Public Document Pack

Committee:	**Accounts, Audit and Risk Committee**
Date:	**Wednesday 18 September 2013**
Time:	**6.30 pm**
Venue	**Bodicote House, Bodicote, Banbury, OX15 4AA**

Membership

Councillor Trevor Stevens (Chairman)
Councillor Mike Kerford-Byrnes (Vice-Chairman)
Councillor Andrew Beere
Councillor Ray Jelf
Councillor Nicholas Mawer
Councillor Lawrie Stratford
Councillor Rose Stratford
Councillor Barry Wood

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 - 6)

To confirm as a correct record the Minutes of the meeting of the Committee held on 26 June 2013.

6. **Statement of Accounts 2012/13** (Pages 7 - 114)

** Please note that Appendix 3 to this report will follow as it is currently being finalised **

Report of Interim Head of Finance and Procurement

Summary

The purpose of this report is to obtain official sign-off by the Chief Financial Officer and the Chairman of Accounts, Audit and Risk Committee the audited Statement of Accounts 2012/13.

Recommendations

The Accounts, Audit and Risk Committee is recommended:

(1) To approve the amendments to the 2012/13 financial statements detailed in Appendix 1

(2) Subject to reviewing the contents of the Audit Results Report (separate agenda item) approve the 2012/13 financial statements (Appendix 2).

(3) To note that the 2012/13 Summary Accounts are currently being prepared and will be tabled at the meeting (Appendix 3 – to follow).

7. **External Audit Results Report** (Pages 115 - 138)

Report of Head of Finance and Procurement

Summary

To allow Members to consider the Ernst and Young LLP Results Report which includes comments on the audit of the 2012/13 Statement of Accounts.

Recommendations

The Accounts, Audit and Risk Committee is recommended: to:

(1) Consider the matters raised in the report before approving the 2012/13 financial statements and recommending to Council.

(2) Note of the adjustments to the financial statements set out in this report

(3) Approve the letter of representation on behalf of the Council as set out in the appendix.

8. **Risk Management - First Quarter Review of Risk** (Pages 139 - 156)

Report of Corporate Performance Manager

Summary

To update the Committee on the management of Strategic, Corporate and Partnership Risks during the first quarter of 2013/14 and highlight any emerging issues for consideration.

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

(1) To review the quarter 1 Strategic, Corporate and Partnership Risk Register

9. **Q1 Treasury Management Report** (Pages 157 - 174)

Report of Interim Head of Finance and Procurement

Summary

To receive information on treasury management performance and compliance with treasury management policy for 2013/14 for Quarter 1 including an update for position as at 31 August 2013 as required by the Treasury Management Code of Practice.

Appendices 1 and 2 to the report are restricted.

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

(1) Note the contents of the Quarter 1 (Q1) Treasury Report.

(2) Note the contents of the 2012/13 Annual Treasury Report which was presented to Council in July 2013 – Appendix 3.

10. **Use of Purchase Orders** (Pages 175 - 176)

Report of Interim Head of Finance and Procurement

Summary

The purpose of this report is to provide information to the Accounts, Audit and Risk Committee on the Council's use of Purchase Orders.

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

(1) Note the contents of the report on the progress the Council is making to improve the use of purchase orders.

11. Internal Audit Progress Report (Pages 177 - 184)

Report of Chief Internal Auditor

Summary

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

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

(1) Note the contents of this report

12. Review of Work Programme

To review the Committee work programme (to be tabled).

13. Exclusion of Public and Press

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

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 paragraph 3 of Part 1, Schedule 12A of that Act."

14. Q1 Treasury Management Report - Exempt Appendix 1 and 2
15. (Pages 185 - 218)

Councillors are requested to collect any post from their pigeon hole in the Members Room at the end of the meeting.

Information about this Meeting

Apologies for Absence
Apologies for absence should be notified to democracy@cherwellandsouthnorthants.gov.uk or 01295 221589 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.

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.

Evacuation Procedure

When the continuous alarm sounds you must evacuate the building by the nearest available fire exit. Members and visitors should proceed to the car park as directed by Democratic Services staff and await further instructions.

Access to Meetings

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named below, giving as much notice as possible before the meeting.

Mobile Phones

Please ensure that any device is switched to silent operation or switched off.

Queries Regarding this Agenda

Please contact Natasha Clark, Democratic and Elections
natasha.clark@cherwellandsouthnorthants.gov.uk, 01295 221589

Sue Smith
Chief Executive

Published on Tuesday 10 September 2013

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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 26 June 2013 at 6.30 pm

Present: Councillor Trevor Stevens (Chairman)
Councillor Mike Kerford-Byrnes (Vice-Chairman)

Councillor Andrew Beere
Councillor Ray Jelf
Councillor Nicholas Mawer
Councillor Lawrie Stratford
Councillor Rose Stratford
Councillor Barry Wood

Guests: Councillor Ken Atack, Lead Member for Financial Management
Michael Yates, Ernst and Young, External Audit
Chris Bastion, Ernst and Young, External Audit

Officers: Karen Curtin, Head of Finance and Procurement
Nicola Jackson, Corporate Finance Manager
Chris Dickens, Chief Internal Auditor, PricewaterhouseCoopers
Jeff Brawley, Investigations Manager
Natasha Clark, Team Leader, Democratic and Elections
Lesley Farrell, Assistant Democratic and Elections 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 at the meeting.

5 **Minutes**

The Minutes of the meetings of the Committee held on 27 March 2013 and 15 May 3013 were agreed as correct records and signed by the Chairman.

6 **Urgent Business**

There was no urgent business.

7 Joint Whistle Blowing Policy

The Committee considered a report by the Head of Finance and Procurement on the Council's Joint Whistle Blowing Policy.

On introducing the report, the Investigation Manager explained that the Whistle Blowing policy had been updated to incorporate The Enterprise and Regulatory Reform Act (ERRA) which came into force on 25 June 2013.

Resolved

(1) That the amended Joint Whistle Blowing Policy be approved.

8 Review of Anti-Fraud Work 2012 - 13

The Committee considered a report of the Head of Finance and Procurement which provided an overview of the work of the Investigations Team in 2012-13.

Resolved

(1) That the contents of the report be noted.

9 Annual Governance Statement Approval

The Committee considered a report of the Head of Finance and Procurement which sought approval of the Annual Governance Statement 2012–13.

A further version of the Statement was circulated which included some minor amendments to the section on training and development.

The Committee was advised that the Governance Group and two members of the Committee had reviewed the draft statement. The final draft would be signed by the Chief Executive and Leader of the Council.

Resolved

(1) That the Annual Governance Statement 2012/13 'subject to audit' be approved.

10 Statement of Accounts Approval

The Committee considered a report of the Head of Finance and Procurement which sought agreement of the Statement of Accounts 2012–13.

The Head of Finance and Procurement reported that the informal review meeting on 26 June 2013 had recommended minor updates to the report which would be incorporated in the final version.

The Committee thanked the Head of Finance and Procurement and the finance team for their hard work in producing the accounts and the helpful and informative informal briefing session.

Resolved

(1) That the report be noted.

(2) That the outcomes from the informal review undertaken on 26 June 2013 be noted.

(3) That it be agreed that the “subject to audit” Statement of Accounts approval sign off be delegated to the Chief Financial Officer for signing on or before the statutory deadline of 30 June 2013.

11 **Internal Audit Annual Report**

The Committee considered the Internal Audit Annual Report 2012/13 submitted by the Chief Internal Auditor. 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 Committee was advised that 22 internal audit review s had been completed which had resulted in the identification of 0 critical, 2 high, 18 medium and 30 low risk findings to improve weaknesses in the design of controls and / or operating effectiveness.

The two high risk issues had been noted: in relation to non purchase orders, which had also been raised in 2010-11 and 2011-12 and a recent case of a major planning application being granted permission without appropriate authority.

The Head of Finance and Procurement assured the Committee that measures had been implemented to address the purchase order issue. The Council has written to all suppliers explaining that we require purchase orders. From 1 June the creditors team would not process invoices for payment without a purchase order. Training and guidance had also been provided for staff. A further update would be presented to the September meeting of the Committee.

In relation to the recent case of a major planning application being granted permission without appropriate authority, the Head of Finance and Procurement reported that the matter had been investigated and a new permission authorised correctly by the Planning Committee was issued. The committee was assured that there were no other such cases of this kind and measures had been put in place to ensure that such an incident does not happen again.

Resolved

(1) That the contents of the report be noted.

12 External Audit Progress Update

Chris Bastion, Ernst & Young, the Council's external auditor gave a verbal update on the external Audit.

The External Auditor had no major issues to report with the only concern, the lack of Purchase Orders which was being addressed.

13 Audit Committee Annual Report

The Corporate Finance Manager presented the report of Head of Finance and Procurement which sought approval of the annual report of the Account, Audit and Risk Committee for 2012/13.

There were no financial issues arising from this report.

Resolved

(1) That the Account, Audit and Risk committee annual report be submitted to the next Full Council meeting on 22 July 2013 for consideration.

14 Internal Audit Plan and Risk Assessment 2013/14

The committee considered a report by the Chief Internal Auditor which sought consideration of the Internal Audit Risk Assessment and Plan 2013/14 the New Public Sector Internal Audit Standards and the Internal Audit Charter.

The Committee was advised that the Internal Audit Risk Assessment and Plan 2013/14 set out Internal Audit's planned programme of work for the year. Due to the internal audit budget of 142 days, the frequency internal audits were scheduled had been flexed, which meant all auditable units could now be audited over a three year cycle. In addition, there would be 20 days of reviews deferred from the 2012/13 plan.

The Committee would continue to receive progress reports at their meetings which would provide an opportunity for adjustments to the programme of work as Members felt appropriate,

The Committee was advised that the Public Sector Internal Audit Standards (PSIAS) had come into effect on 1 April 2013. There was

The cost of the external assessment would have to be borne by CDC but there could be opportunities to work with other councils which would help reduce costs. A report enable consideration of the best approach would be submitted to the September meeting of the Committee.

Resolved

(1) That the content of the report be noted.

15 **Work Programme**

The Committee considered its Work Programme 2013-14.

In response to Members' comments, the Head of Finance and Procurement agreed to liaise with the Democratic Services team to arrange suitable training for the Committee, which could also be extended to all Members.

Resolved

(1) That the work programme 2013-14 be noted.

The meeting ended at 8.05 pm

Chairman:

Date:

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Accounts, Audit and Risk Committee

Statement of Accounts 2012/13

18 September 2013

Report of the Interim Head of Finance and Procurement

PURPOSE OF REPORT

The purpose of this report is to obtain official sign-off by the Chief Financial Officer and the Chairman of Accounts, Audit and Risk Committee the audited Statement of Accounts 2012/13.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended:

(1) To approve the amendments to the 2012/13 financial statements detailed in Appendix 1

(2) Subject to reviewing the contents of the Audit Results Report (separate agenda item) approve the 2012/13 financial statements (Appendix 2)

(3) To note that the 2012/13 Summary Accounts are currently being prepared and will be tabled at the meeting (Appendix 3 – to follow).

Executive Summary

1.1 Introduction

The preliminary "subject to audit" Statement of Accounts 2012/13 was reported to the Committee at its meeting on 26 June 2013.

2012/13 was the first year that the accounts have been produced by a shared finance function. The team followed the closedown timetables to prepare two sets of accounts one for Cherwell and one for South Northants Councils - to meet the statutory deadlines.

Appendix 1 lists the changes that we have made from the preliminary "subject to audit" version circulated on 27 June. The majority of the changes are primarily presentational. As this was our first year as a shared team, there are improvements that have been identified and these will be incorporated next year.

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

The only change of substance, relates to the effective date of the valuation of the Council's fixed assets. There have been a number of changes to both the Balance Sheet and Comprehensive Income and Expenditure Statement. The changes do not impact on the Council's "bottom line", council tax payers or General Fund balances. These amendments have been agreed with the auditor and the changes have been included in the revised accounts (Appendix 2).

The changes identified above arose due to that fact that 2012/13 was a full revaluation year covering all land and buildings. The Council is required to complete a full revaluation every five years. This work was undertaken by a qualified valuer in Regeneration and Housing. The valuation report was dated 31 March 2013 but these revaluations were put through the Asset Register as at 1 April 2012. In effect, the new values were shown at the start of the year rather than at the end of the year. The impact of this was to understate the value of assets in the Council's Accounts.

The Council has four "one stop shops" within existing Council buildings in Banbury, Bodicote, Kidlington and Bicester. The "one stop shops" were shown separately as fixtures and fittings on the asset register. However, the valuation report valued each Council building as a whole including the one stop shops. In effect these "one stop shop" fixtures and fittings were included twice in the asset register.

The net effect of the above to increase Property, Plant and Equipment in the Balance Sheet by £992,000. This is funded by a £992,000 increase in the Unusable Reserves. The net effect in the Comprehensive Income and Expenditure Statement is a £992,000 increase and this is reversed out and charged to Unusable Reserves (so that it does not impact on council tax payers).

In-line with reporting requirements to Communities and Local Government, the Council submits an annual Whole of Government Accounts return. As in previous years, a draft return was submitted which reflected the 'subject to audit' accounts. This was submitted by 14 August 2013 deadline. A final version of this return is then submitted by the external auditor after the issue of their audit opinion and before the deadline of 4 October 2013.

1.2 Changes from the Statement of Accounts "Subject to Audit" 2012/13

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 for Member's inspection.

1.3 Audit Opinion

The Auditor's Audit Results Report, which includes issues relating to the Financial Statement 2012/13 and opinion on Value for Money is included elsewhere on the agenda.

At the time of writing this report it is anticipated that an unqualified audit opinion will be given shortly and within the 30 September 2013 deadline. This opinion will then be included within the published Statement of Accounts.

The accounts reviewed by the Accounts, Audit and Risk Committee on 26th June 2013 were made available for audit supported by detailed working papers. In the same way as the previous years' accounts, we were able to provide all of the working papers electronically to the auditors on the first day of the audit. This was seen as a positive action and aided the audit process considerably.

1.4 Letter of Representation

Ernst Young require a Letter of Representation signed by both the Chairman of this Committee, Councillor Trevor Stevens, and the Chief Financial Officer, Martin Henry as part of their standard close down procedures.

The draft letter is attached as an Appendix in Ernst Young's Audit Results Report and will be signed at the meeting.

Implications

Financial: There are no financial issues arising from this report. The costs of publishing the financial publication are funded from within existing resources.

Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

Legal: The Council must ensure its financial statements are prepared in accordance with the Code of Practice on Local Authority Accounting guidelines and available for publication by September 30 2013.

Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

Risk Management: There are no risks arising directly from the approval of the Statement of Accounts 2012/13.

Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

Wards Affected

All

Document Information

Appendix No	Title
Appendix 1 Appendix 2 Appendix 3	Audit Trail of Changes 2012/13 Statement of Accounts 2012/13 Summary of Accounts 2012/13 – to follow
Background Papers	
Audit Working Papers	
Report Author	Tim Madden, Interim Head of Finance & Procurement Nicola Jackson, Corporate Finance Manager
Contact Information	01295 221731 Nicola.Jackson@cherwellandsouthnorthants.gov.uk

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APPENDIX 1

TABLE OF AMMENDMENTS						
No.	**Page no.**		**Detail**	**Category**	**Further Action**	**Agresso Adjustment**
1	7	**Note 2.6** Revaluations	Updated to include revaluation date of 31st March 2013 in narrative.	Presentational	No further action required	No
2	14	**Note 4** Movement in Reserves Statement	Update to reduce depreciation following the fixed asset revaluations at 31st March 2013, resulting in an: - increase to the Unusable Reserves by (£992) from (88,619) to (£90,611) and - Total Authority Reserves (£992) from (£133,609) to (£134,601)	Re-categorisation	Revaluations will be effective on the same date as the Valuation report in 2013-14	Yes
3	16	**Note 5** Comprehensive Income and Expenditure Account	Updated to reduce depreciation following the fixed asset revaluations at 31st March 2013, resulting in a - decrease in depreciation (£169) and valuation (£1,781) and - an increase for the one stop shops where the individual valuations have been removed from the fixed asset register as they are already included as part of Bodicote House £958. - (Surplus)/deficit on Total Comprehensive Income & Expenditure has increased by (£992) from (£12,888) to ££13,880).	Re-categorisation	No further action required	Yes
4	18	**Note 6** Balance Sheet	The revaluations at 31st March 2013 have increased the: - Property, Plant & Equipment by £992 from £114,860 to £115,852 - Unusable Reserves increased by (£992) from (£88,619) to (£89,611) - Net assets by £992 from £133,609 to £134,601 - Total Reserves by (£992) from (£133,609) to (£134,601)	Re-categorisation	Revaluations will be effective on the same date as the Valuation report in 2013-14	Yes
5	19	**Note 7** Cash Flow Statement	The revaluations at 31st March 2013 have increased the: - Net Surplus or (Deficit) on the Provision of Services by (£553) from (£12,214) to (£12,767) - Adjustments to net surplus or deficit on the provision of services for non-cash movements by £552 from £11,681 to £12,233	Re-categorisation	No further action required	Yes
6	20	**Note 8.2** Assumptions made about the future and other major sources of estimate uncertainty	Revised wording of first paragraph	Presentational	No further action required	No
7	23	**Note 8.5** Adjustments between Accounting Basis and Funding Basis under Regulations	The revaluations at 31st March 2013 have: - decreased the charges for depreciation and impairment of non current assets by (£177) from £4,363 to £4,186 and - increased the Revaluation losses on Property Plant and equipment by (£730) from (£2,458) to (£3,188) - Total adjustments; General Fund Balance (£553) from (£13,277) to (£13,830) and Unusable Reserves £553 from £4,195 to £4,748	Presentational	Revaluations will be effective on the same date as the Valuation report in 2013-14	No
8	25	**Note 8.6** Earmarked Reserves	Revised wording of last paragraph	Presentational	No further action required	No
9	27	**Note 8.8** Financing and Investment Income and Expenditure	The revaluations at 31st March 2013 have increased the: - one stop shops removed from the fixed asset register £455 reducing the Surplus on trading undertakings from (£1,746) to (£1,292)	Presentational	No further action required	No
10	28	**Note 8.10** Property, Plant and Equipment	The revaluations at 31st March 2013 have increased the: - Other Land & Buildings by £992 from £100,370 to £101,362 - Total by £992 from £114,860 to £115,852 - same changes also reflected in table distinguishing between "historical cost and "fair value"	Presentational	Revaluations will be effective on the same date as the Valuation report in 2013-14	No
11	33	**Note 8.14** Commitments under Capital Contracts	Revised to reflect the reduced commitment for South West Bicester Sports Village - total scheme from £1,500 to £630 - 13/14 from £1,178 to £330 - overall totals from £11,500 to £10,630 and £3,937 to £3,080	Presentational	No further action required	No
12	40	**Note 8.17.4** Key Risks	Table updated for revised - Sub total: Deposits with banks and building societies 33 instead of 36 -Total 41 instead of 44	Presentational	No further action required	No

13	44	**Note 8.21** Provisions	Updated first paragraph for main provisions and two presentational changes to the table: - Transfers Out 31-Mar-13 Under 1 year total changed from £323 to £233 - Transfers Out 31-Mar-13 Total Provisions total changed from £2,446 to £2,356	Presentational	No further action required	No
14	45	**Note 8.23** Unusable Reserves	The revaluations at 31st March 2013 have: - increased the Revaluation Reserve (£1,776) from (£43,260) to (£45,036) - decreased the Capital Adjustment Accounts £784 from (£98,690) to (£97,906) - increased the Total Unusable Reserves by (£992) from (£88,619) to (£89,611)	Presentational	No further action required	No
15	46	**Note 8.23.1** Revaluation Reserve	Please see changes for **Note 8.23** Unusable Reserves	Presentational	No further action required	No
16	47	**Note 8.23.2** Capital Adjustment Accountant	Please see changes for **Note 8.23** Unusable Reserves	Presentational	No further action required	No
17	50	**Note 8.24** Cash Flow Statement Operating Activities	Please see changes for **Note 7** Cash Flow Statement	Presentational	No further action required	No
18	53	**Note 8.27.1** Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement (CIES)	The revaluations at 31st March 2013 have increased for: - Amounts in the CIES not reported to management in the analysis £98 from £4,580 to £4,678 (this is a net figure made up of depreciation (£169), revaluation (£154) and one stop shop £421) - Cost of Services in CIES £98 from £23,697 to £23,795. **See Note 8.27.2**	Presentational	No further action required	No
19	54	**Note 8.27.2** Reconciliation to Subjective Analysis	The revaluations at 31st March 2013 have increased for: - Cost of Services in CIES £98 from £23,697 to £23,795 per **Note 8.27.1** - Corporate Amounts £455 from (£11,483) to (£11,028) one stop shop - Total £553 from £12,214 to £12,767	Presentational	No further action required	No
20	55	**Note 8.28** Trading Operations	The revaluations at 31st March 2013: - General Corporate Properties expenditure has increased by £455 from £3,242 to £3,697 - Total £455 from £3,347 to £3,802	Presentational	No further action required	No
21	58	**Note 8.32** Exit Packages	Table CDC/SNC 60/40 responsible for these costs: - column e 2011/12 £432,555 revised to £432,255 - Total column e 2011/12 £699,736 revised to £699,436	Presentational	No further action required	No
22	59	**Note 8.34** Grant Income	Revised to include further grants: - DWP Rent Allowances £36,383 - DWP Council Tax Benefits £7,207 - Total revised from £3,379 to £46,969	Presentational	Additional control check to be included in 2013/14 Timetable - to cross check notes prepared.	No
23	66	**Note 10.1** Council Tax	All figures revised to reflect 2012/13 instead of 2011/12. Total revised from 51,264.4 to 51,830.2	Presentational	No further action required	No

CHERWELL DISTRICT COUNCIL

ANNUAL FINANCIAL REPORT 2012/13

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INTRODUCTION

Welcome to Cherwell District Council's Statement of Accounts for the year ending 31st March 2013. The Statement of Accounts is a statutory document providing information on the cost of services provided by Cherwell District Council to the council tax payer and detailing how those services were financed. In addition, it provides information, within the Balance Sheet on the value of our assets (what we own), what we are owed and the value of our liabilities (what we owe). The terminology used can often be confusing so I hope you find the glossary in section 14 a useful reference.

