	There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, 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 we have 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. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.
No	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 organisation objectives.

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