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

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

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

Karen Curtin
Head of Finance and Procurement

Martin Henry
Chief Financial Officer and Director of Resources

Cherwell District Council
PO Box 27
Banbury
Oxfordshire
OX15 4BH

2. EXPLANATORY FOREWORD

The purpose of this Statement of Accounts is to present the financial results of the Council's activities for the year ended 31 March 2013, and to summarise the overall financial position of the Council as at 31 March 2013.

2.1 The Accounting Statements

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

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

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

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

This Explanatory Foreword sets out the key issues and is intended to give the reader an insight into the Council's financial performance during 2012/13 in a way that the financial statements themselves may not otherwise do. This foreword has been written to provide a guide to the significant matters reported in these accounts. It also indicates the type of expenditure incurred and the ways in which money has been raised to pay for this.

2.2 The Key Messages

In common with all local authorities, the Council faced an extremely challenging year in 2012/13 as it seeks to manage the implications of the downturn in the economy and the impact on services. In order to manage this, the Council has developed a transformation programme, which through working in partnership with other local authorities, aims to deliver significant savings whilst protecting frontline services.

2.2.1 Financial Challenge

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

We started the year with £120.7 million of net assets. At the end of the year we had **net assets of £133.6 million, £10.9 million of earmarked reserves** and **£3.7 million of general fund reserves**. Our approved budget did not draw on General Fund balances, a reserve maintained to provide a financial cushion should something unexpected happen.

In 2012/13 we have reclassified how we show car park income and expenditure in our accounts. The net surplus of £1.3m is now part of the Highways service cost (previously it had been included in trading undertakings within Financing and Investment Income and Expenditure). We have restated the 2011/12 comprehensive income and expenditure account to show this change.

We invested £10.6 million of capital funds on a variety of capital schemes during the year, to continue **providing first-class public facilities and investment in the infrastructure of the district**. Highlights include Bicester Town Centre redevelopment, the continued support to housing projects, home improvement grants directly helping older and vulnerable people to live independently in their own homes and the installation of photovoltaics to council buildings to reduce utility costs.

We have continued to reduce our costs and have kept council tax frozen at 2009-10 rates. The 2012-13 budget has **reduced by another £2.5 million**, bringing our total reduction in net expenditure in five years to £11.4m (41%).

2.3 Revenue Expenditure

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

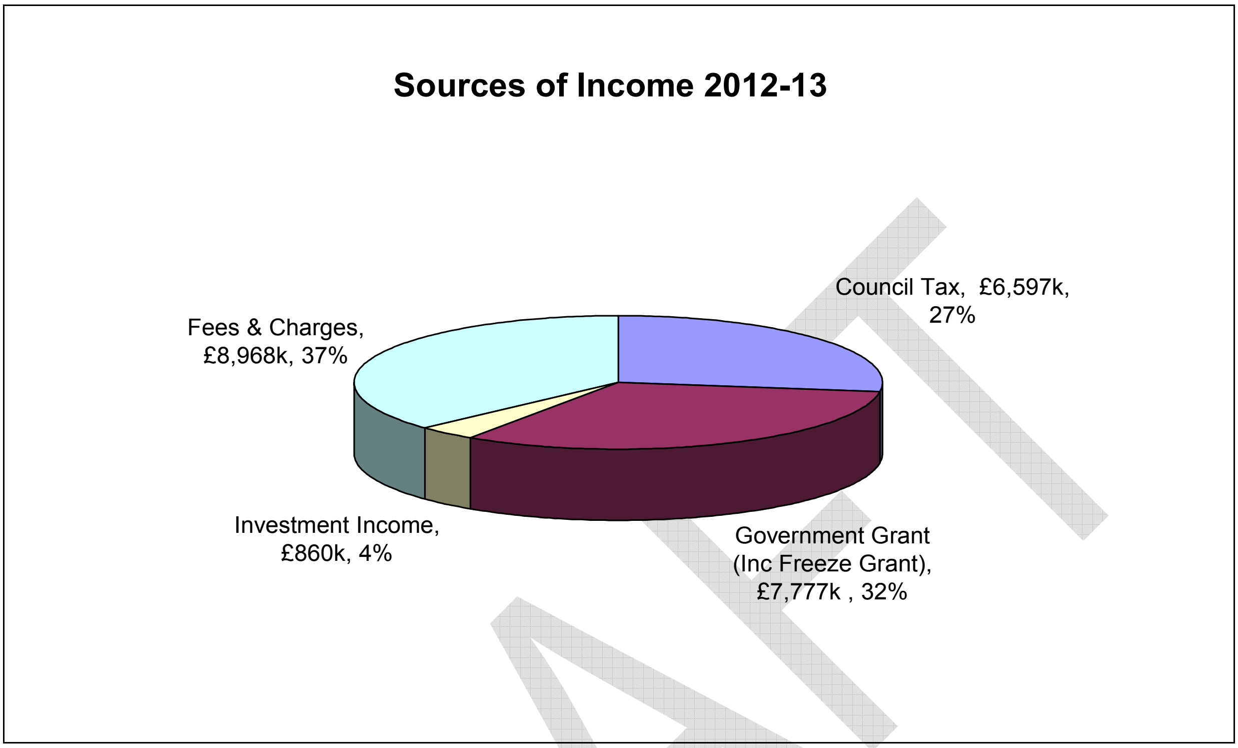
During 2012/13 the General Fund Revenue account has been subject to regular and rigorous monitoring as part of the Performance Management Framework. The monthly ‘dashboard’ provides a mechanism to analyse revenue and capital activity at all levels, providing detailed analyses from a Corporate, Directorate and individual Service level perspective. The ‘dashboard’ contains a range of cost indicators providing an easy to understand picture of the Council’s financial position. We have actively used this tool within 2012/13 to monitor progress against our efficiency targets and our aim is to develop this further within 2013/14. This has significantly increased the Council’s ability to manage day-to-day costs and is used to report quarterly to members through the monthly Performance Management Framework. The table below summarises the revenue position against budget in SeRCOP format:

SERVICE EXPENDITURE	Adjusted Budget 2012-13	Draft Outturn 2012-13	Variance	%
	£000	£000	£000	
Services				
Community & Environment	8,956	8,711	(245)	2.74%
Resources	3,660	3,508	(152)	4.14%
Development	5,385	4,574	(811)	15.06%
Services Total	**18,001**	**16,793**	**(1,208)**	**5.00%**
Capital Charges Reversed	(3,323)	(3,323)	0	0.00%
Net Expenditure Services	**14,678**	**13,470**	**(1,208)**	**8.23%**
Reserves and Provisions	569	420	(149)	26.21%
	15,247	**13,890**	**(1,357)**	**8.90%**

Primary Drivers	Variance £000	Variance %
Facilities Management: overspend due to delay in biomass boiler and photovoltaic (PV) panels for Bicester and Spiceball sports centres resulting in reduced feed in tariff.	75	0.5%
Vehicle Maintenance & MOTs: overspend largely due to dayworks and MOT income underachieved.	67	0.4%
Information Services: Telephony overspend as reported early in the year.	46	0.3%
Building Control: largely due to reduction in income and overspends within supplies and services budgets.	24	0.2%
Development Control: Savings within Enforcement of Professional Fees, Development Control – Advice has a saving on consultancy and a salary savings. Appeals are showing an underspend due to low spend on professional fees some salary savings. Planning fee income achieved higher than budget.	(428)	(2.8%)
Planning & The Economy: Staffing vacancies greater saving than expected and no spend on publicity.	(121)	(0.8%)
Assets & Facilities Management: largely due to overachievement of rental income from Castle Quay.	(116)	(0.8%)
Customer Services: saving from salary vacancies and reduced hours, IT software charges and small savings on consumables (franking machine and uniforms).	(85)	(0.6%)
Safer Communities: underspend largely from staffing vacancies.	(73)	(0.5%)
Land Charges: Achieved greater income from search fees and also a credit note carried forward for Idox system.	(72)	(0.5%)
Environmental Health: licensing over achievement of income (put into an earmarked reserve as per regulations).	(49)	(0.3%)
Legal: Made up of several small efficiencies in Books, Postage, S/ware, Salaries, External Legal Fees and Counsel Fees.	(47)	(0.3%)
Housing Needs: saving largely due to staffing vacancy.	(41)	(0.3%)
Waste & Recycling: extra income from recyclable materials.	(37)	(0.2%)
Human Resources: efficiency savings in shared services and training.	(35)	(0.2%)
Recreation & Sports: the majority of the underspend relates to the grant funded Sportivate Project, underspends transfer to an ear marked reserve at year end.	(33)	(0.2%)
Vehicle Parks: an overspend from reduced ECNs offset by extra parking income, salary vacancies, savings on cash collection and bus station electricity.	(29)	(0.2%)
Communications & Corporate Publications: Income generated from selling of graphic design services to SNC (and a recharge for istock images).	(20)	(0.1%)
Various smaller unders and overs less than £20k	(383)	(2.5%)
TOTAL OUTTURN VARIANCE TO BUDGET	**(1,357)**	**(8.9%)**

2.4 Sources of Finance - Where the Money Came From

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



2.5 Capital Expenditure and Financing

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

Comparison of capital spending by scheme 2012/13 against budget

Description	Annual Budget £000	Period Actual £000	Variance £000	Slippage Required £000
Biomass Heating for Bicester Leisure Centre	385	0	(385)	385
Hanwell Fields Community Centre	6	0	(6)	6
Replacement Cabling Infrastructure for CCTV	48	0	(48)	48
CCTV Internet Protocol Transmission	86	65	(21)	21
Solar Photovoltaics at Sports Centre	455	358	(97)	97
Village Hall, Recreation Play Grants	37	0	(37)	37
Football Development Plan in Banbury	20	0	(20)	20
South West Bicester Sports Village	1,366	179	(1,187)	1,187
Off Road Parking Facilities	18	0	(18)	18
Circular Walks Access Works	2	0	(2)	2
Urban Centres Improvements	15	0	(15)	15
Car Park Refurbishments	28	0	(28)	28
Implementing Vehicle Parks Proposals	20	0	(20)	17
Sports Centre Modernisation Programme	249	0	(249)	249
Energy Efficiency Projects	80	0	(80)	73
Access to Highfield Depot	22	0	(22)	22

Climate Change Initiatives Fund	24	23	(1)	0
Vehicle Replacement Programme	425	417	(8)	0
Recycling Bins	25	22	(3)	0
Environmental Services Waste Management IT System	2	0	(2)	0
Fleet Management System	28	12	(16)	16
Mini Materials Recovery Facility	29	0	(29)	29
Iclipse Software Upgrade	13	0	(13)	11
Capita Insource	14	14	0	0
Standardisation	226	226	0	0
Overarching Shared ICT Programme	4	4	0	0
Online Service Provision via Forms	5	0	(5)	0
Thin Client Extension	37	0	(37)	37
Autoteller Kiosks	15	12	(3)	0
Contact Centre Call Recording	10	10	0	0
Core Business System Integration	48	0	(48)	48
Corporate Bookings System	50	0	(50)	50
Cherwell Community Led Programme	55	47	(8)	8
Ferriston Roof Repairs	18	13	(5)	0
Thorpe Way Roof Repairs	10	0	(10)	0
Cherwell Community Led Programme	2,021	317	(1,704)	1,704
Sanctuary Acquisition Merton & Cedar	131	116	(15)	15
Bicester Cattle Market Car Park Phase 2	90	0	(90)	90
Bicester Pedestrianisation	250	0	(250)	250
Future Regeneration Schemes Preliminary Professional Fees	52	0	(52)	42
Thorpe Lane Depot Refurbishment Scheme	0	16	16	0
Old Bodicote House	445	95	(350)	348
Bicester Town Centre Redevelopment	9,980	7,201	(2,779)	2,750
Highfield Depot Repairs	16	0	(16)	16
Kidlington High Street Pedestrianisation	21	0	(21)	17
Fees of Future Regeneration Schemes	50	0	(50)	0
Orchard Way Refurbishment	250	0	(250)	250
Photovoltaic at Bodicote House & Banbury Museum	130	130	0	0
Disabled Facilities Grants	964	763	(201)	142
The Sanctuary Acquisition Scheme	4	4	0	0
Discretionary Grants for Domestic Properties	325	90	(235)	235
Housing Overcrowding Pilot scheme	50	50	0	0
Young Persons Acquisition Scheme	54	0	(54)	0
Land Claypits Lane Bicester	56	0	(56)	56
Banbury Foyer & Banbury Youth Hub	68	0	(68)	68
Purchase of Temp Accommodation Bryant House Bicester & Edward Street Banbury	132	132	0	0
Dashwood Road	66	66	0	0
Discretionary House Condition Grants	135	85	(50)	50
Eco-Town North West Bicester Primary School	0	50	50	0
Environmental Improvements Grimsbury	30	89	59	0
Capital Total	**19,195**	**10,607**	**(8,588)**	**8,457**
Banbury Young Homeless Persons - Donated Asset		565		
		11,172		

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

	31-Mar-13 £000s
Sources of finance	
Capital Receipts	9,617
Funding from Earmarked Reserves through Revenue	446
Government Grants and Other Contributions	544
Donated Asset contribution	565
	11,172

2.6 Revaluations

A full revaluation has been completed in 2012-13 on 31st March 13 as listed in the table below. We are required to revalue our assets every 5 years as part of preparing our statutory accounts. The revaluation exercise also identified buildings within the Community Assets which were then re-categorised as Operational Assets Other Land and Buildings. None of these revaluation gains and losses impact on the council tax.

Asset Description	Book Value 31 March 12	Gross Valuation 31 March 13	Revaluation GAIN	Revaluation LOSS
Town Centre Car Parks - See Separate Shedule	11,468,313	18,899,997	7,431,684	
Spiceball Sports Centre, Banbury	15,109,346	17,780,000	2,670,654	
Stratfield Brake Community Association, Kidlington	0	2,360,000	2,360,000	
Kidlington & Gosford Sports Centre, Kidlington	12,353,464	14,450,000	2,096,536	
Bicester Ploughley Sports Centre, Bicester	12,513,200	13,587,500	1,074,300	
Hanwell Fields Community Association, Banbury	0	1,000,000	1,000,000	
Woodgreen Leisure Centre, Banbury	5,153,565	5,950,000	796,435	
Chasewell Grange Community Association, Banbury		720,000	720,000	
Bus Station, Banbury	1,414,080	2,000,000	585,920	
Southwold Community Association, Bicester	0	560,000	560,000	
Willy Freund Boys Club, Banbury	0	545,000	545,000	
Drayton School Pavilion, Banbury	0	505,000	505,000	
Jack & Jill Playgroup, Bicester	0	490,000	490,000	
Shared Ownership Properties	1,338,921	1,715,237	399,054	(22,738)
Banbury Museum	5,542,126	5,940,000	397,874	
Oxford House, Bicester	164,789	540,000	375,211	
Langford Village Community Association, Bicester	0	360,000	360,000	
Grimsbury Community Association, Banbury	0	345,000	345,000	
Former Spiceball Sports Centre, Banbury	627,914	720,000	92,086	
Bridge Street Public Conveniences, Banbury	34,250	120,000	85,750	
Highfield Depot, Bicester	306,209	385,000	78,791	
Chapel Street Washroom, Bicester	0	52,000	52,000	
68 Springfield Avenue, Banbury	82,180	105,000	22,820	
Horsefair Public Conveniences, Banbury	219,310	240,000	20,690	
Unit 18 Thorpe Place, Banbury	44,483	63,000	18,518	
Claremont Public Conveniences, Bicester	133,875	150,000	16,125	
Land at Woodpiece Road, Upper Arncott	15,000	30,000	15,000	
Caretaker’s Lodge, Bodicote	215,600	230,000	14,400	
Watts Way Public Convenience, Kidlington	116,206	127,000	10,794	
7 Acres at Wildmere Industrial Estate, Banbury	10,500	10,500	0	
70 West Street, Banbury	150,000	150,000	0	
Bodicote Park, Banbury	300,000	300,000	0	
Thorpe Lane Depot, Banbury	2,165,012	1,125,000		(1,040,012)
Bodicote House, Banbury	9,225,707	8,440,000		(785,707)
Tooley’s Boatyard, Banbury	585,718	356,000		(229,718)
Bure Place Public Conveniences, Bicester	178,560	0		(178,560)
Shop Mobility, Crown Walk, Bicester	62,920	0		(62,920)
Castle Quay Tourist Information Centre, Banbury	666,240	625,000		(41,240)
Car Parking Wardens Office, Banbury	45,024	34,000		(11,024)
Exeter Hall, Kidlington	60,480	60,000		(480)
	80,302,993	**101,070,234**	**23,139,640**	**(2,372,399)**

Revaluation gain material movements:

Asset	Reasons
Town Centre Car Parks	Last valuation was in 2008-09, combined with additional car-parking income which is reflected in this valuation of all the town centre car parks. The carparks making up the majority of the increases are Cattle Market car park (£3.1m), Spiceball carpark (£2.2m) and Claremont carpark (£1.2m)
Spiceball Sports Centre, Banbury	The building replacement costs which is used to calculate Fair Value DRC for the sports centre had increased from when the provision of the new sports centre was completed and these figures were provided by Parkwood's Insurance brokers.
Stratfield Brake Community Association, Kidlington	Previously held at historical cost of £0 - this asset has been transferred to Land and Buildings and revalued at Existing Use Value, generating a revaluation gain

Kidlington & Gosford Sports Centre, Kidlington	The building replacement costs which is used to calculate Fair Value DRC for the sports centre had increased from when the refurbishment works were completed and these figures were provided by Parkwood's Insurance brokers.
Bicester Ploughley Sports Centre, Bicester	The building replacement costs which is used to calculate Fair Value DRC for the sports centre had increased from when the refurbishment works were completed and these figures were provided by Parkwood's Insurance brokers.
Hanwell Fields Community Association, Banbury	Previously held at historical cost of £0 - this asset has been transferred to Land and Buildings and revalued at Existing Use Value, generating a revaluation gain
Woodgreen Leisure Centre, Banbury	The building replacement costs which is used to calculate Fair Value DRC for the sports centre had increased from when the refurbishment works were completed and these figures were provided by Parkwood's Insurance brokers.
Chasewell Grange Community Association, Banbury	Previously held at historical cost of £0 - this asset has been transferred to Land and Buildings and revalued at Existing Use Value, generating a revaluation gain
Bus Station, Banbury	Whilst the land value used to calculate the site value based on recent transactions remain unchanged, the construction costs used for Fair Value DRC basis had increased significantly and this had to be accounted for in the revaluation of this Asset.
Southwold Community Association, Bicester	Previously held at historical cost of £0 - this asset has been transferred to Land and Buildings and revalued at Existing Use Value, generating a revaluation gain
Willy Freund Boys Club, Banbury	Previously held at historical cost of £0 - this asset has been transferred to Land and Buildings and revalued at Existing Use Value, generating a revaluation gain
Drayton School Pavilion, Banbury	Previously held at historical cost of £0 - this asset has been transferred to Land and Buildings and revalued at Existing Use Value, generating a revaluation gain
Jack & Jill Playgroup, Bicester	Previously held at historical cost of £0 - this asset has been transferred to Land and Buildings and revalued at Existing Use Value, generating a revaluation gain
Banbury Museum	The increase for this Asset was due to the increase in Building replacement costs which is used to calculate the Fair Value DRC basis and these had to be accounted for in the revaluation of this asset.
Oxford House, Bicester	The change in the value is due to the changes in the Housing Market. This was valued under EUV-SH and then applying an adjustment factor and this had changed considerably. In 2009-10, it was 54% whereas, 2012-13 it reduced to 32% and this had a positive effect on the valuation of this Asset.
Langford Village Community Association, Bicester	Previously held at historical cost of £0 - this asset has been transferred to Land and Buildings and revalued at Existing Use Value, generating a revaluation gain
Grimsbury Community Association, Banbury	Previously held at historical cost of £0 - this asset has been transferred to Land and Buildings and revalued at Existing Use Value, generating a revaluation gain
Bure Place Public Conveniences, Bicester & Shop Mobility, Crown Walk, Bicester	These assets are no longer owned by the Council.
Thorpe Lane Depot, Banbury	The Council undertook extensive refurbishment works to the Depot and these were not completed until May 2012 which comprised the reduction in floor areas for the office space together with stores. There has also been a change in the market rent for this type of property and these have contributed to the reduction in the value of this Asset,
Bodicote House, Banbury	The main reason for the reduction in the Value of this Asset is due to the changes in the market as it is suffering with the lack of interest for office space. Consequently, the rent per sq.ft has reduced over the last few years and when this is capitalised to determine the Fair Value, it has had a detrimental effect on the overall value of this Asset.

2.7 Reserves and Balances Summary

The Council's accounts are prepared on a going concern basis. In considering the sustainability of the Council's expenditure plans, a key factor is the level of reserves which are likely to be available to the Council and their ability to support the underlying level of expenditure in the long term.

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

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

2.8 Treasury Management Performance

The Council has significant cash reserves which it invests through the Money Market. The interest earned is credited to the Income and Expenditure Account.

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

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

As at 31 March 2013 we had a total of £64.4million (2011/12 £66.9million) invested, of which £9.2million were classified as cash and cash equivalents (2011/12 £13.1million).

2.9 Investments in Iceland

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

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

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

The Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in March 2012. An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 4.2%.

The Glitnir investment remaining in the Council's balance sheet at 31March 2013 is £1.47m

Glitnir	Claim Ref	Total Claim Value	Claim Value in Escrow at 31/3/2013	Claim Value in Escrow at 31/3/2013
				£1 : 188.97 ISK
		ISK	ISK	£
Investment 1	1819	430,659,559	85,605,300	453,010
Investment 2	1870	436,659,157	86,797,889	459,321
Investment 3	1888	527,451,012	104,845,280	554,825
		1,394,769,728	277,248,469	1,467,156

The amounts were converted from Icelandic Kroner to GBP Sterling with the exchange rates as detailed within CIPFA LAAP Bulletin 82 Update 7. There was foreign exchange gain recognised of £97,158 at the balance sheet date.

2.10 Collection Fund

As a billing Council, the Council is required to maintain a Collection Fund, which accounts for the transactions relating to Council Tax and Business Rates. The balance carried forward at 31st March 2013 is £1.50m surplus. The Council Tax element of this surplus will be shared by the District Council and the major precepting bodies.

2.11 Pension

The application of International Accounting Standard (IAS) 19 has resulted in a pension liability of £53.3 million shown in the Balance Sheet, a decrease of £0.5 million in the year. The main drivers for this reduction include:

- The completion of the 2010 actuarial valuation has been rolled forward and the assessment at 31 March 2013 is based on the assumptions. The performance of the funds and the outcome of the valuation have led to an actuarial gain of £1.8m .

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

Further details are set out in the Accounting Policies (Note 13.8.3) and Pension Notes (section 12).

2.12 Audit

The first draft of these accounts is scheduled to be endorsed for audit by the Chief Financial Officer no later than 30th June 2013.

2.13 Explanation of the Statements

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

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

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

3. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

3.1 The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Financial Officer;

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

- approve the Statement of Accounts.

3.2 The Chief Financial Officer's responsibilities

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

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

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

3.3 Chief Financial Officer Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2013.

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

3.4 Chairman of Accounts, Audit and Risk Committee Certificate

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

Councillor Trevor Stevens
Chairman of Accounts, Audit and Risk Committee **Date**:

4. MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

		General Fund Balance £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Authority Reserves £000s
Balance 1 April 2012	BS	**(3,687)**	**(10,223)**	**(38,954)**	**(567)**	**(53,431)**	**(67,290)**	**(120,721)**
Movement in reserves during 2012/13								
Surplus or (deficit) on the provision of service	CI&E	12,767	0	0	0	**12,767**	0	**12,767**
Other Comprehensive Income & Expenditure			0	0	0	**0**	(26,647)	**(26,647)**
Total Comprehensive Income & Expenditure		**12,767**	**0**	**0**	**0**	**12,767**	**(26,647)**	**(13,880)**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 8.5)	8.5	(13,830)	0	8,562	520	**(4,748)**	4,748	**0**
Reversing Use of capital receipts to fund Glitnir, Iceland capitalisation			0	0	0	**0**	0	**0**
Increase / decrease before transfers to Earmarked Reserves		**(1,063)**	**0**	**8,562**	**520**	**8,019**	**(21,899)**	**(13,880)**
Transfers to/from Earmarked Reserves		1,060	(1,060)	0	0	**0**	0	**0**
Use of reserves for capital financing		0	422	0	0	**422**	(422)	**0**
Write-off of Glitnir, Iceland investment		0	0	0	0	**0**	0	**0**
Total movements in Earmarked Reserves	**8.6**	**1,060**	**(638)**	**0**	**0**	**422**	**(422)**	**0**
Increase / decrease in 2012/13		**(3)**	**(638)**	**8,562**	**520**	**8,441**	**(22,321)**	**(13,880)**
Balance at 31 March 2013 carried forward		**(3,690)**	**(10,861)**	**(30,392)**	**(47)**	**(44,990)**	**(89,611)**	**(134,601)**

Comparative figures for 2011/12 are:

	General Fund Balance £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Council Reserves £000s
Balance 1 April 2011	**(2,220)**	**(8,545)**	**(38,830)**	**(712)**	**(50,307)**	**(84,242)**	**(134,549)**
Movement in reserves during 2011/12							
Surplus or (deficit) on the provision of service	4,067	0	0	0	**4,067**	0	**4,067**
Other Comprehensive Income & Expenditure	0	0	0	0	**0**	12,984	**12,984**
Total Comprehensive Income & Expenditure	**4,067**	**0**	**0**	**0**	**4,067**	12,984	**17,051**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 8.5)	(7,551)	0	3,106	145	**(4,300)**	4,300	**0**
Reversing Use of capital receipts to fund Glitnir, Iceland capitalisation	0	7	(3,230)	0	**(3,223)**	0	**(3,223)**
Increase / decrease before transfers to Earmarked Reserves	**(3,484)**	**7**	**(124)**	**145**	**(3,456)**	**17,284**	**13,828**
Transfers to/from Earmarked Reserves	632	(632)	0	0	**0**	0	**0**
Use of reserves for capital financing	0	332	0	0	**332**	(332)	**0**
Write-off of Glitnir, Iceland investment	1,385	(1,385)	0	0	**0**	0	**0**
Total movements in Earmarked Reserves	**2,017**	**(1,685)**	**0**	**0**	**332**	**(332)**	**0**
Increase / decrease in 2011/12	**(1,467)**	**(1,678)**	**(124)**	**145**	**(3,124)**	**16,952**	**13,828**
Balance at 31 March 2012 carried forward	**(3,687)**	**(10,223)**	**(38,954)**	**(567)**	**(53,431)**	**(67,290)**	**(120,721)**

5. COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Council's raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

RESTATED Gross Expenditure 31-Mar-12 £000	RESTATED Gross Income 31-Mar-12 £000	RESTATED Net Expenditure 31-Mar-12 £000		Gross Expenditure 31-Mar-13 £000	Gross Income 31-Mar-13 £000	Net Expenditure 31-Mar-13 £000
8,861	(8,299)	562	Central Services to the Public	9,415	(8,448)	967
8,552	(1,803)	6,749	Cultural & Related Services	5,767	(1,851)	3,916
8,648	(1,923)	6,724	Environmental Services	8,704	(2,396)	6,308
4,537	(2,368)	2,170	Planning & Development	5,219	(2,599)	2,620
1,709	(2,706)	(997)	Highways, Roads & Transport Services	3,925	(2,206)	1,719
41,702	(37,435)	4,267	Other Housing Services (General Fund)	43,508	(38,578)	4,930
2,158	(69)	2,089	Coporate and Democratic Core	2,246	(70)	2,176
784	0	784	Non Distributed Services	1,159	0	1,159
76,952	**(54,603)**	**22,348**	**Net Cost of Services**	**79,943**	**(56,148)**	**23,795**
		3,213	Other Operating Expenditure (Note 8.7)			3,066
		(2,197)	Financing and Investment Income & Expenditure (Note 8.8)			4,506
		(19,297)	Taxation and Non-Specific Grant Income (Note 8.9)			(18,600)
		4,067	**(Surplus) / deficit on Provision of Service**			**12,767**
		(4,953)	(Surplus) / deficit on the revaluation of non-current assets (Note 8.23.1)			(24,895)
		17,937	Actuarial (gains) / losses on pension assets & liabilities (Note 12.3.6)			(1,752)
		12,984	**Other Comprehensive Income & Expenditure**			**(26,647)**
		17,051	(Surplus)/ deficit on Total Comprehensive Income & Expenditure			**(13,880)**

In 2011/12 Car & Lorry Parks were included in Financing and Investment Income & Expenditure line. This income and expenditure should have been categorised as Highways as per the SERCOP 2012/13 Code of Practice. The Income and Expenditure Account has been restated to show this change. The Net surplus for Car & Lorry Parks of (£1,482,000) has moved up into the Net Cost of Services but has no impact on the bottom line or on the Balance Sheet.
The original 2011/12 Comprehensive Income and Expenditure account is shown below for comparison.

Gross Expenditure 31-Mar-12 £000s	Gross Income 31-Mar-12 £000s	Net Expenditure 31-Mar-12 £000s		RESTATED Gross Expenditure 31-Mar-12 £000	RESTATED Gross Income 31-Mar-12 £000	RESTATED Net Expenditure 31-Mar-12 £000
8,861	(8,299)	562	Central Services to the Public	8,861	(8,299)	562
8,552	(1,803)	6,749	Cultural & Related Services	8,552	(1,803)	6,749
8,648	(1,923)	6,725	Environmental and Regulatory Services	8,648	(1,923)	6,724
4,537	(2,368)	2,169	Planning Services	4,537	(2,368)	2,170
635	(150)	485	Highways, Roads & Transport Services	1,709	(2,706)	(997)
41,702	(37,435)	4,267	Housing Services	41,702	(37,435)	4,267
2,158	(69)	2,089	Coporate and Democratic Core	2,158	(69)	2,089
784	0	784	Non Distributed Services	784	0	784
75,876	**(52,046)**	**23,830**	**Net Cost of Services**	**76,951**	**(54,603)**	**22,348**
		3,213	Other Operating Expenditure (Note 8.7)			3,213
		(3,679)	Financing and Investment Income & Expenditure (Note 8.8)			(2,197)
		(19,297)	Taxation and Non-Specific Grant Income (Note 8.9)			(19,297)
		4,067	**(Surplus) / deficit on Provision of Service**			**4,067**
		(4,953)	(Surplus) / deficit on the revaluation of non-current assets (Note 8.23.1)			(4,953)
		17,937	Actuarial (gains) / losses on pension assets & liabilities (Note 12.3.6)			17,937
		12,984	**Other Comprehensive Income & Expenditure**			**12,984**
		17,051	(Surplus)/ deficit on Total Comprehensive Income & Expenditure			**17,051**

6. BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31-Mar-12 £000s		Notes	31-Mar-13 £000s
89,052	Property, Plant & Equipment	8.10	115,852
27,560	Investment Property	8.12	22,642
1,349	Intangible Assets	8.13	1,296
5,041	Long Term Investments	8.16	0
70	Long Term Debtors		83
123,072	**Long Term Assets**		**139,873**
48,365	Short Term Investments	8.16	53,366
215	Inventories		235
14,325	Short Term Debtors	8.18	10,274
13,608	Cash and Cash Equivalents	8.19	11,049
76,513	**Current Assets**		**74,924**
(496)	Bank Overdraft	8.19	(1,891)
(7,767)	Short Term Creditors	8.20	(9,703)
(355)	Provisions	8.21	(398)
(8,618)	**Current Liabilities**		**(11,992)**
(53,772)	Liability Related to Defined Benefit Pension Scheme	12.3	(53,348)
(2,667)	Provisions	8.21	(694)
(13,807)	Capital Grants Receipts in Advance	8.34	(14,162)
(70,246)	**Long Term Liabilities**		**(68,204)**
120,721	**Net Assets**		**134,601**
(53,431)	Usable Reserves	8.22	(44,990)
(67,290)	Unusable Reserves	8.23	(89,611)
(120,721)	**Total Reserves**		**(134,601)**

7. CASH FLOW STATEMENT

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

31-Mar-12		Note	31-Mar-13
(4,067)	Net Surplus or (Deficit) on the Provision of Services	8.24	(12,767)
5,857	Adjustments to net surplus or deficit on the provision of services for non-cash movements	8.24	12,233
(403)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	8.24	(678)
1,387	Net cash flows from Operating Activities	8.24	(1,212)
5,123	Investing Activities	8.25	(5,075)
(1,110)	Financing Activities	8.26	2,332
5,400	Net increase or (decrease) in cash and cash equivalents		(3,955)
7,712	Cash and cash equivalents at the beginning of the reporting period	8.19	13,113
13,112	**Cash and cash equivalents at the end of the reporting period**	**8.19**	**9,158**

8. NOTES TO THE CORE FINANCIAL STATEMENTS

8.1 Critical judgements in applying accounting polices

In applying the accounting policies set out in Note 13, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Future Funding of Local Government

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

Heritage Assets

The 2012/13 Code adopts the requirements of FRS 30 *Heritage Asset.* Heritage assets are maintained principally for their contribution to knowledge and culture and it is this which distinguishes them from other assets. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage.

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

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

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

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

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

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Depreciation of Property, Plant & Equipment	The Council assigns useful lives and residual values to property, plant and equipment based on periodic studies of actual asset lives and the intended use for those assets. Changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.	Where the Council determines that the useful life of property, plant and equipment should be shortened or residual value reduced, it depreciates the net book value in excess of the residual value over the revised remaining useful life, thereby increasing depreciation expense. Any change in an asset's life or residual value is reflected in the Council's accounts when the change in estimate is determined. The carrying value of assets in the balance sheet is £114,860k
Impairment of Property, Plant & Equipment & Intangible Assets	The Council assesses the impairment of property, plant and equipment and intangible assets (excluding goodwill) whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards Factors that are considered important and which could trigger an impairment review include the following: • obsolescence or physical damage; • significant changes in technology and regulatory environments; • significant underperformance relative to expected historical or projected future operating results; • significant changes in the use of its assets or the strategy of the overall business; • significant negative industry or economic trends; and • significant decline in the market capitalisation relative to net book value for a sustained period.	The identification of impairment indicators, the estimation of future cash flows and the determination of the recoverable amount for assets or cash generating units requires significant judgement which is determined by a qualified valuer.
Fair Value Estimation		The nominal value of receivables (less any valuation allowance) and payables are assumed to approximate their fair values. Judgement is required in determining the appropriate assumptions underlying those inputs and forecasts.

		The fair value of financial liabilities measured at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments. Discounted cash flows are used to determine the fair value for the majority of remaining financial instruments.
Impairment allowance for doubtful debt	The Impairment allowance for doubtful debt reflects the Council's estimates of losses arising from the failure or inability of the Council's customers to make required payments. The allowance is based on the ageing of customer accounts, customer credit worthiness and the Council's historical write-off experience.	Changes to the allowance may be required if the financial condition of the Council's customers improves or deteriorates. An improvement in financial condition may result in lower actual write-offs.
Pensions	The Council provides one defined benefit pension scheme for its employees. The asset (or liability) recognised in the statement of financial position in respect of defined benefit pension plans represents the fair value of plan assets less the present value of the defined benefit obligations at the reporting date. The expected cost of providing these defined benefit pensions will depend on an assessment of such factors as: • the life expectancy of the Officers; • the length of service; • the rate of salary progression; • the rate of return earned on assets in the future; • the rate used to discount future pension liabilities; and • future inflation rates.	The assumptions used by the Council are set out in note 12 and are estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice but have been comparable to the median estimates in this regard used by other Councils. Changes to these assumptions could materially affect the size of the defined benefit scheme's liabilities and assets disclosed in note 12.

8.3 Events after the balance sheet date

The Statement of Accounts will be authorised for issue by the Chief Financial officer on 19th September 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

8.5 Adjustments between Accounting Basis and Funding Basis under Regulations

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

31-Mar-13	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the CIES:				
Charges for depreciation and impairment of non current assets	(4,186)			**4,186**
Amortisation of intangible assets	(305)			**305**
Revaluation losses on Property Plant and Equipment	(3,188)			**3,188**
Revenue expenditure funded from capital under statute	(1,445)			**1,445**
Movements in the market value of Investment Properties - I&E	(5,093)			**5,093**
Amounts of Non-current Assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(21)			**21**
FV and Historic Cost Depreciation Adjustment				**0**
Contributions in relation to donated assets credited to the CIES	565			**(565)**
Capital expenditure charged against the General Fund (RCCO)	24			**(24)**
Adjustments involving the Capital Grants Unapplied Account				
Capital Grants and contributions unapplied credited to the CIES	(520)		520	
Application of grants to capital financing transferred to the CAA	544			**(544)**
Adjustments involving the Capital Receipts Reserve:				
Other capital cash receipts	1,052	(1,052)		
Use of the Capital Receipts Reserve to finance new capital expenditure		9,616		**(9,616)**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(8)	8		**0**
Adjustments Involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES		(10)		**10**
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(4,150)			**4,150**
Employer's pensions contributions and direct payments to pensioners payable in the year	2,822			**(2,822)**
Adjustments involving the Collection Fund Adjustments Account:				
Amount by which council tax income credited to the CIES is different from the council tax income calculated for the year in accordance with statutory requirements	59			**(59)**
Adjustment involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	20			**(20)**
TOTAL ADJUSTMENTS	**(13,830)**	**8,562**	**520**	**4,748**

31-Mar-12	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the CIES:				
Depreciation and impairment of non current assets	(4,032)	0	0	**4,032**
Amortisation of intangible assets	(402)	0	0	**402**
Revaluation losses on Property, Plant & Equipment	(2,169)	0	0	**2,169**
Revenue expenditure financed from capital under statute	(1,330)	0	0	**1,330**
Movements in the market value of Investment Properties	(103)	0	0	**103**
Amount of Non-Current Assets written off on disposal as part of the gain/loss on disposal to the CIES	(26)	0	0	**26**
Adjustments involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the CAA	0	0	145	**(145)**
Adjustments involving the Capital Receipts Reserve:				
Other capital cash receipts	830	(830)	0	**0**
Use of the Capital Receipts Reserve to finance new capital expenditure	0	3,938	0	**(3,938)**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(4)	4	0	**0**
Adjustments Involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0	(6)	0	**6**
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(3,263)	0	0	**3,263**
Employer's pensions contributions and direct payments to pensioners payable in the year	2,898			**(2,898)**
Adjustments involving the Collection Fund Adjustments Account:				
Amount by which council tax income credited to the CIES differs from the council tax income calculated for the year in accordance with statutory requirements	21	0	0	**(21)**
Adjustment involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CIES differs from remuneration chargeable in the year in accordance with statutory requirements	29	0	0	**(29)**
Total Adjustments	**(7,551)**	**3,106**	**145**	**4,300**

8.6 Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

Reserve	Balance 31-Mar-12	Transfer in	Transfer out	Year End Review of Reserves	Statutory Accounts Balance 31-Mar-13
General Fund:	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Self Insurance	(350)	0	102	88	(160)
Building Control	(47)	0	0		(47)
Plant & Transport Renewals Fund	(400)	0	400	(250)	(250)
High Speed 2	(14)	0	0		(14)
Wheeled Bin Replacements	(240)	0	22	68	(150)
Environmental Warranties	(2,601)	0	57	303	(2,240)
Corporate Transformation	(708)	0	80	(116)	(744)
Planning Control	(699)	0	0	99	(600)
Planning Policy	(650)	(356)	462	44	(500)
Corporate IT	(300)	(11)	125	(114)	(300)
Hanwell Fields Open Space	(91)	0	2		(89)
Licensing	(69)	(46)	0	45	(70)
Elections	(50)	0	0		(50)
Olympics Legacy	(50)	0	29		(21)
Economic Risk	0	(250)	0		(250)
Country Park Option Appraisal	0	(50)	0		(50)
Special Initiatives	0	(269)	0	(31)	(300)
Welfare Reform	0			(150)	(150)
Apprentices	0	(64)	0	14	(50)
	(6,269)	**(1,046)**	**1,279**	**0**	**(6,036)**
Earmarked Reserves from Grants & Contributions					
Eco Town Revenue	(1,665)	(145)	298	0	(1,512)
Planning Delivery Grant	(514)	0	34	0	(480)
Broadfield Road Yarnton Sports	(159)	(1)	10	0	(150)
Homelessness Prevention	(197)	0	30	0	(167)
Planning Policy Statement Climate Change	(82)	0	0	0	(82)
Government Grant LABGI	(80)	0	31	0	(49)
Bicester Fields Main Park	(98)	(0)	0	0	(98)
Flood Recovery Grant	(94)	0	0	0	(94)
Bicester Youth Bus	(65)	0	0	0	(65)
Dovecote Milcombe	(55)	(0)	0	0	(55)
Area Based Grant	(84)	0	2	0	(82)
New Homes Bonus	(496)	(646)	0	0	(1,142)
Green Deal Pioneer Places	0	(145)	0	0	(145)
Local Government Resource Review	0	(84)	0	0	(84)
Total of smaller grants and contributions under £50,000	(365)	(286)	31	0	(620)
	(3,954)	**(1,307)**	**436**	**0**	**(4,825)**
Total Earmarked Reserves	**(10,223)**	**(2,353)**	**1,715**	**0**	**(10,861)**

* The Council settled an employment dispute which was funded from reserves. £90,000 was paid from the Self Insurance Reserve and included as an accrual in the 12/13 accounts.

Reserves	Balance 31-Mar-11	Transfer in	Transfer out	Statutory Accounts Balance 31-Mar-12
	£000s	**£000s**	**£000s**	**£000s**
Earmarked Reserves				
Ex-HRA Insurance	(300)	(111)	61	(350)
Joint Working	(339)	0	339	0
Building Control	(47)	0	0	(47)
Plant & Transport Renewals Fund	(314)	(400)	314	(400)
High Speed 2	(50)	0	36	(14)
Wheeled Bin Replacements	(307)	0	67	(240)
Environmental Warranties	(1,855)	(1,385)	639	(2,601)
Corporate Improvement	(364)	(495)	151	(708)
Planning Control	(1,008)	(310)	619	(699)
Planning Policy	(350)	(300)	0	(650)
Corporate IT	(74)	(253)	27	(300)
Hanwell Fields Open Space	(100)	(91)	100	(91)
Licensing	(46)	(23)	0	(69)
Elections	0	(50)	0	(50)
Jubilee / Olympics	0	(50)	0	(50)
	(5,154)	**(3,468)**	**2,353**	**(6,269)**
Earmarked Reserves from Grants & Contributions				
Eco Town Revenue	(1,573)	(376)	284	(1,665)
Planning Delivery Grant	(601)	0	87	(514)
Broadfield Road Yarnton Sports	(158)	(1)	0	(159)
Homelessness Prevention	(155)	(43)	1	(197)
Planning Policy Statement Climate Change	(82)	0	0	(82)
Government Grant LABGI	(117)	0	37	(80)
Bicester Fields Main Park	(98)	(0)	0	(98)
Flood Recovery Grant	(94)	0	0	(94)
Bicester Youth Bus	(65)	0	0	(65)
Dovecote Milcombe	(55)	(0)	0	(55)
Area Based Grant	(51)	(52)	19	(84)
New Homes Bonus	0	(496)	0	(496)
Total of smaller grants and contributions under £50,000	(344)	(78)	57	(365)
	(3,393)	**(1,046)**	**485**	**(3,955)**
Total Earmarked Reserves	**(8,547)**	**(4,514)**	**2,838**	**(10,223)**

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

Environmental Warranties	To fund commitment on asbestos for the period associated with Stock Transfer Contract
Corporate Transformation	Change reserve to fund restructuring and business transformation projects
Planning Control & Policy	Created to cover planning appeals
Corporate IT	To fund the next stages of the IT transformation including the harmonisation of the systems between Cherwell District Council and South Northants Council
Special Initiatives	Revenue reserve created to fund projects that deliver housing and economic growth
Eco Town Revenue	Funds for the Eco Town in Bicester
Planning Delivery Grant	To fund projects that support new homes
New Homes Bonus	A 'bonus' for new homes by match funding the additional council tax raised for new homes and empty properties brought back into use, with an additional amount for affordable homes, for the following six years.
Green Deal Pioneer Places	To help fund a Green Deal network of local assessors and installers in Bicester.
Local Government Resource Review	To fund the costs and implications associated with LGRR

8.7 Other Operating Expenditure

31-Mar-12 £000s		31-Mar-13 £000s
4,013	Parish Council Precepts	4,089
4	Payments to the Government Housing Capital Receipts Pool	8
26	(Gains) / losses on the disposal of non current assets	21
(830)	Income from disposal of capital interests	(1,052)
3,213	**Total**	**3,066**

8.8 Financing and Investment Income and Expenditure

31-Mar-12 £000s RESTATED		31-Mar-13 £000s
0	Interest payable and similar charges	0
1,117	Pensions interest cost and expected return on pensions assets	1,722
(998)	Interest receivable and similar income	(920)
103	Income and expenditure in relation to investment properties and changes in their fair value	5,093
(1,212)	Other investment income / expenditure (Glitnir)	(97)
(1,207)	Surplus on trading undertakings*	(1,292)
(2,197)	**Total**	**4,506**

*Car & Lorry Parks have been removed from Trading and categorised as Highways per the SERCOP 2012/13 Code of Practice. The Net surplus for 2012/13 is (£1,267) and 2011/12 (£1,482).

8.9 Taxation and Non Specific Grant Income

31-Mar-12 £000s		31-Mar-13 £000s
(10,382)	Council Tax Income	(10,539)
(155)	Council Tax Freeze Grant	(156)
(6,596)	Non Domestic Rates	(7,629)
(2,038)	Non-ringfenced government grants	(148)
(126)	Capital grants and contributions	(83)
0	Donated Asset contribution	(565)
0	Reversal capital grants and contribution deposits	520
(19,297)	**Total**	**(18,600)**

8.10 Property, Plant & Equipment

At Cherwell District Council, for the financial year 2012/13, all property valuations are carried out by John Slack MRICS, Chief Valuer Regeneration and Estates. The bases of valuations are undertaken in accordance with the Statement of Asset Valuation Practice and Guidance Notes, published by the Royal Institute of Chartered Surveyors (RICS).

31-Mar-13	Operational Assets			Community Assets	Non-Operational Assets		Total
	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Infrastructure £000s	£000s	Assets Held For Sale £000s	Assets under Construction £000s	£000s
Cost or valuation							
As at 1st April 2012	98,790	9,130	5,371	396	0	241	113,927
Additions	1,186	530	0	0	0	7,746	9,462
Derecognition - Disposals	0	(495)	0	(10)	0	0	(505)
Revaluation increases / decreases recognised in the Revaluation Reserve	18,472	0	0	0	0	0	18,472
Revaluation increases / decreases recognised in the Surplus / Deficit on the Provision of Services	(3,045)	0	0	0	0	0	(3,045)
Reclassification	(162)	0	0	0	0	0	(162)
Other movements in Cost or Valuation							0
As at 31st March 2013	**115,241**	**9,165**	**5,371**	**386**	**0**	**7,987**	**138,149**
Accumulated Depreciation and Impairment							
As at 1st April 2012	(17,494)	(5,868)	(1,450)	(63)	0	0	(24,875)
Depreciation Charge	(2,664)	(1,335)	(186)	(1)	0	0	(4,186)
Derecognition - Disposals	0	484	0	1	0	0	485
Depreciation written out to the Revaluation Reserve	6,279	0	0	0	0	0	6,279
Impairment losses recognised in the Revaluation Reserve		0	0	0	0	0	0
Impairment losses recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0
As at 31st March 2013	**(13,879)**	**(6,719)**	**(1,636)**	**(62)**	**0**	**0**	**(22,297)**
Net Book Value							
At 31st March 2013	101,362	2,445	3,734	324	0	7,987	115,852
At 31st March 2012	81,296	3,262	3,920	333	0	241	89,052

Comparative Movements in 2011/12:

31-Mar-12	Operational Assets			Community Assets	Non-Operational Assets		Total
	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Infrastructure £000s	£000s	Assets Held For Sale £000s	Assets under Construction £000s	£000s
Cost or valuation							
As at 1st April 2011	95,886	9,128	5,311	396	0	21	110,742
Additions	1,620	645	60	0	0	220	2,545
Derecognition - Disposals		(643)	0	0	0	0	(643)
Revaluation increases / decreases recognised in the Revaluation Reserve	3,655	0	0	0	0	0	3,655
Revaluation increases / decreases recognised in the Surplus / Deficit on the Provision of Services	(2,371)	0	0	0	0	0	(2,371)
As at 31st March 2012	**98,790**	**9,130**	**5,371**	**396**	**0**	**241**	**113,927**
Accumulated Depreciation and Impairment							
As at 1st April 2011	(16,541)	(5,054)	(1,261)	(62)	0	0	(22,917)
Depreciation Charge	(2,454)	(1,387)	(190)	(1)	0	0	(4,032)
Derecognition - Disposals		572	0		0	0	572
Depreciation written out to the Revaluation Reserve	1,501	0	0	0	0	0	1,501
As at 31st March 2012	**(17,494)**	**(5,868)**	**(1,450)**	**(63)**	**0**	**0**	**(24,875)**
Net Book Value							
At 31st March 2012	81,296	3,262	3,920	333	0	241	89,052
At 31st March 2011	79,345	4,074	4,050	334	0	21	87,825

The table below distinguishes between assets held at "historical cost" and at "fair value" in the balance sheet.

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Asset under Construction	Total
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Carried at historical cost	1,186	2,445	3,734	0	7,746	15,111
Valued at Fair Value @						
31-Mar-13	100,176	0	0	324	241	100,741
31-Mar-12	0	0	0	0	0	0
31-Mar-11	0	0	0	0	0	0
31-Mar-10	0	0	0	0	0	0
31-Mar-09	0	0	0	0	0	0
Total Value At 31st March 2013	**101,362**	**2,445**	**3,734**	**324**	**7,987**	**115,852**

Revaluations

The Council carries out a rolling programme that ensures that all Property Plant & Equipment required to be measured at fair value is re valued every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standard of the Royal Institute of Chartered Surveyors. Vehicle plant and equipment are carried at depreciated historic cost. In 2012/13 a full valuation exercise was undertaken by the Chief Valuer.

8.11 Heritage Assets

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

The Code of Practice on Local Council Accounting in the United Kingdom 2012/13 introduced a change to the treatment in accounting for heritage assets held by the Council.

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

Heritage Assets

For 2012/13 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the Council were held at valuation as a proxy for historical cost. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's summary of significant accounting policies (see Note 13.21).

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

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

The Banbury Museum

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

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

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

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

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

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

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

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

8.12 Investment Properties

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

31-Mar-12 £000s		31-Mar-13 £000s
1,637	Rental Income from investment property	1,920
(489)	Direct operating expenses arising from investment property	(442)
1,148	**Net gain**	**1,478**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

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

31-Mar-12 £000s		31-Mar-13 £000s
27,663	**Balance at start of the year**	27,560
	Additions:	
0	Subsequent expenditure	13
(103)	Net gains/losses from Investment Property fair value adjustments	(5,093)
	Transfers:	
0	To/from Property, Plant and Equipment	162
27,560	**Balance at end of the year**	**22,642**

8.13 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets the Council holds are all purchased licenses and software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The total amounts held for each category of useful lives are:

31-Mar-12 £000s	Software and Licences	31-Mar-13 £000s
0	1 Year	0
239	3 Years	127
45	4 Years	33
802	5 Years	923
6	7 Years	0
257	10 Years	213
1,349		**1,296**

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £303,000 charged to revenue in 2012/13 was mostly charged to the ICT infrastructure support cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

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

31-Mar-12 £000s	Software and Licences	31-Mar-13 £000s
	Balance at start of year:	
3,300	Gross carrying amounts	3,665
(1,988)	Accumulated amortisation	(2,316)
1,312	Net carrying amount at start of year	1,349
	Additions:	
450	Purchases	252
(85)	Disposals Gross Carrying Amount	0
74	Disposals amortisation	0
		0
(402)	Amortisation for the period	(305)
1,349	**Net carrying amount at end of year**	**1,296**
	Comprising:	
3,665	Gross carrying amounts	3,917
(2,316)	Accumulated amortisation	(2,621)
1,349		**1,296**

8.14 Commitments under Capital Contracts

As at 31st March 2012 the Council had entered into contracts for the construction or enhancement of property, plant and equipment in 2012/13. These commitments were :-

Council Approved Capital Commitments	Total Scheme Value £000's	13/14 £000's
South West Bicester Sports Village	630	330
Bicester Town Centre Redevelopment	10,000	2,750
	10,630	3,080

8.15 Revenue Expenditure funded from Capital under Statute

The following analysis represents capital expenditure incurred during 2012/13 which did not result in the creation of a tangible asset owned by the Council. This expenditure has been written off to revenue in 2012/13.

31-Mar-12 £000s		31-Mar-13 £000s
	Type of Charge	
756	Disabled Facilities Grant	763
613	Housing Homelessness	302
32	Community Improvement Schemes	90
261	Local Council Social Housing Grant	151
43	Other Discretionary Grants	90
172	Eco Town, Bicester	50
1,877		**1,445**

8.16 Treasury Investments

31-Mar-12 £000s		31-Mar-13 £000s
	Long Term Investments	
5,041	Fixed Term Loans and Receivables	0
5,041		**0**
	Short Term Investments	
36,623	Fixed Term Loans and Receivables	41,526
11,742	Fair Value through I&E Investments	11,840
48,365		**53,366**
53,406		**53,366**

Analysis of Investments

Fixed-term loans and receivables

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

Fair value through Income and Expenditure Investments

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

Investment gains and losses

31-Mar-12 £000s		Loans and Receivables £000s (31-Mar-13)	Fair value through I&E £000s (31-Mar-13)	Total £000s (31-Mar-13)
(998)	Interest and Investment Income	(917)	(3)	(920)
(998)		**(917)**	**(3)**	**(920)**
0	Gains on forward deals	0	0	0
(1,385)	Impairment of Iceland investments	0	0	0
(1,385)		**0**	**0**	**0**
(2,383)	**Net gain**	**(917)**	**(3)**	**(920)**

8.17 Financial Instruments

8.17.1 Carrying Values

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

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

Long Term 31-Mar-12 £000s	Short Term 31-Mar-12 £000s		Long Term 31-Mar-13 £000s	Short Term 31-Mar-13 £000s
5,041	36,623	Fixed Term Loans & Receivables	0	41,526
0	11,742	Fair Value through I&E Investments	0	11,840
0	13,608	Cash & Cash Equivalents	0	11,049
70	3,734	Financial Assets carried at contract amount (Trade Debtors)	83	4,248
5,111	**65,707**	**Total Financial Assets**	**83**	**68,663**
0	(496)	Bank Overdraft	0	(1,891)
0	(3,670)	Creditors	0	(6,879)
0	**(4,166)**	**Total Financial Liabilities**	**0**	**(8,770)**

8.17.2 Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction. Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

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

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

Carrying Value 31-Mar-12 £000s	Fair Value 31-Mar-12 £000s		Carrying Value 31-Mar-13 £000s	Fair Value 31-Mar-13 £000s
0	13,608	Cash Equivalents	0	11,049
5,041	5,012	Long Term Investments	0	0
	43,353	Short Term Investments	0	53,366
70	3,734	Trade Debtors	83	4,248
5,111	**65,707**	**Total**	**83**	**68,663**

As at 31st March 2013 the council held no long term fixed term investments. The investment held at 31st March 2012 (as shown in the table above) is now re-categorised as short term.

8.17.3 Income, Expense, Gains & Losses

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

	Financial Liabilities	Financial Assets		
	Liabilities at amortised cost	Loans & Receivables	Assets at fair value through I&E	Total
	31-Mar-13	31-Mar-13	31-Mar-13	31-Mar-13
	£000s	£000s	£000s	£000s
Interest expense	0	0	0	**0**
Impairment losses	0	0	0	**0**
Total expense in the Surplus or deficit on the Provision of Service	0	0	0	0
Interest income	0	(917)	(3)	(920)
Total income in the Surplus or deficit on the Provision of Service	**0**	**(917)**	**(3)**	**(920)**
Net (gain) / loss for the year	**0**	**(917)**	**(3)**	**(920)**

Comparative figures for 2011/12 are:

	Financial Liabilities	Financial Assets		
	Liabilities at amortised cost 31-Mar-12	Loans & Receivables 31-Mar-12	Assets at fair value through I&E 31-Mar-12	Total 31-Mar-12
	£000s	£000s	£000s	£000s
Interest expense	0	0	0	**0**
Impairment losses	0	(1,385)	0	(1,385)
Total expense in the Surplus or deficit on the Provision of Service	**0**	**(1,385)**	**0**	**(1,385)**
Interest income	0	(958)	(40)	**(998)**
Total income in the Surplus or deficit on the Provision of Service	**0**	**(958)**	**(40)**	**(998)**
Net (gain) / loss for the year	**0**	**(2,343)**	**(40)**	**(2,383)**

8.17.4 Key Risks

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

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

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

- by approving annually in advance prudential indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures as to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

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

The 2013/14 annual treasury management strategy which incorporates the prudential indicators was approved by Council in February 2013 and is available on the Council website. The strategy divides its investments into two categories:

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

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

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

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

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

Credit risk

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

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31st March 2013 that this was likely to crystallise

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

Deposits with banks and financial institutions (excluding Iceland Banks)	Credit Rating	Principal Amount 31-Mar-13 £000s	Historical experience of default (adjusted to reflect market conditions)	Estimated maximum exposure to default 31-Mar-13
Prime Rate MMF	AAA	6,000	0%	0
RBS MMF	AAA	2,980	0%	0
Halton Borough Council	AAA	5,000	0%	0
European Bank for Recon 12/13	AAA	259	0%	0
Rabonbank	AA	605	0.03%	0
Rabobank T/D	AA	141	0.03%	0
Nordea Group	AA-	1,101	0.03%	0
Nordea Group	AA-	300	0.03%	0
Svenska Handelsbanken	AA-	500	0.03%	0
Svenska Handelsbanken	AA-	700	0.03%	0
Nordea Group	AA-	300	0.03%	0
HSBC	AA-	100	0.03%	0
Bk of Nova Scotia	AA-	1,315	0.03%	0
Nationwide BS	A+	2,000	0.08%	2
Nationwide BS	A+	3,000	0.08%	2
Nationwide BS	A+	3,500	0.08%	3
ING Bank	A+	1,701	0.08%	1
Deutsche Bank	A+	1,701	0.08%	1
Nationwide BS	A+	1,101	0.08%	1
Nationwide	A+	300	0.08%	0
Nat West Liquidity Select	A	2,000	0.08%	2
Lloyds	A	2,000	0.08%	2
Nat West	A	3,000	0.08%	2
Bank of Scotland	A	5,000	0.08%	4
Lloyds	A	1,500	0.08%	1
Bank of Scotland	A	2,500	0.08%	2
Ulster Bank	A	5,000	0.08%	4
Nat West	A	3,000	0.08%	2
Lloyds	A	4,000	0.08%	3
Barclays	A	1,700	0.08%	1
Call Deposit Account	A	15	0.08%	0
Sub total : Deposits with banks and building societies		62,319		33
Trade Debtors		157	5.00%	8
Total		**62,476**		**41**

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council generally allows 30 days credit for its debtors, such that £157k of the £10,673k invoices debtors balance before the bad debt provision, is past its due date for payment. The past due amount can be analysed by age as follows:

31-Mar-12 £000s		31-Mar-13 £000s
102	Less than three months	34
28	Three to twelve months	48
74	More than one year	75
204		**157**

Creditors are paid according to terms; there are no defaults or exposures to be considered. The Council initiates a legal charge on property where, for instance, works in default invoices are raised but the debtor cannot afford to pay immediately. The total collateral at 31 March 2013 was £16,099 (2011/12 £7,927.)

Glitnir Bank hf

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

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 4.2%. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.

The distribution has been made in full settlement, representing 100% of the claim. The investment remaining in the Council's balance sheet at 31March 2013 is £1.47m.

Glitnir	Claim Ref	Total Claim Value	Claim Value in Escrow at 31/3/2013	Claim Value in Escrow at 31/3/2013
				£1 : 188.97 ISK
		ISK	ISK	£
Investment 1	1819	430,659,559	85,605,300	453,010
Investment 2	1870	436,659,157	86,797,889	459,321
Investment 3	1888	527,451,012	104,845,280	554,825
		1,394,769,728	277,248,469	1,467,156

The amounts were converted from Icelandic Kroner to GBP Sterling with the exchange rates as detailed within CIPFA LAAP Bulletin 82 Update 7. There was foreign exchange gain recognised of £97,158 at the balance sheet date.

Liquidity risk

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

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

The maturity analysis of financial assets is as follows:

31-Mar-12 £000s	Investments (Excluding Glitnir, Iceland)	31-Mar-13 £000s
47,052	Less than one year	51,899
5,041	Between one and two years	0
0	Between two and three years	0
0	More than three years	0
52,093		**51,899**

Refinancing and Maturity Risk

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

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

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

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

Market risk

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

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

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

As at 31st March 2013, there was no material exposure to changes in interest rates as the majority of investment activity was undertaken at a fixed rate of interest. Therefore, had the interest rate been 1% higher (or conversely 1% lower), there would be no material impact on other financial statements within these accounts.

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

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

8.18 Short Term Debtors

31-Mar-12 £000s		31-Mar-13 £000s
9,793	Central government bodies	5,422
1,900	Other local authorities	2,079
25	NHS bodies	74
	Other entities and individuals:	
966	Council Tax	588
663	Housing Benefit Overpayments	653
978	Other	1,457
14,325	**Total**	**10,274**

8.19 Cash & Cash Equivalents

31-Mar-12 £000s		31-Mar-13 £000s
(496)	Bank Overdraft	(1,891)
13,608	Short-term deposits	11,049
13,112	**Total Cash and Cash Equivalents**	**9,158**

8.20 Short Term Creditors

31-Mar-12 £000s		31-Mar-13 £000s
(444)	Central government bodies	(441)
(579)	Other local authorities	(412)
	Other entities and individuals	
(858)	Non-Domestic Rates	(480)
(1,320)	Council Tax	(749)
(4,566)	Other	(7,620)
(7,767)	**Total**	**(9,703)**

8.21 Provisions

The main provisions during 2012-13 are where the Council undertook to find budget savings and increase efficiencies through joint working/restructuring with South Northants Council. Incremental Pay increases for staff were introduced and backdated to 1st October 2012, but where payment for 2012-13 was made in 2013-14. Landlord Rent Guarantee provides for the cost of damage/repairs to properties when tenants vacate properties. Housings Home Improvement provision for running this service.

Provisions have been made to cover the estimated costs of implementation of these initiatives.

Balance at 31-Mar-12 £000s		Transfers Out 31-Mar-13 £000s	Unused Amounts Reversed in 31-Mar-13 £000s	Transfers In 31-Mar-13 £000s	Balance at 31-Mar-13 £000s
	Under 1 year				
(221)	Restructure Provision	233	0	(109)	(97)
(40)	Engineering Services Provision	0	0	0	(40)
(1)	Health Walks Training Fund	0	0	0	(1)
(93)	Joint Working Provision	0	0	0	(93)
0	Incremental Pay Provision 12/13	0	0	(167)	(167)
(355)		**233**	**0**	**(276)**	**(398)**
	Over 1 year				
(3)	Health Walks Training Fund	0	0	0	(3)
(98)	Landlord Rent Guarantee Provision	34	0	(42)	(106)
(405)	Restructure Provision	88	0	(9)	(326)
(18)	Landlord Rent Ex-Charter Provision	0	0	0	(18)
(2,000)	Flood Prevention Provision	2,000	0	0	0
(16)	Banbury Bowls Club Reserve	0	0	(7)	(23)
(23)	58 Bridge Street - Repair & Renewals	0	0	(10)	(33)
(104)	Housings Home Improvement Agency	1	0	(22)	(125)
0	Bicester Pool	0	0	(60)	(60)
(2,667)		**2,123**	**0**	**(150)**	**(694)**
(3,022)	**Total Provisions**	**2,356**	**0**	**(426)**	**(1,092)**

Usable and Unusable Reserves

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

8.22 Usable Reserves

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

31-Mar-12 £000s		Movement in Year £000s	31-Mar-13 £000s	Purpose of Reserve
(38,954)	Capital Receipts Reserve	8,562	(30,392)	Proceeds of fixed asset sales available to meet future investment.
(10,223)	Earmarked Reserves	(638)	(10,861)	Various individual needs.
(3,687)	General Fund	(3)	(3,690)	Resources available to meet future running costs.
(567)	Capital Contributions & Grants Unapplied	520	(47)	This is the balance of capital grants that have not been used to fund capital expenditure.
(53,431)		**8,441**	**(44,990)**	

8.23 Unusable Reserves

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

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

31-Mar-12 £000s		31-Mar-13 £000s
(20,976)	Revaluation Reserve	(45,036)
(100,137)	Capital Adjustment Account	(97,906)
(31)	Deferred Capital Receipts Reserve	(20)
53,772	Pensions Reserve	53,348
(141)	Collection Fund Adjustment Account	(201)
223	Accumulated Absences Account	204
(67,290)	**Total Unusable Reserves**	**(89,611)**

8.23.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation, or;
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1st April 2007 the date that the reserve was created.

Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31-Mar-12 £000s		31-Mar-13 £000s
(16,857)	**Balance at 1 April**	**(20,976)**
(6,688)	Upward revaluation of assets	(28,745)
1,735	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,850
(4,953)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**(24,895)**
834	Difference between fair value depreciation and historical cost depreciation	835
834	Amount written off to Capital Adjustment Account	**835**
(20,976)	**Balance at 31 March**	**(45,036)**

8.23.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8.5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

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

31-Mar-12 £000s		31-Mar-13 £000s
(102,820)	**Balance at 1 April**	**(100,137)**
0		
(102,820)		**(100,137)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
4,032	Charges for depreciation and impairment of non-current assets	4,186
2,169	Revaluation gains / losses on Property, Plant and Equipment	3,188
402	Amortisation of intangible assets	305
1,877	Revenue expenditure funded from capital under statute	1,445
26	Amounts of non current assets written off on disposal of sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	21
8,506		**9,145**
(834)	Adjusting amounts written out of the Revaluation Reserve	(835)
7,672	Net written out amount of the cost of non current assets consumed in the year	**8,310**
	Capital financing applied in the year :	
(3,938)	Use of the Capital Receipts Reserve to finance new capital expenditure	(9,616)
(547)	Use of grants to finance Revenue Expenditure Financed from Capital Under Statute	(544)
(331)	Use of Earmarked Reserves	(447)
0	Contributions for Donated Assets	(565)
(145)	Capital Grants Unapplied written out	0
(131)	Adjustments involvement Financial Instruments Adjustment Account	0
(5,092)		**(11,172)**
103	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	5,093
(100,137)	**Balance at 31 March**	**(97,906)**

8.23.3 Financial Instruments Adjustment Account

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

31-Mar-12 £000s		31-Mar-13 £000s
(131)	**Balance at 1 April**	0
131	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0
131	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0
0	**Balance at 31 March**	0

8.23.4 Pension Reserve

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

31-Mar-12 £000s		31-Mar-13 £000s
35,470	**Balance at 1 April**	**53,772**
17,937	Actuarial gains or losses on pensions assets and liabilities	(1,752)
3,057	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,150
(2,692)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,822)
53,772	**Balance at 31 March**	**53,348**

8.23.5 Deferred Capital Receipts Reserve

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

31-Mar-12 £000s		**31-Mar-13 £000s**
(36)	**Balance at 1 April**	(31)
5	Transfer to the Capital Receipts Reserve upon receipt of cash	11
(31)	**Balance at 31 March**	**(20)**

8.23.6 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31-Mar-12 £000s		**31-Mar-13 £000s**
(120)	**Balance at 1 April**	**(141)**
(21)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(60)
(141)	**Balance at 31 March**	**(201)**

8.23.7 Accumulated Absences Account

The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31-Mar-12 £000s			31-Mar-13 £000s
252	**Balance at 1 April**		**223**
(252)	Settlement or cancellation of accrual made at the end of the preceding year	(223)	
223	Amounts accrued at the end of the current year	204	
(29)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(19)
223	**Balance at 31 March**		**204**

8.24 Cash Flow Statement – Operating Activities

31-Mar-12 £000s		31-Mar-13 £000s
(4,067)	**Net Surplus on the Provision of Service**	**(12,767)**
	Adjust net surplus on the provision of services for non-cash movements	
4,032	Depreciation	4,186
2,169	Impairment and downward valuations	3,045
402	Amortisation	305
0	Material Impairment losses on Investments debited to surplus or deficit on the provision of services in year	3
666	Increase/Decrease in Creditors	(1,551)
1,257	Increase/Decrease in Interest Debtors	(209)
(2,113)	Increase/Decrease in Sundry Debtors	2,124
(70)	Increase/Decrease in Inventories	(20)
365	Pension Liability	1,328
(980)	Contributions to/from Provisions	(1,930)
103	Movement in Investment Property Values	4,931
26	Carrying amount of non current assets sold	21
0	Other Non-Cash Movements	0
5,857		**12,233**
	Adjust for items included in the net surplus on the provision of services that are investing or financing activities	
(547)	Capital Grants credited to the surplus on the provision of services	(30)
968	Revenue Grants credited to the surplus on the provision of services	155
(824)	Other Capital Receipts	249
0	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,052)
(403)		**(678)**
1,387	**Net Cash Flows from Operating Activities**	**(1,212)**

The cash flows from operating activities include the following:

31-Mar-12 £000s		31-Mar-13 £000s
3,467	Interest received	808
3,467		**808**

8.25 Cash Flow Statement – Investing Activities

31-Mar-12 £000s		31-Mar-13 £000s
(3,160)	Purchase of property, plant and equipment, investment property and intangible assets	(6,251)
0	Other payments for Investing Activities	(416)
2,893	Movement in short-term and long-term investments	0
6	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11
5,384	Other receipts from investing activities	1,581
5,123	**Net cash flows from investing activities**	**(5,075)**

8.26 Cash Flow Statement – Financing Activities

31-Mar-12 £000s		31-Mar-13 £000s
(1,110)	Council Tax and NNDR	2,332
(1,110)	**Net cash flows from financing activities**	**2,332**

8.27 Amounts Reported for Resource Allocation Decisions

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

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- the Accumulated Absences accrual is excluded as it will not be matched;
- the balances unspent on revenue grants and contributions without conditions received in year are excluded.

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

Directorate Income and Expenditure 2012/13	Environment & Community	Development	Resources	Total
	£000s	£000s	£000s	£000s
Fees, charges & other service income	(6,598)	(7,412)	(5,950)	**(19,960)**
Interest and investment income	0	(2)	0	**(2)**
Income from Council Tax	0	0	0	0
Other Income	(2,403)	(288)	(412)	**(3,103)**
Government grants and contributions	(140)	(277)	(44,816)	**(45,233)**
Total income	**(9,141)**	**(7,979)**	**(51,178)**	**(68,298)**
Employee expenses	6,284	4,648	4,966	**15,898**
Other service expenses	6,802	4,325	47,944	**59,071**
Support Service recharges	2,503	2,980	1,736	**7,219**
Total operating expenses	**15,589**	**11,953**	**54,646**	**82,188**
Net expenditure	**6,448**	**3,974**	**3,468**	**13,890**

* Car & Lorry Parks have been removed from Trading and categorised as Highways per the SERCOP 2012/13 Code of Practice. The Net surplus for 2012/13 is (£1,267) and 2011/12 (£1,482).

Directorate Income and Expenditure 2011/12	Community & Environment	Development	Resources	Total
	£000s	£000s	£000s	£000s
Fees, charges & other service income	(9,707)	(7,989)	(8,031)	**(25,727)**
Interest and investment income	0	(3)	(40)	**(43)**
Income from Council Tax	0	0	(4,143)	**(4,143)**
Government grants and contributions	(110)	(572)	(43,438)	**(44,120)**
Total income	**(9,817)**	**(8,564)**	**(55,652)**	**(74,033)**
Employee expenses	6,236	4,670	5,268	**16,174**
Other service expenses	7,288	5,822	411	**13,521**
Support Service recharges	2,874	3,463	2,017	**8,354**
Depreciation, amortisation and impairment	3,025	2,950	731	**6,706**
Interest Payments	0	0	5,285	**5,285**
Precepts & Levies	0	0	46,339	**46,339**
Payments to Housing Capital Receipts Pool	0	0	0	**0**
Gain or Loss on Disposal of Fixed Assets	0	0	26	**26**
Total operating expenses	**19,423**	**16,905**	**60,077**	**96,405**
Net expenditure	**9,606**	**8,341**	**4,425**	**22,372**

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

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

31-Mar-12 £000s RESTATED*		31-Mar-13 £000s
22,372	Net Expenditure in the Directorate Analysis	13,890
0	Services & Support Services not in Analysis	3,326
(1,406)	Amounts in the CIES not reported to management in the Analysis	4,678
1,383	Amounts included in the Analysis not included in CIES	1,901
22,349	**Cost of Services in CIE**	**23,795**

8.27.2 Reconciliation to Subjective Analysis

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

31-Mar-13	Directorate Analysis £000s	Not reported to mgmt £000s	Not included in I&E £000s	Allocation of recharges £000s	Cost of services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(19,960)	179	8,535	253	**(10,993)**	(13,451)	**(24,444)**
Interest and investment income	(2)	0		0	**(2)**	(4,501)	**(4,503)**
Income from Council Tax	0	0	0	0	**0**	(59)	**(59)**
Other income	(3,103)	(181)	312	0	**(2,972)**	(108)	**(3,080)**
Government grants and contributions	(45,233)	(1,147)	16	0	**(46,364)**	(7,933)	**(54,297)**
Total income	**(68,298)**	**(1,149)**	**8,863**	**253**	**(60,331)**	**(26,052)**	**(86,383)**
Employee expenses	15,898	(319)	(2,790)	0	**12,789**	9	**12,798**
Other service expenses	59,071	1,565	(1,878)	0	**58,758**	192	**58,950**
Support Service recharges	7,219	309	(1,686)	(253)	**5,589**	253	**5,842**
Depreciation, amortisation and impairment	0	4,272	(608)	3,326	**6,990**	5,275	**12,265**
Interest Payments	0	0	0	0	**0**	5,206	**5,206**
Precepts & Levies	0	0	0	0	**0**	4,089	**4,089**
Total operating expenses	**82,188**	**5,827**	**(6,962)**	**3,073**	**84,126**	**15,024**	**99,150**
Surplus or deficit on the provision of services	**13,890**	**4,678**	**1,901**	**3,326**	**23,795**	**(11,028)**	**12,767**

31-Mar-12 RESTATED	Directorate Analysis £000s	Not reported to mgmt £000s	Not included in I&E £000s	Allocation of recharges £000s	Cost of services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(25,727)	(26)	8,592	17,482	321	(20,595)	(20,274)
Interest and investment income	(43)	0	40	0	(3)	(6,379)	(6,382)
Income from council tax	(4,143)	0	0	0	(4,143)	(21)	(4,164)
Government grants and contributions	(44,120)	(627)	0	0	(44,747)	(8,790)	(53,537)
Total income	**(74,033)**	**(653)**	**8,632**	**17,482**	**(48,572)**	**(35,785)**	**(84,357)**
Employee expenses	16,174	(756)	(269)	0	15,149	2,843	17,992
Other service expenses	13,521	2	3,707	(10,263)	6,967	2,487	9,454
Support Service recharges	8,354	0	(798)	(7,219)	337	1,962	2,299
Depreciation, amortisation and impairment	6,706	1	(465)	0	6,242	1,016	7,258
Interest Payments	5,285	0	(5,353)	0	(68)	5,183	5,115
Precepts & Levies	46,339	0	(4,013)	0	42,326	4,013	46,339
Gain or Loss on Disposal of Fixed Assets	26	0	(58)	0	(32)	0	(32)
Total operating expenses	**96,405**	**(753)**	**(7,249)**	**(17,482)**	**70,921**	**17,504**	**88,425**
Surplus or deficit on the provision of services	**22,372**	**(1,406)**	**1,383**	**0**	**22,349**	**(18,281)**	**4,068**

8.28 Trading Operations

Net (Surplus) / Deficit 31-Mar-12 £000s		Expenditure 31-Mar-13 £000s	Income 31-Mar-13 £000s	Net (Surplus) / Deficit 31-Mar-13 £000s
(1,241)	**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.	5,461	(1,764)	3,697
127	**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.	203	(111)	92
10	**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.	57	(45)	12
(1,104)		**5,721**	**(1,920)**	**3,802**

Car & Lorry Parks have been removed from Trading and are now categorised as Highways Service costs per the SERCOP 2012/13 Code of Practice.

8.29 Agency Income and Expenditure

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

31-Mar-12 £000s		31-Mar-13 £000s
349	Bicester Town Council	345
141	Oxfordshire County Council	138
75	Kidlington Parish Council	70
1	Other Parish Councils	0
566	**Total**	**554**

8.30 Members' Allowances

The total of Members' Allowances paid in the year amounted to £316,416. This compares to £316,666 in 2011/12. A detailed list of allowances paid to each member is available for examination on the Council's website under "Councillors - Members Allowances"

The Local Councils (Members Allowances) Regulations 2003 requires local Councils to publish the amounts paid to members under the members' allowances scheme. The allowances available in 2012/13 were as follows:

31-Mar-12 £000		31-Mar-13 £000
	Members' Allowances	
0	Chairman's allowance	2
207	Basic Allowance	207
90	Special Responsibility Allowance	91
19	Travel & subsistence/Others	16
316	Total	**316**

8.31 Officers' Remuneration

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

Number of employees 31-Mar-12	Remuneration Band	Number of employees 31-Mar-13
3	£50,000 to £54,999	1
0	£55,000 to £59,999	1
3	£60,000 to £64,999	1
0	£65,000 to £69,999	2
1	£70,000 to £74,999	0
2	£75,000 to £79,999	0
1	£80,000 to £84,999	1
2	£85,000 to £89,999	1
0	£90,000 to £94,999	0
0	£95,000 to £99,999	0
0	£100,000 to £104,999	0
0	£105,000 to £109,999	0
1	£110,000 to £114,999	0
1	£115,000 to £119,999	0
0	£120,000 to £124,999	0
0	£125,000 to £129,999	0
0	£130,000 to £134,999	0
0	£135,000 to £139,999	1
14		**8**

2012/13

Key	Post title	Year	Basic Salary	Fees - Monitoring Officer, S151, Returning Officer	Expenses Allowances	Compensation for loss of office	Total Remuneration excluding Pension Contribution	Pension Contributions	Total Remuneration including Pension conts
		Year	£s	£s	£s	£s		£s	£s
1	Chief Executive	2012/13	125,000	9,126	1,653	0	**135,778**	18,640	**154,418**
1	Director of Community & Environment	2012/13	87,812	0	1,659	0	**89,471**	12,127	**101,599**
2	Director of Resources	2012/13	86,176	2,500	1,229	0	**89,905**	11,232	**101,137**
2	Director of Development	2012/13	86,992	0	2,640	0	**89,632**	11,072	**100,704**
1	Head of Community Services	2012/13	66,451	0	2,131	0	**68,582**	9,105	**77,687**
1	Head of Environmental Services	2012/13	65,854	0	2,831	0	**68,685**	9,105	**77,790**
1	Head of Finance and Procurement	2012/13	75,224	5,446	1,613	0	**82,284**	0	**82,284**
2	Head of Law and Governance	2012/13	74,740	8,162	1,541	0	**84,443**	10,389	**94,832**
2	Head of Transformation	2012/13	62,572	0	0	0	**62,572**	7,973	**70,545**
2	Head of Public Protection and Development Management	2012/13	73,316	0	754	0	**74,070**	9,344	**83,414**
2	Head of Strategic Planning and the Economy	2012/13	72,064	0	334	0	**72,398**	0	**72,398**
2	Head of Regeneration and Housing	2012/13	69,360	0	882	0	**70,242**	0	**70,242**

1 Joint Management Team Post employed by CDC. (SNC bear 50% of costs from 1st October 2011)

2 Joint Management Team Post employed by SNC. (CDC bear 50% of costs from 1st October 2011)

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

	Post title	Year	Basic Salary	Fees - Monitoring Officer, S151, Returning Officer	Compensation for loss of office / redundancy	Any other emoluments (OT, Hol Pymt, Election Fees, Tel Allow)	Car Allowance & Car Allowance Buy Out *	Total Remuneration excluding pension contributions	Pension Contributions	Total remuneration including pension conts
			£s	£s	£s	£s	£s	£s	£s	£s
1	**Chief Executive**	2011/12	109,543	1,412	0	0	0	**110,955**	15,423	**126,378**
1	**Director of Community & Environment**	2011/12	84,699	0	0	236	3,060	**87,995**	12,199	**100,194**
3	**Director of Development**	2011/12	43,250	0	0	0	330	**43,580**	5,536	**49,116**
3	**Director of Resources**	2011/12	43,250	0	0	0	132	**43,382**	5,536	**48,918**
2	**Strategic Director Planning, Housing and Economy**	2011/12	69,801	0	41,625	236	5,041	**116,703**	9,702	**126,405**
1	**Head of Finance and Procurement**	2011/12	68,500	2,652	0	10,694	0	**81,846**	0	**81,846**
1	**Head of Environmental Services**	2011/12	62,500	0	0	0	0	**62,500**	8,688	**71,188**
1	**Head of Transformation**	2011/12	53,549	0	0	1,045	0	**54,594**	0	**54,594**
1	**Head of Community Services**	2011/12	62,500	0	0	236	0	**62,736**	8,688	**71,424**
2	**Head of Regeneration and Estates**	2011/12	44,910	0	31,581	1,969	0	**78,460**	6,242	**84,702**
2	**Head of Planning Policy & Economic Development**	2011/12	35,000	0	50,121	3,770	0	**88,891**	4,865	**93,756**
2	**Head of Housing Services**	2011/12	29,570	0	49,576	226	0	**79,372**	4,110	**83,482**
2	**Head of Recreation and Health**	2011/12	32,083	0	20,897	226	0	**53,206**	4,460	**57,666**
3	**Head of Law and Governance**	2011/12	37,750	0	0	0	810	**38,560**	4,832	**43,392**
3	**Head of Public Protection and Development Management**	2011/12	36,500	0	0	0	32	**36,532**	4,672	**41,204**
3	**Head of Strategic Planning and the Economy**	2011/12	36,000	0	0	0	0	**36,000**	0	**36,000**

Key

1 Joint Management Team Post employed by CDC. (SNC bear 50% of costs from 1st October 2011)	
2 Post deleted as part of Joint Management Team Implementation with SNC	
3 Joint Management Team posts employed by SNC . (CDC bear 50% of costs)	

8.32 Exit Packages

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

CDC entirely responsible for these costs

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		© Number of other departures agreed		(d) total number of exit packages by cost band [(b) + ©]		(e) Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0-£80,000	0	0	2	4	2	4	£10,592	£14,250
£80,001-£100,000	0	0	0	0	0	0	£0	£0
£100,001-£200,000	0	0	0	0	0	0	£0	£0
Total	**0**	**0**	**2**	**4**	**2**	**4**	**£10,592**	**£14,250**

CDC/SNC 60/ 40 responsible for these costs.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		© Number of other departures agreed		(d) total number of exit packages by cost band [(b) + ©]		(e) Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0-£80,000	5	0	3	0	8	0	£267,181	£0
£80,001-£120,000	0	0	0	0	0	0	£0	£0
£120,001-£200,000	0	0	3	0	3	0	£432,255	£0
Total	**5**	**0**	**6**	**0**	**11**	**0**	**£699,436**	**£0**

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

CDC/SNC 50/ 50 responsible for these costs.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		© Number of other departures agreed		(d) total number of exit packages by cost band [(b) + ©]		(e) Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0-£80,000	0	3	0	5	0	8	£0	£130,597
£80,001-£120,000	0	0	0	0	0	0	£0	£0
£120,001-£200,000	0	0	0	0	0	0	£0	£0
Total	**0**	**3**	**0**	**5**	**0**	**8**	**£0**	**£130,597**

Cherwell District Council has responsibility for 50% of the cost detailed in the table above.

8.33 External Audit Costs

In 2012/13 the council incurred the following fees relating to external audit and inspection:

31-Mar-12 £000s		31-Mar-13 £000s
114	Fees payable to The External Auditor with regard to external audit services carried out by the appointed auditor	62.5
35	Fees payable to The External Auditor for the certification of grant claims and returns	13.5
	Fees payable to The External Auditor for questions answered regarding HS2.	2
149		78

8.34 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

2011/12 £000		2012/13 £000s
	Credited to Taxation and Non Specific Grant Income	
126	Section 106 Developer Contributions	83
2,038	Non-ringfenced Government Grants	148
6,596	Non Domestic Rates	7,629
155	Council Tax Freeze Grant 2011/12	156
8,915	**Total**	**8,016**
	Credited to Services	
946	DWP Administration Subsidy Grant	880
35,276	DWP Rent Allowances	36,383
7,430	DWP Council Tax Benefits	7,207
0	Area Based Grant	76
0	Eco Town	50
113	Bicester Vision	0
130	Developer Contributions	83
0	Department for Climate Change	93
375	Disbabled Facilities Grant	494
76	Home Improvement Agency Grant	76
220	Homelessness Grant	110
219	NDR Cost of Collection Grant	218
496	New Homes Bonus	646
0	New Burdens	127
142	Other Grants & Contributions	166
30	Oxfordshire Bunsiness Enterprise	30
200	Oxfordshire Waste Partnership	220
50	Performance Reward Grant	10
0	Portas Grant	100
45,703	**Total**	**46,969**

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

31-Mar-12 £000s		31-Mar-13 £000s
	Capital Grants Received in Advance	
10,855	Eco Town Grant	10,936
2,952	Section 106 Developer Contributions - Capital	3,101
0	DECC Green Deal	95
0	DCLG Modelling	8
0	Other Contributions	22
13,807		**14,162**
	Revenue Grants Received in Advance	
1,356	Section 106 Developer Contributions - Revenue	1,365
1,356		**1,365**
15,163	**Total**	**15,527**

8.35 Related Parties

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

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

Transactions for the financial year ended 31st March 2013 with Central Government, Oxfordshire County Council, Thames Valley Police, Council and town and parish councils, are disclosed in the Comprehensive Income and Expenditure Account, Cash Flow Statement, and the Collection Fund.

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates providing significant funding in the form of grants and also prescribing the terms of many of the transactions that the Council has with other parties (eg Council Tax bills and Housing Benefits) The details of the grants received from government departments have been set out within these statements.

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

	2011/12	**2012/13**
Cllr Reynolds	Councillor's wife works part time at Spiceball Sports Centre. The council had a contract with Parkwood who managed the facility on our behalf. In 2011/12 management fee payments to Parkwood for Spiceball Sports Centre totalled £157,574 also £17,853.37 was made for Hall Hire.	Councillor's wife works part time at Spiceball Sports Centre. The council had a contract with Parkwood who managed the facility on our behalf. In 2012/13 management fee payments to Parkwood for Spiceball Sports Centre totalled £189,223 also £18,952.52 was made for Hall Hire.
Cllr Sibley **Cllr Pickford** **Cllr Gibbard** **Cllr L Stratford**	Cherwell District Council nominees on the Charter Community Housing Board and Sanctuary Housing Board with whom the Council had various financial transactions totalling £51,462.	Cherwell District Council nominees on the Charter Community Housing Board and Sanctuary Housing Board with whom the Council had various financial transactions totalling £463,018.

Entities controlled or significantly influenced by the Council

During 2012/13 £94,113 (2011/12 £64,697) was paid to Bicester Citizens Advice for service level funding. The payment although not material to the Council, is considered material to the operations of Bicester Citizens Advice and has therefore been disclosed within this note.

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

During 2012/13 £46,531.50 (2011/12 £38,900) was paid to Mill Arts Centre as grant funding Additionally a loan of £35,000 was advanced to the centre during the year 2012/13. These transactions, although not material to the Council, are considered material to the operations of Mill Art Centre and have therefore been disclosed within this note.

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

8.36 Capital Expenditure & Financing

31-Mar-12 £000s		31-Mar-13 £000s
	Capital Investment	
2,281	Operational Assets (Note 8.10)	8,919
220	Non-operational Assets (Note 8.10)	543
0	Investment Properties (Note 8.12)	13
438	Intangible Assets (Note 8.13)	252
1,877	Revenue Expenditure Funded from Capital under Statute (REFCUS) (Note 8.15)	1,445
4,816		**11,172**
	Sources of finance (Note 8.23.2)	
3,938	Capital Receipts	9,616
547	Government Grants and Other Contributions	1,109
331	Funding from Earmarked reserve through Revenue	447
0	Direct Revenue Financing	0
4,816		**11,172**

8.37 Leases

8.37.1 Council as a Lessee

Finance Leases

The Council had no finance leases as at 31st March 2013.

Operating Leases

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

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

31st March 2012 £000s		31st March 2013 £000s
47	Not later than one year	18
40	Later than one year and not later than five years	22
87		**40**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £18,133 (2011/12 £46,557).

8.37.2 Council as a Lessor

Finance Leases

The Council had no finance leases as at 31st March 2013.

Operating Leases

The Council has leased out property at the Castle Quay Shopping Centre, Banbury to Scottish Widows on an operating lease with a remaining term of 237 years. The Council also has 35 smaller operating leases with a total value of £6.626m.

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

31st March 2012 £000s		31st March 2013 £000s
537	Not later than one year	659
1,950	Later than one year and not later than five years	2,752
27,470	Later than five years	26,944
29,957		**30,355**

8.38 Contingent Liabilities

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £134,117 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

8.39 Contingent Assets

8.39.1 VAT Share

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

9. COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

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

31-Mar-12 £000s		31-Mar-13 £000s
	Income	
(70,484)	Council Tax	(71,542)
	Transfers from General Fund	
(7,317)	Council Tax Benefits	(7,138)
(62,244)	Business Ratepayers	(63,961)
(140,045)		**(142,641)**
	Expenditure	
	Precepts and Demands	
58,477	Oxfordshire County Council	58,800
7,767	Thames Valley Police and Crime Commissioner	7,810
10,229	Cherwell District Council	10,340
	Business rate	
62,024	Payment to National Pool	63,743
220	Cost of Collection allowance	218
	Bad and doubtful debts	
190	Write offs	205
5	Provision	42
975	Contribution towards previous years' Collection Fund surplus	1,042
139,887		**142,200**
(158)	**Surplus for the year**	(441)
(898)	**Balance at start of year**	(1,056)
(1,056)	**Balance at end of year**	**(1,497)**

10. NOTES TO THE COLLECTION FUND

10.1 Council Tax

Council Tax income derives from charges raised according to the value of residential properties that have been classified into eight valuation bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Oxfordshire County Council, Thames Valley Police Council and Cherwell District Council together with each parish requirement and dividing this by the Council Tax base i.e. the number of properties in each valuation band converted to an equivalent number of band D dwellings and adjusted for discounts. The basic amount of Council Tax for a band D property including an average parish charge is £1,520.29 (2011/12 £1,519.23) multiplied by the ratio specified for the particular band to give an individual amount due.

The Council Tax base was calculated as follows:

Valuation Band	Chargeable dwellings after effect of discounts	Ratio	Band D Equivalents Dwellings
A	4,264.75	6/9	2,843.2
B	12,926.75	7/9	10,054.1
C	14,638.00	8/9	13,011.6
D	9,193.25	9/9	9,193.3
E	6,637.50	11/9	8,112.5
F	3,034.75	13/9	4,383.5
G	2,155.25	15/9	3,592.1
H	196.25	18/9	392.5
Relief Reduction	5.75	5/9	3.2
			51,586.0
Ministry of Defence Properties			244.2
			51,830.2

10.2 Business Rates

Under the arrangements for Non-Domestic Rates, the Council collects rates for its area based upon local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2012/13 there are two multipliers, the small business non-domestic rating multiplier of 45.0p and the non-domestic rating multiplier of 45.8p. The total non-domestic rates due, less certain reliefs and deductions are paid into a National Non-Domestic Pool which is administered by the Government. The Government redistributes the sums paid into the pool back to Local Councils' Funds on the basis of a fixed amount per head of population.

The total Non-Domestic Rateable Value at 31st March 2013 was £164.7 million (31st March 2012 £164.2 million).

The gross yield for the year was £74,088,831.

Income from Non-Domestic Ratepayers can be calculated as follows:-

31-Mar-12 £000s		31-Mar-13 £000s
69,740	Gross Yield for 2012-13	74,089
(3,446)	Adjustments for Previous Years	(1,813)
(4050)	Allowances and Other Adjustments	(8,320)
(1)	(Increase)/Decrease in Provision for Non-Collection	4
1	Interest on Overpayments	1
62,244	**Income from Non-Domestic Ratepayers**	**63,961**

10.3 Analysis of Collection Fund Balance

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

31-Mar-12 £000s		31-Mar-13 £000s
(807)	Oxfordshire County Council	(1,144)
(107)	Thames Valley Police and Crime Commissioner	(152)
(915)	**Disclosed as creditors in the balance sheet**	**(1,296)**
(141)	Cherwell District Council	(201)
(1,056)		**(1,498)**

11. GROUP ACCOUNTS

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

Where either the Council, or its Members or Senior Officers are connected with any other entity that it transacts any business with, it is required to disclose these as related party interests. These are shown in the Notes to the Core Financial Statements – 8.35 Related Parties.

12. THE PENSION FUND ACCOUNTS

12.0 Background

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

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

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

	31-Mar-12 £000s	31-Mar-13 £000s
Comprehensive Income & Expenditure Statement		
Cost of Services		
Current Service Cost	1,940	2,428
Past Service Costs / (gain)	0	0
Settlements and curtailments	206	0
Financing and Investment Income & Expenditure		
Interest Costs	5,251	5,183
Expected Return on Scheme Assets	(4,134)	(3,461)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Service	**3,263**	**4,150**
Other Post Employment Benefit Charged to the CIES		
Actuarial (Gains) and Losses	17,937	(1,752)
Total Post Employment Benefit Charged to the CIES	**21,200**	**2,398**
Movement in Reserves Statement		
Reversal of net changes made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the Code	(3,263)	(4,150)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the scheme	**2,898**	**2,822**

12.1 Principal Actuarial Data Sources as at 31 March 2013

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

- The results of the funding valuation as at 31 March 2010 which was carried out for funding purposes;

- Estimated whole fund income and expenditure items for the period to 31 March 2013;

- Estimated whole fund returns for the period to 31 March 2013 are based on assets used for the purpose of the IAS19 valuation as at 31 March 2012, actual fund returns for the period to 28 February 2013 and then market returns (estimated where necessary) for the period to 31 March 2013;

- Estimated Fund income and expenditure in respect of the Employer for the period to 28 February 2013.

- Details of any new early retirements for the period to 31 March 2013 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

12.1.1 Employer Membership Statistics

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

Member Data Summary	Number	Salaries / Pensions £000s	Average Age
Active members	429	10,449	44
Deferred pensioners	650	1,006	43
Pensioners	517	3,383	70

The service cost for the year ending 31 March 2013 is calculated using an estimate of the average total pensionable payroll during the year. From the contribution information provided by the employer, the estimated average total pensionable payroll during the year is £9,403,000. The projected service cost for the year ending 31 March 2014 is calculated from an estimated payroll of £9,403,000.

12.1.2 Early Retirements

The actuary requested data on any early retirements in respect of the Employer from the Administering Council for the year ending 31 March 2013.

It is the actuary's understanding that there were no new early retirements over the year which were not allowed for in the IAS19 assumptions.

12.1.3 Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2013 is estimated to be 21%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Cherwell District Council as at 31 March 2013 is as follows:

Employer Asset Share - Bid Value	31-Mar-12 £000s	%	31-Mar-13 £000s	%
Equities	42547	70	50071	70
Gilts	6078	10	7257	10
Other bonds	3647	6	4354	6
Property	3647	6	4354	6
Cash	1823	3	2903	3
Alternative Assets	3039	5	3628	5
Employer Asset Share Total	**60,781**	**100%**	**72,567**	**100%**

The Actuary have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2013 is likely to be different from that shown due to estimation techniques.

Based on the above, the Employer's share of the assets of the Fund is approximately 5%.

12.1.4 Unfunded Benefits

In the year to 31st March 2013 £240,000 (2011/12 £229,000) of unfunded pensions were paid.

12.2 Actuarial Methods and Assumptions

12.2.1 Roll-Forward Approach

To assess the value of the Employer's liabilities as at 31 March 2013, the Actuary have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2010 allowing for the different financial assumptions required under IAS19. A similar roll-forward approach was taken for the report as at 31 March 2012.

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

It is not possible to assess the accuracy of the estimated liability as at 31 March 2013 without completing a full valuation. However, the Actuary are satisfied that the approach of rolling forward the previous valuation data to 31 March 2013 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

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

12.2.2 Valuation Method

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

12.2.3 Demographic / Statistical Assumptions

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

Life expectancy from age 65		31-Mar-12	31-Mar-13
Retiring today			
	Males	19	19.2
	Females	23.1	23.2
Retiring in 20 years			
	Males	21	21.1
	Females	25	25.1

The following assumptions have also been made:

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

12.2.4 Financial Assumptions

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

	31-Mar-11		31-Mar-12		31-Mar-13	
Assumptions as at	**% pa**	**Real %**	**% pa**	**Real %**	**% pa**	**Real %**
RPI Increases	3.5%	-	3.3%	-	3.3%	-
CPI Increases	2.7%	-0.8%	2.5%	-0.8%	2.5%	-0.8%
Salary Increases	5.0%	1.5%	4.7%	1.4%	4.7%	1.4%
Pension Increases	2.7%	-0.8%	2.5%	-0.8%	2.5%	-0.8%
Discount Rate	5.5%	1.9%	4.6%	1.3%	4.3%	1.0%

These assumptions are set with reference to market conditions at 31 March 2013.

The Actuary's estimate of the duration of the Employer's liabilities is 19 years.

The discount rate is the annualised yield at the 19 year point on the Merill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities. This approach has been updated from previous disclosures when the yield on the iBoxx AA rated over 15 year corporate bond index was used as a standard assumption for most Employers in the Fund.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 19 year point on the BoE spot inflation curve. Previously, the 20 year point was used and so this has been updated to reflect that this Employer's liabilities have a shorter duration than average.

This measure has historically overestimated future increases in the RPI and so the Actuary have made a deduction of 0.25% to get the RPI assumption of 3.3%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.5%. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are then assumed to be 1.4% above RPI in addition to a promotional scale.

12.2.5 Expected Return on Assets

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost will be replaced with a single net interest cost, which will effectively set the expected return equal to the IAS19 discount rate.

Therefore the Actuary are not required to disclose an expected return assumption for the year to 31 March 2014.

For the year to 31 March 2013, the expected return was 5.7% per annum, which has been used to determine the profit and loss charge for the year ended 31 March 2013.

12.2.6 Past Service Costs

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

The Actuary are not aware of any additional benefits which were granted over the year ended 31 March 2013.

12.2.7 Curtailments

The Actuary have calculated the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement. The Employer may also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, we have only calculated the cost of curtailments which affect the Employer's LGPS pension liabilities.

The Actuary calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, the Actuary understand no employees were permitted by the Employer to take unreduced early retirement that they would not otherwise have been entitled to.

12.3 Results and Disclosures

The Actuary estimate that the net liability as at 31 March 2013 is a liability of £53,338,000.
In addition:

- 12.3.1 sets out the balance sheet position ended 31 March 2013
- 12.3.2 sets out the profit and loss account costs for the year ended 31 March 2013
- 12.3.3 details a reconciliation of assets and liabilities during the year
- 12.3.4 shows the sensitivity analysis to a change in discount rate
- 12.3.5 shows the balance sheets for the previous 4 years

- 12.3.6 shows the Statement of Recognised Income and Expense
- 12.3.7contains estimates of the projected profit and loss account costs for the year ending 31 March 2014.

12.3.1 Balance Sheet Disclosure

Net Pension Assets as at	**31-Mar-11 £000s**	**31-Mar-12 £000s**	**31-Mar-13 £000s**
Present value of funded obligation	93,310	111,214	122,457
Fair value of Scheme assets (bid value)	(60,743)	(60,781)	(72,567)
Net Liability	**32,567**	**50,433**	**49,890**
Present value of unfunded obligation	2,903	3,339	3,458
Unrecognised past service cost	0	0	0
Net Liability in Balance Sheet	**35,470**	**53,772**	**53,348**

12.3.2 Profit & Loss Account Costs

	31-Mar-12 £000s	**31-Mar-13 £000s**
Current service cost	1,940	2,428
Interest on obligation	5,251	5,183
Expected return on Scheme assets	(4,134)	(3,461)
Past service cost	0	0
Loss on curtailments and settlements	206	0
Total	**3,263**	**4,150**
Actual return on Scheme assets	**722**	**12,756**

The international Accounting Standards Board have published a final version of the revised IAS19 standard which will apply for company accounting periods beginning on or after 1 January 2013. In summary, the main changes that affect the Profit and Loss Charge are:

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate;
- Some labelling changes to the Profit & Loss charge eg “Service cost” now includes what was previously described as the “Current Service Cost” plus the “Past Service Cost” plus any “Curtailments” plus any “Settlements”.

Administration expenses are now accounted for within the Profit and Loss charge; previously we made a deduction to the actual and expected returns on assets.

The changes set our above are effective for company periods beginning on or after 1 January 2013 so do not affect the disclosures for 2012/13. However, the following disclosure shows the impact of the revised IAS19 standard had it been applied in 2012/13.

The amounts recognised in the profit and loss statement (if the revised IAS19 standard was adopted) are:	**31-Mar-13**
	£000s
Service cost	2,428
Net Interest on the defined liability (asset)	2,409
Administration expenses	39
Total	**4,876**
Actual Return on Scheme assets	12,795

12.3.3 Asset and Benefit Obligation Reconciliation

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	**31-Mar-12**	**31-Mar-13**
	£000s	**£000s**
Opening defined benefit obligation	96,213	114,553
Service cost	1,940	2,428
Interest cost	5,251	5,183
Actuarial loss / (gain)	14,525	7,544
Losses on curtailments	206	0
Liabilities extinguished on settlements	0	0
Estimated benefits paid (net of transfers in)	(4,029)	(4,185)
Past service cost	0	0
Contributions by Scheme participants	676	632
Unfunded pension payments	(229)	(240)
Closing defined benefit obligation	**114,553**	**125,915**

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

Reconciliation of opening & closing balances of the fair value of Scheme assets	**31-Mar-12**	**31-Mar-13**
	£000s	**£000s**
Opening fair value of Scheme assets	60,743	60,781
Expected return on Scheme assets	4,134	3,461
Actuarial gains / (losses)	(3,412)	9,296
Contributions by employer including unfunded benefits	2,898	2,822
Contributions by Scheme participants	676	632
Estimated benefits paid including unfunded benefits	(4,258)	(4,425)
Receipt of bulk transfer value	0	0
Fair value of Scheme assets at end of period	**60,781**	**72,567**

Reconciliation of opening and closing deficit

Reconciliation of opening & closing surplus	31-Mar-12 £000s	31-Mar-13 £000s
Deficit at beginning of year	(35,470)	(53,772)
Current service cost	(1,940)	(2,428)
Employer contributions	2,669	2,582
Unfunded pension payments	229	240
Past service cost	0	0
Other finance income	(1,117)	(1,722)
Settlements and curtailments	(206)	0
Actuarial gains / (losses)	(17,937)	1,752
Deficit at end of year	**(53,772)**	**(53,348)**

12.3.4 Sensitivity Analysis

Sensitivity Analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation	123,376	125,915	128,535
Projected service cost	2,607	2,702	2,802
Adjustment to mortality age rating assumption	+ 1 year	none	- 1 year
Present value of defined benefit obligation	121,099	125,915	130,795
Projected service cost	2,576	2,702	2,831

12.3.5 Amounts for the Current and Previous Periods

Amounts for the current and previous four periods	31-Mar-09 £000s	31-Mar-10 £000s	31-Mar-11 £000s	31-Mar-12 £000s	31-Mar-13 £000s
Defined benefit obligation	(89,950)	(126,399)	(96,213)	(114,553)	(125,915)
Scheme assets	44,220	58,215	60,743	60,781	72,567
Deficit	(45,730)	(68,184)	(35,470)	(53,772)	(53,348)
Experience adjustment on Scheme liabilities	(250)	351	8,315	(355)	(133)
Percentage of liabilities	-0.3%	0.3%	8.6%	-0.3%	-0.1%
Experience adjustment on Scheme assets	(18,080)	13,336	(822)	(3,412)	9,296
Percentage of assets	-40.9%	22.9%	-1.4%	-5.6%	12.8%
Cumulative actuarial gain / (loss)	(12,910)	(33,141)	(8,724)	(26,661)	(24,909)

12.3.6 Statement of Recognised Income & Expenses

Statement of total income and expenses	31-Mar-12 £000s	31-Mar-13 £000s
Actual return less expected return on pension scheme assets	(3,412)	9,296
Experience gain	(355)	(133)
Changes in assumptions underlying the present value of the scheme liabilities	(14,170)	(7,411)
Actuarial gains / (losses) on pension scheme	**(17,937)**	**1,752**
Increase / (decrease) in irrecoverable surplus	0	0
Actuarial gains / (losses) recognised	**(17,937)**	**1,752**

12.3.7 Projected Pension Expense for the year to 31st March 2014

Projections for the year to 31-Mar-14	31-Mar-14 £000s
Service cost	2,702
Interest cost	2,239
Return on assets	43
Total	**4,984**
Employer contributions	2,402

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

13. ACCOUNTING POLICIES

13. Accounting Policies

13.1 General principles

The Statement of Accounts summarises the Council's transactions for the financial year 2012/13 and its position at the year end. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). These are supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

There are no amendments to accounting policies for 2012/13.

13.2 Accruals of Income and Expenditure

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

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

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

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet;

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

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

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

13.3 Acquisitions and Discontinued Operations

There have been no acquisitions or transfer of operations in CDC. Additional policy detail required where a Council has acquired operations (or transferred operations under machinery of government arrangements) during the financial year.

13.4 Cash and Cash Equivalents

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

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

13.5 Exceptional Items

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

The Council has no Exceptional Items in 2012/13.

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

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

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

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

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

No material errors have been made in prior year accounts that need to be amended in the 2012/13 accounts.

13.7 Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement but as CDC does not hold any debt this requirement is not applicable.

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

13.8 Employee Benefits

13.8.1 Benefits Payable during Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu, flex-leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the service account, but then reversed out through the Movement in Reserves Statement so that holiday benefits accrual has no impact on Council Tax and holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

13.8.2 Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

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

The liabilities of the Oxfordshire County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings of current employees.

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

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

The change in the net pension's liability is analysed into seven components:

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

- **Interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- **Expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- **Gains or losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

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

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

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

13.8.4 Discretionary Benefits

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

13.9 Events after the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

13.10 Financial Instruments

13.10.1 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

13.10.2 Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

The Council has financial assets comprising of long-term and short-term investments, long-term debtors, short-term debtors (excluding statutory debts such as Council Tax, Non-Domestic Rates, rent allowances, precepts, etc) and cash & cash equivalents. These are assets that have fixed or determinable payments but are not quoted in an active market**.** They are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

The Council has no available for sale financial assets.

13.11 Foreign Currency Translation

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

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

13.12 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Area Based Grant

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

Business Improvement Districts
CDC does not currently have any Business Improvement Districts.

Community Infrastructure Levy
The Council does not currently charge a Community Infrastructure Levy (CIL).

13.13 Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service area in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

13.14 Interests in Companies and Other Entities

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

13.15 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

13.16 Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13.17 Jointly Controlled Operations and Jointly Controlled Assets

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

13.18 Leases

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

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

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

13.18.1 The Council as Lessee

Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

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

13.18.2 The Council as Lessor

Finance Leases
Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

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

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

13.19 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/13* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

The exceptions to the absorption costing principle are:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

13.20 Property, Plant & Equipment

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

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

13.20.2 Measurement
Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located if the cost is above the £10,000 deminimis threshold.

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

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

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits taken to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

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

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

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

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

13.20.4 Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

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

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

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

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

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

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

A materiality level of £50,000 for property assets has been determined based on previous analysis. Using a £50,000 limit means that £75.4m of the Council's £75.6m property portfolio have been assessed for componentisation, 77% of these assets have been componentised (figures correct as at 31st March 2013).

The following five components have been identified:

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

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

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

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

13.20.5 Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale and are kept under their original category.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

13.21 Heritage Assets

13.21.1 Tangible and Intangible Heritage Assets

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

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

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

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

13.21.2 Heritage Assets – General

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

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

13.22 Private Finance Initiative (PFI) and Similar Contracts

The Council has no PFI or similar contracts.

13.23 Provisions, Contingent Liabilities and Contingent Assets

13.23.1Provisions

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

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

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

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

13.23.2 Provision for Back Pay Arising from Unequal Pay Claims
The Council has no claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy.

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

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

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

13.24 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

13.25 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

13.26 VAT

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

14. GLOSSARY OF TERMS USED IN FINANCIAL STATEMENTS

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

Accumulated Absences Account
The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

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

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

Audit
An independent examination of the Council's accounts to ensure that they comply with the necessary legislation and follow best accounting practice. The Council's accounts are audited by the external auditor. For 2013/14 Ernst Young have been Appointed as the Council's external auditor.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Comprehensive Income and Expenditure Account
The Income and Expenditure Account reports the net cost of the functions for which the Council is responsible. It shows how the net cost has been financed from general government grants and income from taxpayers.

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

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

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

Corporate and Democratic Core
Split under 2 headings:

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

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

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

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

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

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

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

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

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

Derecognition
The Code requires investment property to be de-recognised on disposal or when the property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Earmarked Reserves
Reserves set aside for specific purposes.

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

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

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

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

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

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

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

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

Heritage Assets
A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. These are accounted for in accordance with FRS 30 Heritage Assets as adopted in

the Code of Practice on Local Council Accounting, as there is no IFRS that deals with heritage assets. Heritage assets can be both tangible and intangible in nature.

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

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

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

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

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

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

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

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

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

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

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

Leasing
A way of paying for capital spending where we pay a rental charge for a certain period of time. There are two main types of leasing arrangements.
a) Finance leases, which transfer all the risks and rewards of owning a fixed asset to the person taking out the lease. These assets are included in the fixed assets in the balance sheet.

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

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

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

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

Net Book Value
The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

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

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

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

Past Service Costs
Under the provisions of IAS19 past service costs are non-periodic costs arising from decisions in the current year but whose financial effect is derived from years of service earned in earlier years. Most costs are likely to be discretionary benefits, including added year liabilities. Any new added years liabilities/past service costs will need to be recognised in non distributed costs.

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Accounts, Audit and Risk Committee

External Audit Results Report

18 September 2013

Report of the Interim Head of Finance and Procurement

PURPOSE OF REPORT

To allow Members to consider the Ernst and Young LLP Results Report which includes comments on the audit of the 2012/13 Statement of Accounts.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended: to:

(1) Consider the matters raised in the report before approving the 2012/13 financial statements and recommending to Council.

(2) Note of the adjustments to the financial statements set out in this report

(3) Approve the letter of representation on behalf of the Council as set out in the appendix.

Executive Summary

1.1 The draft Audit Results report is attached in Appendix 1. The Auditor's opinion of the financial statements relate to the Statement of Accounts, adopted by this Committee in June 2013.

1.2 It is expected at the time of writing this report that the Council will receive an unqualified opinion on the 2012/13 financial statements.

1.3 Officers and Members can be rightly proud of the successful outcomes delivered as a result of the 2012/13 Closedown process. The quality of the 20012/13 Financial Statements and areas of continued improvement support this.

Implications

Financial: There are no financial effects arising from this report.

	Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.
Legal:	There are no legal implications arising from this report.
	Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.
Risk Management:	There are no risk issues arising from this report.
	Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

Wards Affected

All

Document Information

Appendix No	**Title**
Appendix 1	Audit Results Report
Background Papers	
None	
Report Author	Tim Madden, Head of Finance and Procurement
Contact Information	01295 221551 Tim.Madden@cherwellandsouthnorthants.gov.uk

Cherwell District Council

Audit results report for the year ended 31 March 2013

September 2013

Ernst & Young LLP

Building a better

Accounts, Audit and Risk Committee
Cherwell District Council
Bodicote House
Bodicote
Banbury
OX15 4AA

18 September 2013

Dear Ladies and Gentlemen

Audit results report

We are pleased to attach our audit results report for the forthcoming meeting of the Accounts, Audit and Risk Committee. This report summarises our preliminary audit conclusion in relation to the Authority's financial position and results of operations for 2012/13.

The audit is designed to express an opinion on the 2012/13 financial statements, reach a conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources, and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Authority's accounting policies and judgments and material internal control findings.

This report is intended solely for the information and use of the Accounts, Audit and Risk Committee and the Authority. It is not intended to be and should not be used by anyone other than these specified parties.

A copy of this report will be sent to the Audit Commission in accordance with the requirements of its Standing Guidance.

We welcome the opportunity to discuss the contents of this report with you at the Accounts, Audit and Risk Committee meeting scheduled on 18 September 2013.

Yours faithfully

Maria Grindley
Director
For and on behalf of Ernst & Young LLP

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission's website.

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview of the financial statement audit

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- Forming an opinion on the financial statements;
- Forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- Undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Financial statements

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified opinion on the Authority's financial statements. Our main findings in relation to the areas of risk included in our Audit Plan are set out below.

Financial statement risks:

Financial statement risks 1: Audit findings and conclusions

- We approach each engagement with a questioning mind that accepts the possibility a material misstatement due to fraud and error could occur:
  - We have obtained assurance that the risk of material misstatement due to fraud and error has been mitigated.

Financial statement risks 2: Audit findings and conclusions

- We assessed the Council's year end closedown of accounts as a risk :
  - We have obtained adequate assurance over the year end closedown of accounts and there are no issuing arising.

Economy, efficiency and effectiveness

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified value for money conclusion.

Whole of Government accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters that arise to the Audit Committee.

Audit certificate

The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the Audit Opinion;

Control themes and observations

Our audit identified opportunities for improving control over computer user access to your General Ledger IT system.

Summary of audit differences

My audit identified a limited number of errors which my team have highlighted to management for amendment. All of these have been adjusted during the course of our work.

2. Scope update

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan issued on 12 March 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Our work comprises a number of elements. In our Audit Plan, we provided an overview of our audit scope and approach for the audit of the financial statements, our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, and the work we are required to perform on the Whole of Government Accounts return.

We carried out our work in accordance with our Audit Plan.

3. Significant findings from the financial statement audit

In this section of our report we outline the main findings from our audit, including our conclusions on the areas of risk outlined in our Audit Plan.

Financial statement risk 1: Risk of misstatement due to fraud and error

Description and conclusion

Based on the requirements of auditing standards our approach has involved :

- identifying the risk of material misstatement due to fraud and error at the planning stages of the audit;
- inquiry of management about risks of fraud and the controls put in place by management to address those risks;
- understanding the oversight given by those charged with governance of management's processes over fraud;
- considering the effectiveness of management's controls designed to address the risk of fraud;
- determining an appropriate strategy to address those identified risks of fraud;
- performing mandatory procedures regardless of specifically identified fraud risks; and
- considering the results of the National Fraud Initiative.

Conclusion

- As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.
- Our audit procedures have not identified any material misstatement or unexplained accounting entries that would place us on alert regarding the above or cause us to challenge management judgements in preparing the accounts.
- We have obtained written representation from management and those charged with governance which provide us with assurance that arrangements are in place to mitigate the risk of material misstatement due to fraud or error and that there is the exercise of oversight on the part of the Accounts, Audit and Risk Committee.
- Our review of the results of the National Fraud Initiative did not highlight any issues requiring us to undertake any additional audit procedures.
- We have obtained assurance that the risk of material misstatement due to fraud and error has been mitigated.

Financial statement risk 2: Year end closedown of accounts

Description and conclusion

We have:

- reviewed the Council's financial closedown plan;
- liaised with the Head of Finance and Procurement and her staff to ensure that the closedown process and the needs of the audit are co-ordinated.

Conclusion

- The Council's closedown plan was fit for purpose and implementation of the plan was effectively managed and co-ordinated across the two workstreams (CDC and SNC) with good results. The Council produced its draft accounts well in advance of the statutory deadline of the 30 June 2013 and without any discernible impact on quality.
- Working papers presented to audit were produced on time and to a high standard; good quality working papers coupled with our reliance on management controls over the financial closedown process provided added assurance which assisted the efficient conduct of the audit.
- We have obtained adequate assurance over the year end closedown of accounts and there are no issues arising.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the financial reporting process. I have no other matters to bring to your attention.

4. Economy, efficiency and effectiveness

The Code of Audit Practice 2010 sets out our responsibility to satisfy ourselves that the Cherwell District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Cherwell District Council's corporate performance management and financial management arrangements we consider the following criteria and areas of focus specified by the Audit Commission:

- Arrangements for securing financial resilience – whether the Cherwell District Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position to enable it to continue operating for the foreseeable future; and
- Arrangements for securing economy, efficiency and effectiveness – whether the Cherwell District Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and improving efficiency and productivity.

The table below presents the findings of our work in response to the risk areas or areas of focus in our Audit Plan;

Risks/areas of focus	Impacts arrangements for securing:	Key findings:
Joint management and shared service arrangements		
The Council continues to look for opportunities to improve efficiency and has successfully implemented joint management arrangements with a neighbouring council. Further opportunities for joint working continue to be explored as the Council looks to maximise savings and efficiency. This is a positive direction for the Council. However, there is a risk that: • the Council fails to implement and manage joint working and planned outcomes are not delivered; • changes in organisational structures or downsizing adversely impact on governance and proper arrangements as resources become overstretched.	Economy, efficiency and effectiveness	► Management has produced a full and comprehensive report which assesses the outcomes and delivery of its change programme against each of the original business case objectives. The report was presented to the March meeting of full Council. ► This demonstrates clear outcomes to date; an awareness of the opportunities and challenges inherent in the process and outlines the Council's future plans. ► We are satisfied that the Council is taking forward its change agenda in an effective and progressive manner. ► Furthermore, we have reviewed the Audit Commission VFM profile for evidence of high cost or poor quality indicators that might suggest a negative impact on services. Our review did not identify any evidence of a deterioration in service quality. ► The senior management restructure programme has exposed shortcomings in the Council's processes for managing redundancies. ► We are satisfied that these shortcomings do not constitute a failure of proper arrangements on the part of management as defined by the Code of Audit Practice. Action has been taken by management and recommendations for improvement were presented to the September meeting of the Joint Personnel Committee.
Managing finances		
The current financial pressure on local authorities and the impact and necessity for continuous focus on financial resilience and use of resources	Financial resilience	► The Council is taking appropriate action to manage the challenges that it faces over the medium term.

represents a significant challenge over the medium term		► The Council has achieved its financial targets for the year and has set a prudent budget for 2013/14 with good prospects of meeting financial targets in the coming year based on past performance. ► Although financial pressures have arisen during the first quarter of 2012/13 management are confident that these will be addressed. ► The Council has a robust process for reviewing and updating its medium term financial plans in which members are engaged. ► A refreshed five year medium term financial plan has been prepared. This is due to be adopted by the Council in October 2013. ► We have assessed the Council's arrangements as adequate.
Changes to arrangements for council tax support and business rates		
From April 2013, there will be changes to the arrangements for both Local Council Tax Support and business rates. These changes represent a significant change for the Council and bring both financial and reputational risks.	Financial resilience	► The Council has assessed the impact of the changes in preparing its 2013/14 budget and financial plans and has consulted with local residents. ► Arrangements for managing the implementation of the Government's welfare reforms are adequate

5. Control themes and observations

As part of our work, we obtained sufficient understanding of internal control to plan our audit and determine the nature, timing and extent of testing. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you any significant deficiencies.

We have only reported here deficiencies we identified during the audit that we concluded are significant.

5.1 Current year observations

Description	Impact
We carried out work to obtain assurances over the design and operation of the IT general controls within the Council's general ledger system (Agresso). Our procedures included documenting the computer applications, documenting controls relating to changes in production programmes and logical access to data and programmes. This work was carried out by our IT specialist team and covered change management controls and logical access.	We obtained adequate assurance over the design and operation of the Council's change management controls. We identified opportunities for improvements to logical access controls which would reduce the risk of unauthorised or inappropriate access to data and programmes within Agresso. These have been discussed and agreed with management and an action plan produced which management has agreed to implement. We undertook additional substantive procedures to obtain assurances regarding the impact on our financial audit for 2012/13.

6. Status of our work

6.1 Financial statement audit

Our audit work for our opinion on the Authority's financial statements is substantially complete. The following items were outstanding at the date of this report.

Item	Actions to resolve	Responsibility
Letter of representation	To be tabled at accounts audit and risk committee on 18 September 2013.	Management and Audit Committee
Audit of accounts	▶ Awaiting ISA19 assurance report from Pension Fund auditor ▶ Awaiting revised set of accounts to check agreed audit adjustments	Management, Audit Committee and Ernst & Young

On the basis of our work performed to date, we anticipate issuing an unqualified auditor's report on the Authority's financial statements. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

6.2 Economy, efficiency and effectiveness

Our work in respect of our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is complete

We expect to present an unqualified value for money conclusion in regard to the Authority's arrangements to ensure economy, efficiency and effectiveness in its use of resources.

6.3 Objections

We have received no objections to the 2012/13 accounts from members of the public.

7. Fees update

A breakdown of our agreed fee is shown below.

	Proposed final fee 2012/13 £'000	Planned fee 2012/13 £'000	Scale fee 2012/13 £'000	Explanation of variance
Total Audit Fee – Code work	**68,603**	**68,603**	**68,603**	**N/A**
Certification of claims and returns	*	19,800	19,800	N/A
Non-audit work	1,381**	N/A	N/A	

Our actual fee is in line with the agreed fee.

* Our fee for certification of grants and claims is yet to be finalised for 2012/13 and will be reported to those charged with governance in January 2014 within the Audit Certification Report for 2012/13.

** The fee quoted in the table relates to non audit work carried out at the request of the Director of Resources to provide an audit view on a compromise payment made in settlement of an Employment Tribunal claim. The cost; £2,304 is shared between Cherwell District Council and South Northamptonshire Council of which 60% of the cost is chargeable to the Council.

8. Summary of audit differences

In the normal course of any audit, we identify differences between amounts we believe should be recorded in the financial statements and amounts actually recorded. These differences are classified as either 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Our audit identified a number of errors and changes to disclosure notes which my team have highlighted to management for amendment. All of these have been adjusted during the course of our work.

We include all amounts greater than £1.3 million relating to Cherwell District Council in our summary of misstatements. There is one error which exceeds this threshold which relates to an error in the revaluation of property, plant and equipment this is included in the summary of misstatements at Appendix B.

There were no uncorrected misstatements

We identified no amounts, individually or in aggregate, material to the presentation and disclosures of the financial statements for the year ended 31 March 2013.

9. Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan date 12 March 2013. We complied with the Ethical Standards for Auditors and the requirements of the Standing Guidance and in our professional judgement the firm is independent, and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and us. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 18 September 2013.

Appendix A Required communications with the Audit Committee

We must provide certain communications to the Audit Committee. These are:

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations we are seeking ► Expected modifications to the audit report ► Other matters, if any, significant to the oversight of the financial reporting process ►	Audit results report
Misstatements ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements relating to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected significant misstatements	Audit results report
Fraud ► Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ► Any fraud we have identified or information we have obtained that indicates that a fraud may exist ► A discussion of any other matters related to fraud	Representations from the Chair of the Accounts Audit and Risk Committee and the Director of Resources dated 5 April 2013
Related parties Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the Authority	Audit Results report
External confirmations ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	Not applicable

Required communication	Reference
Consideration of laws and regulations ► Audit findings regarding non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ► Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the committee may be aware of	Letter to the Chair of the Accounts Audit and Risk Committee and to the Director of Finance dated 25 March and 29 January 2013
Independence Communication of all significant facts and matters that bear on Ernst & Young's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence	Audit Plan and update in section 8 of this report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	Letter to the Chair of the Audit Committee and to the Director of Finance dated 25 March and 29 January 2013
Significant deficiencies in internal controls identified during the audit	Audit results report
Group audits ► An overview of the type of work to be performed on the financial information of the components ► An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ► Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ► Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ► Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements	Not applicable
Fee reporting ► Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the Authority).	Audit Plan and Audit results report]
Summary of certification work undertaken ► Annual report to those charged with governance summarising the certification work undertaken	Annual Certification Report – to be issued January 2014

Appendix B Adjusted Audit Errors

The following adjustments, which are greater than £1.346m, have been identified during the course of our audit. These adjustments have been made by management within the revised financial statements.

Item of Account	Nature of Error	Error Type	Statement of Comprehensive Income & Expenditure		Balance Sheet	
	Description		Debit	(Credit)	Debit	(Credit)
1. Property plant and equipment						
Revaluation adjustment	Revaluation adjustment due to the effective date on re-valued assets being calculated from 1 April 2012 instead of 31 March 2013	F				£2.834m
	Impact on Net Cost of Services		£0.177m			
	Impact on surplus on the revaluation of non-current assets		£2.657m			
Revaluation increase	An error due to properties having two assets on the asset register and on revaluation assets were combined but this was not reflected within the asset register leading to an overstatement of asset values				£1.842m	
	Impact on Net Cost of Services			£0.730m		
	Impact on surplus on the revaluation of non-current assets			£1.112m		
Net change to the balance sheet						£0.992m
Income effect of corrected adjustments			£0.992m			

F: Factual error

Appendix C Required communications with the Audit Committee

EY

Apex Plaza

Reading

RG1 1YE

This representation letter is provided in connection with your audit of the financial statements of *Cherwell District Council* ("the Council") for the year ended *31 March 2013*. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of *Cherwell District Council* as of *31 March 2013* and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud

2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.

    - Additional information that you have requested from us for the purpose of the audit and

    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements

3. We have made available to you all minutes of the meetings of the Council, the Executive and the Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date:

    - Council: 22 July 2013

    - Executive: 1 July 2013

    - Accounts Audit and Risk Committee: 26 June 2013

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 8.38 to the financial statements all guarantees that we have given to third parties.

4. The industrial tribunal claim by *a former member of staff* has been settled for the total sum of £120,000 of which the Council's share has been properly accrued in the financial statements. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. Other than.......... described in Note to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable

2. Accounting estimates recognised or disclosed in the financial statements:

- We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.

- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.

- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.

- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Representations required in specific circumstances

Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet(s).

Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

Use of the Work of an Expert

1. We agree with the findings of the experts engaged to evaluate the *valuation of assets and pension fund liabilities* and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours Faithfully,

Chief Financial Officer and Director of Resources

I confirm that this letter has been discussed and agreed at the Audit Committee on 18 September 2013

Chairman of the Accounts Audit and Risk Committee

Ernst & Young LLP

Assurance | Tax | Transaction | Advisory

www.ey.com/uk

Accounts, Audit and Risk Committee

Risk Management
First Quarter Review of Risk

18 September 2013

Report of the Corporate Performance Manager

PURPOSE OF REPORT

To update the Committee on the management of Strategic, Corporate and Partnership Risks during the first quarter of 2013/14 and highlight any emerging issues for consideration.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

(1) To review the quarter 1 Strategic, Corporate and Partnership Risk Register

Executive Summary

1.1 The Council sets out its approach to managing risk in its Risk and Opportunities Management Strategy. This document is reviewed and updated on an annual basis and sets out the framework for managing risks of all types.

1.2 Risks are reviewed on a quarterly basis, undertaken by the Accounts, Audit and Risk Committee and JMT. This takes the form of reviewing the strategic risk register. Operational risks are reviewed at the departmental level but can be escalated to the strategic risk register if required. Risks may be identified and added to the strategic risk register at any point during the year. However, a formal review is undertaken in the final quarter of the year to refresh the strategic risk register and identify any new or emerging risks or opportunities.

1.3 In summary this report sets out the following:

- The principles by which the Council manages risk
- The quarter 1 risk review (appendix 1).
- A summary of issues and progress arising from the 2012/13 Risk Audit

Proposals

1.4 Underlying Principles: the following principles continue to be used for the management of risk

Core Risks. These are the core set of strategic and high level risks that are recorded in the Council's Risk Register and are managed by JMT. They are monitored by the Accounts, Audit and Risk Committee and JMT on a quarterly basis. These risks are defined as strategic, corporate and partnership risks (see 'types of risk' below).

Net Risk This is a measure of impact and likelihood after the proposed mitigating actions or controls have been taken into account. This is given a score using a 5x5 matrix which can then range from 1 to 25, with 25 being the highest level a risk can score. Changes in net risk are highlighted in the risk monitoring reports to draw attention to any increase or decrease in risk and any new controls required.

Types of Risk the Council distinguishes between types of risk and those defined as strategic, corporate or partnership are held on the Council's core risk register. Operational risks are managed at the service and directorate level and not corporately through the strategic risk register. Our definitions are as follows:

- Strategic risks that are significant in size and duration and will impact on the reputation and performance of the Council as a whole and in particular on its ability to deliver its four strategic priorities.

- Corporate risks to corporate systems or processes that underpin the organisation's overall governance, operation and ability to deliver services.

- Partnership risks to a partnership meeting its objectives or delivering agreed services/ projects.

- Operational risks specific to the delivery of individual services/service performance or specific projects.

1.5 **Quarter 1 Strategic, Corporate and Partnerships Risk Review**

In February 2012 a new Cherwell and South Northamptonshire Councils' Joint Risk Management Strategy was adopted. All strategic, partnership and corporate risks on the Council's register have been allocated to a member of JMT and the first annual review of the strategy took place in February 2013.

Appendix 1 provides an overview of the latest risk register for 2013/14. This register will provide the basis for on going risk management during 2013/14.During the year any emerging risks will be added to the register. Where appropriate risks will be closed and these will also be reported to the committee.

Strategic, corporate and partnership risks are reviewed on a quarterly basis and reported via the risk management framework. The contents of the risk register as a whole are reviewed at least annually to ensure its contents reflect current priorities and circumstances.

JMT have reviewed the risk register at year end and the register attached as appendix 1 provides a summary of risks believed significant enough in scope, impact and effect on strategic priorities to be monitored at the most senior level.

A risk audit for 2012/13 was completed and a number of issues for development were. One of these was to improve risk reporting by using heat maps. These are diagrams which provide a quick, visual and more accessible way of presenting risk profile. The first heat maps have been included as appendix 2. They highlight the Council's risk profile in terms of inherent risk and residual risk at the end of the first quarter.

Risk Strategy 2013/14

1.5 The Council's Risk and Opportunities Strategy was fully reviewed and redeveloped during 2011/12 to taken into account the new joint management arrangements with South Northamptonshire Council. The strategy has now been in operation for over a year and has ensured that the Joint Management Team uses a single approach to risk management. Risks are clearly identified as Cherwell, South Northants or common and managed to reflect this status. Programme and project risks also use this approach.

Operational Risks

1.6 Operational risks are not included in the strategic, corporate and partnerships risk register. These risks are managed and monitored locally at the directorate and service level. As with service performance indicators, any issues arising from these operational risks may be escalated via the risk reports to the Joint Management Team. In the event of this occurring they would also be reported to the Executive and Accounts, Audit and Risk Committee in their quarterly reports. Operational risks are reviewed on a quarterly basis.

Development and emerging issues resulting from the 2012/13 risk audit

1.7 The audit of risk management for 2012/13 has taken place. Findings have been positive with minor issues for improvement highlighted. A progress update against these issues is outlined below:

i. Ensuring risk reports identify how risks relate to corporate priorities (currently this is part of the risk assessment but not reflected in the reports).

   ➔ Completed

ii. Utilising visual aids to present risks. Currently we report using tabular presentation.

   ➔ Heat maps tested as part of this report

iii. Keeping records of late risk reviews and poor practice to offer additional support to risk owners.

   ➔ Implemented. Only 1 late risk this quarter.

iv. Support operational risk management and institute a risk working group to support.

➔ Some progress but still needs developing.

v. Tightening up on risk commentary including when mitigating actions are planned or have been implemented.

➔ New reporting format

vi. Ensuring operational risks are reviewed and supporting operational risk registers with templates.

➔ See point iv above

Conclusion

1.8 During the first quarter of 20132/14 all risks on the strategic, corporate and partnership risk register have been monitored and reviewed. Recommendations made in the last risk audit have been progressed.

Background Information

2.1 The Council has implemented a shared approach to Risk Management which covers Cherwell and South Northamptonshire Councils. This ensures that the strategic partnership that exists between the two authorities is managed using the same risk methodology.

2.2 JMT have reviewed the risk register on a quarterly basis throughout 2012/13 and have drafted a register for 2013/14. Operational risks are held at the service level.

Key Issues for Consideration/Reasons for Decision and Options

3.1 All risks have been reviewed in quarter 1 and progress has been made in delivering the recommendations as set out by the audit report.

The following options have been identified. The approach in the recommendations is believed to be the best way forward.

Option One	To support the current approach and having considered the Strategic, Corporate and Partnership risks, report any concerns arising to the Executive.
Option Two	To reject the current approach and proposals and report any concerns arising to the Executive.

Implications

Financial:	The Council has identified the impact of the current economic climate and financial pressures on the Council's ability to deliver its corporate priorities as a Strategic Risk.

	There is also a Corporate Risk arising from the Council's ability to fund its activities because of a reduction in investment income or income from other capital assets such as buildings. Comments checked by Nicola Jackson, Finance Manager, 01295 221551
Legal:	There are no direct legal implications arising from this report but the Council has to ensure it is aware of any risks to its delivering what is required by law. Comments checked by Nigel Bell, Team Leader – Planning and Litigation, 01295 221687
Risk Management:	The lead officer responsible for risk reporting is the author of this report. Comments checked by Claire Taylor, Performance Manager, 0300 0030113

Wards Affected

All

Corporate Plan Themes

All

Document Information

Appendix No	Title
Appendix 1	Risk Register 2013/14 – quarter 1 update
Appendix 2	Risk heat map
Background Papers	
Risk Audit 2012/13	
Report Author	Claire Taylor, Corporate Performance Manager
Contact Information	claire.taylor@cherwelland southnorthants.gov.uk 0300 0030113

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Risk Register

Version History

Version No.	Date	Author / Change made by	List of changes made
V0.1	01/04/13		
V0.2			
V0.3			
V0.4			

	Indicated by:-
High	Requires Active Management
High Medium	Contingency Plans Required
Medium	Monitoring Required
Low	Review Periodically

		Likelihood				
		Remote 1	Unlikely 2	Possible 3	Probable 4	Highly Probable 5
Impact	5 Catastrophic	5 ↑	10 ↑↑	15 ↑↑	20 ↑↑↑	25 ↑↑↑
	4 Major	4 =	8 ↑	12 ↑↑	16 ↑↑↑	20 ↑↑↑
	3 Moderate	3 =	6 ↑	9 ↑	12 ↑↑	15 ↑↑
	2 Minor	2 =	4 =	6 ↑	8 ↑	10 ↑↑
	1 Insignificant	1 =	2 =	3 =	4 =	5 ↑

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No	Date risk added	SNC or CDC	Owner	Risk Name	CDC Priority
s1	01/04/2013	Common	**KL**	Policy and legislative change	an accessible value for money council
s2	01/04/2013	Common	**MH**	Local Government Resources Review	an accessible value for money council
s3	01/04/2013	Common	**MH**	Financial resilience (Including impact of Local Government Resources Review)	an accessible value for money council
s4	01/04/2013	Common	**MH**	Capital Investment and Asset Management	an accessible value for money council
s5	01/04/2013	Common	**AC**	SNC Managing Growth and capitalising on opportunities	
s6	01/04/2013	SNC	**CS**	Moat Lane Development	
s6a	29/07/2013	SNC	**CS**	Moat Lane - Archaeological works	
s6b	29/07/2013	SNC	**CS**	Moat Lane - stage 1 start date	
s7	01/04/2013	SNC	**AC**	HS2	a safe healthy and thriving district
s8	01/04/2013	Common	**CR**	Customer Service Improvement	an accessible value for money council
s9	01/04/2013	SNC	**AC**	Silverstone Masterplan	
s10	01/04/2013	SNC	**AC**	SNC Local Plan	
s11	01/04/2013	SNC	**EP**	SNC Changes to Waste Collection	
s12	01/04/2013	CDC	**ID**	Deprivation and Health Inequalities	district of opportunity
s13	01/04/2013	CDC	**KC**	Bicester Eco-Town	district of opportunity
s14	01/04/2013	CDC	**AC**	CDC Local Plan	district of opportunity
s15	16/08/2013	CDC	**AC**	CDC Local Plan - County SHMA	district of opportunity
s16	01/04/2013	CDC	**KC**	Bicester Town Centre Development	district of opportunity
s17	01/04/2013	CDC	**ID**	Horton Hospital	a safe healthy and thriving district
c1	01/04/2013	Common	**CR**	Business Continuity	an accessible value for money council
c2	01/04/2013	Common	**JP**	ICT loss of systems	an accessible value for money council
c3	01/04/2013	Common	**MH**	Corporate Fraud	an accessible value for money council
c4	01/04/2013	Common	**JP**	Managing Data and Information	an accessible value for money council
c5	01/04/2013	Common	**KL**	Member Decision Making	an accessible value for money council
c6	01/04/2013	SNC	**JP**	Moat Lane Relocation and Change	
c7	01/04/2013	Common	**MH**	Joint Working	an accessible value for money council
c8	01/04/2013	Common	**JP**	Communications	an accessible value for money council
c9	01/04/2013	Common	**JP**	Equalities	an accessible value for money council
c10	01/04/2013	Common	**JP**	Health and Safety	an accessible value for money council
c11	01/04/2013	Common	**CR**	Emergency Planning	a safe healthy and thriving district
c12	30/06/2013	CDC	**AP**	CDC Planning (Major Applications)	district of opportunity
p1	01/04/2013	SNC	**CR**	SNC Community Safety Partnership	
p2	01/04/2013	Common	**CR**	Policing and Crime Commissioner	a safe healthy and thriving district
p3	01/04/2013	CDC	**CR**	CDC Local Strategic Partnership	a safe healthy and thriving district
p4	01/04/2013	CDC	**CR**	CDC Community Safety Partnership	a safe healthy and thriving district

p5	01/04/2013	CDC	**AC**	Oxfordshire LEP	district of opportunity
p6	01/04/2013	CDC	**EP**	Oxfordshire Waste Management Partnership	a cleaner greener district
p7	01/04/2013	Common	**CR**	Health and Wellbeing Partnerships/Boards	a safe healthy and thriving district
p8	01/04/2013	Common	**AC**	South Midlands LEP	district of opportunity
p9	01/04/2013	SNC	**AC**	SNC Joint Planning Unit (JPU)	

e	in loss of opportunity, reputational damage or legal challenge	Economic				Service organised to increase effectiveness of Scrutiny Committees		National guidance interpreting legislation available and used regularly Members aware and are briefed regularly JMT undertake policy oversight role				tracked by professionally qualified officers	by either Council alleging misapplication of the law
Government rces Review	The councils fail to adequately respond to the implications of the resources review	Political / Social / Economic	4	5	20	refresh of the MTFS summer 2013	Oct-13	Highly professional, competent, qualified staff Good networks established locally, regionally and nationally National guidance interpreting legislation available and used regularly Members aware and are briefed regularly Participate in NFO and OTA workstreams Programme management approach being taken	2	4	8		Audit committee , Budget/Financial Plannin Committees in place
cial resilience ding impact of Local nment Resources w)	The impact of external financial shocks, new policy and increased service demand reduces the councils medium and long term financial viability	Political / Social / Economic	4	4	16	Refresh of the Medium Term Financial Strategy in September 2013 taking into account latest intelligence and information contained within the Spending Review 2013. Benefits section to be renamed Welfare Reform to enable clarity of responsibility in relation to the on-going Welfare Reform changes.	Oct-13	Highly professional, competent, qualified staff Good networks established locally, regionally and nationally National guidance interpreting legislation available and used regularly Members aware and are briefed regularly Participate in NFO and OTA workstreams Programme management approach being taken	2	4	8		Budget and financial strategy committee (SNC Budget Planning Committee (CDC) Executive, Cabinet, Audi Committee and Accounts Audit and risk Committee Scrutiny Committees
l Investment and Management	Poor investment and asset management results in the councils' not maximising financial return or loosing income.	Political / Social / Economic	3	4	12			Treasury management policies in place Investment strategies in place Regular financial and performance monitoring in place Independent third party advisers in place and different ones used at each council Regular bulletins and advice received from advisers Fund managers in place Property portfolio income monitored through financial management arrangements on a regular basis Experienced professionally qualified staff employed at both councils	2	3	6		Budget and financial strategy committee (SNC Budget Planning Committee (CDC) Executive, Cabinet, Audi Committee and Accounts Audit and risk Committee Scrutiny Committees
Managing Growth and ising on unities	Failure to capitalise on the growth agenda results in lost opportunities in terms of economic, community and infrastructure development and financial gains (e.g. business rates retention). The ultimate impact is long term and impacts upon the strategic objectives of the council and quality for life for local residents and communities.	Political / Social / Economic	4	4	16			Master planning process Core strategy Economic development strategy Inward investment plan	3	3	9		Planning Policy and Regeneration Strategy Committee
Lane Development	Failure to deliver the project results in loss of economic benefit, local dissatisfaction and reputational damage to the Council.: Failure to realise economic opportunities Reputational damage Increased costs (if failure to deliver within the programme timescales) Negative impact on the local environment (site of a special monument)	Customer Citizen / Service Delivery / Operational	4	5	20			Project manager in lead role Project board Legal agreements in place Joint venture with the developer (underpinned by legal agreements) Monthly performance / projects reports Resources and technical advice provided as part of the developer agreement	3	4	12		Project governance and detailed risk register
Lane - Archaeological	Should any archaeological finds be deemed worthy of protection and presentation/public access, there would be an unplanned cost to achieve an economic/tourism benefit	Resource / Financial / Human	4	3	12	Project Sponsor has commissioned a review of costs and benefits of preserving finds.	31/08/13	To be determined on receipt of cost benefit review	4	3	12		Project governance
Lane - stage 1 start	Risk of delay to the start date of the first phase	Resource / Financial / Human	4	3	12	Very open and frank discussions with partners, emphasising the effects of potential damage to reputations, and resultant effect on costs.	31/08/13		4	3	12	Discussions are very frequent and on-going. This is the subject to the contract going unconditional and work is focused on ensuring that all the condition precedents are met. Signature of a number of relevant documents on Wednesday 31 July will reduce this risk considerably. This also links with risk No. 22 (ML Risk 13) as archaeology is one of those condition precedents.	Project governance
	Failure to engage on HS2 matters and failure to plan to mitigate potential impacts of HS2 result in: A higher negative impact on the district in terms of environment, disruption and economy than would be the case if the best mitigation outcomes are achieved. Failure to be seen to	Political / Social / Economic	5	5	25			Part of the 51 m group Part of the Oxfordshire and Northants planning group (working with developers to manage the impact) Involvement with local community groups Working with local parish councils	4	4	16	Quarterly updates as part of risk and performance management. On Cabinet work programme.	

mer Service vement	Failure to increase internet usage or self service and improve customer service processes results in higher costs and decreased customer satisfaction	Customer Citizen / Service Delivery / Operational	4	3	12	Transformation programme, channel shift project		Managers discuss service changes with customer services to mitigate any negative impact on customer service On-going review of the web (SNC you said we did page – noting actions taken from customer feedback) Customer communications in local / residents newsletters Customer complaints process JMT highlight service changes to customer service teams to ensure web/service team can deliver	3	3	9	an appraisal of the likely application to create citizens portals and accounts will be created. SNC complaints process now within performance team. Roll out complete - to be reviewed in September 2013. SNC CSC have recruited 2 x ft staff to enable service take on from housing and planning without requiring resource as well.	Project governance, performance manageme reporting, customer insig reporting.
stone Masterplan	Failure to capitalise on the opportunities afforded to the district through the Silverstone development and failure to manage the risks associated with the programme result in: • Failure to maximise long term economic benefit to the district • Negative impact on the a43 – (impact of transport risks) • Negative impact on council's reputation	Political / Social / Economic	4	4	16			Planning negotiation processes (to cover transport delivery) Section 106 process to cover economic gains Strong working relationship with Silverstone	2	3	6		Silverstone Masterplan coordination group established.
Local Plan	Failure to ensure sound local plan is submitted by 27/03/13 results in inappropriate growth in inappropriate places. This leads to negative (or failure to optimise) economic, social, community and environmental gain. There is also potential negative impact on the council's ability to deliver its strategic objectives and manage its reputation.	Political / Social / Economic	4	5	20	Parish briefings being organised.		Partnership working with the JPU will deliver some elements of the plan (this partnership is recorded on the risk register as a separate item) For issues which are solely within the control of SNC polices, plans and resources are in place. Work is well advanced on rural settlements, village confines draft planning guidance and development control polices are underway. A statement of community involvement is in place	3	4	12		
Changes to Waste tion	Failure to deliver effective changes to waste collection results in higher costs, reduced recycling rates, loss of council's reputation or procurement challenge	Customer Citizen / Service Delivery / Operational	4	4	16			Project Manager & Project Structure identified to manage the change. Representation across the organisation for the project teams including Communications, Finance, HR to ensure risks are fully understood and the relevant skills and knowledge of the teams are sufficient to deliver the change.	2	4	8		Project governance
ation and Health alities	Failure to deliver the Brighter Futures in Banbury programme results in long term health and deprivation objectives not being met	Political / Social / Economic	3	3	9			Long term commitment to support local people and communities as many issues can only be addressed on this basis Multi agency actions with clear and common objectives Additional funding from Government grants to supplement current resources LSP focus on Brighter Futures in Banbury programme Contingency fund made available in CDC budget Programme co-ordination role in place Quarterly performance management in place	2	3	6		Project governance, LSP oversight, quarterly reporting, annual l report
er Eco-Town	Failure to deliver the project results in loss of economic benefit, local dissatisfaction and reputational damage to the council	Political / Social / Economic	4	4	16			Planning policy development through Local Plan Eco Town Project plan & related partnerships working with private & public sector partners Programme Board in place Lead Member in place	3	3	9		Programme Governance performance manageme
Local Plan	Failure to ensure sound local plan is submitted results in inappropriate growth in inappropriate places. This leads to negative (or failure to optimise) economic, social, community and environmental gain. There is also potential negative impact on the council's ability to deliver its strategic objectives and manage its reputation.	Political / Social / Economic	4	5	20			A local development scheme is in place which details the timeframes and deliverables to underpin the work Resources are in place to support delivery	3	4	12		
Local Plan - County	There is a risk that CDC will need to consider additional housing in 2014 to meet the unmet need of Oxford.	Political / Social / Economic	4	5	20	Reporting response being considered by SPIP and OPPO. On-going.		TBC	4	5	20		

								Resources and technical advice provided as part of the developer agreement					
n Hospital	Failure to retain Horton services locally results in loss of local services and less access to health care for local people	Political / Social / Economic	4	4	16			Support to the Oxford University Hospitals Trust (OUHT) and emerging GP commissioning structure to maintain services Providing evidence of deliverability of consultant delivered services elsewhere Gaining consensus locally that this is important Ensuring local councillors are briefed and engaged to play a community leadership role Continuing to support a local stakeholder group (CPN) with OUHT, GP and OCC representation to hold service commissioners and providers to account and to communicate the health sector changes to the wider population.	3	4	12		
ess Continuity	That plans are not in place to ensure services can be delivered in the event of a issue resulting is service failure and reputational damage	Business Continuity	4	5	20	Red folders to be updated as a result of personnel changes	Oct-13	Business continuity strategy in place All services prioritised and recover plans reflect the requirements of critical services ICT disaster recovery arrangements in place JMT lead identified Incident management team identified All services undertake annual business impact assessments	3	3	9	Underway - completion by end October 2013	Audit
ss of systems	Failure of ICT services including telephones and remote access. Leading to a negative impact on customers, loss of business continuity and cost to the council (in terms of resources and reputation.	Business Continuity	4	4	16			BCP Plan Disaster recovery arrangements (CDC) Recovery site (CDC) Back up of systems Process and standards (compliance regime)	3	3	9	Achieved ISO 22301 accreditation	External accreditation
rate Fraud	Lack of corporate governance and control results in fraud from either within or outside the councils.	Legal & Professional	4	4	16			Professionally qualified finance staff Communication of anti-fraud messages Dedicated fraud teams at SNC and CDC Anti-fraud trained staff at both authorities Specific corporate fraud resource within the Finance project team at SNC Fraud risk assessments carried out periodically Audit Committee at SNC Accounts, Audit and Risk Committee at CDC Benefit fraud campaigns advertised Benefit fraud identification and convictions communicated to the local press Internal controls processes and procedures (segregation of duties, checking of information etc.) Periodic checking of data (single person discounts, Audit Commission data matching etc.) Membership of National Anti Fraud Network Role of S151 and monitoring officers Fraud detection and prevention corporate policies in place such as Whistle Blowing and Anti-frau and corruption policy. Standard agenda items on Accounts, Audit and Risk Committee and Audit Committee.	2	4	8		Budget and financial strategy committee (SNC Budget Planning Committee (CDC) Executive, Cabinet, Audi Committee and Accounts Audit and risk Committee Scrutiny Committees
ging Data and ation	Poor data quality or lack of relevant information results in poor decision making	Legal & Professional	4	4	16			Audit and data quality health checks Annual target setting process Annual PMF review Data quality policies in place	3	3	9		Audit, data quality check as part of performance management framework.
er Decision Making	That members do not have access to information and support to make effective decisions	Legal & Professional	4	4	16	Scrutiny member development event via Parliamentary Outreach Service organised to increase effectiveness of Scrutiny Committees. Interim Head if Finance and Procurement to be engaged to cover for departure of permanent post holder	Oct 13 Sept 13	Attendance of professionally qualified and experienced officers at all Member decision taking meetings. Council Constitutions. Member Development Programmes. Legislative requirements. Call in processes.	2	4	8		No decision has been made by either Council which is inconsistent wit the policy framework or legal requirements
	That failure to effectively manage the Moat Lane relocation, and organisational change	Customer Citizen /											

unications	Failures to manage internal and external communications results in reputational damage to the council or reduced performance/staff morale	Reputation / Communication	4	4	16			Centralised press office function Members attributed and sign of press releases Communications strategy in place Members media training Social Media Policy Specific communications plans in place for major projects	3	3	9	Social media manager permissions given to all CDC and SNC communications staff, all of whom have at least a basic understanding of process. Communications plan produced for Bicester Sports Village (CDC). Frequent communications meetings held with staff to ensure controls are sufficient. SNC communications staff shortage (sickness and resignation) resolved with phased return to work and appointment of new communications officer.	SNC members communications panel, CDC member lead for communications, Quarte performance reporting, CDC annual satisfaction survey includes comprehensive communications section.
ties	Failure to comply with equalities legislation results in legal challenge, costs and reputation damage	Legal & Professional	4	4	16	Roll out equalities awareness at SNC	Dec-13	Rolling programme of equality assessments Equality policy and corporate plan in place Equalities requirements to be identified in service plans Equalities training available for staff and members Equalities awareness programme at CDC (knowing our communities)	3	3	9	Military event planned for SNC by end of year. CDC events are on track.	Annual update to cabinet and Executive. Quarterly performance reporting. E rolling programme and action plan. Steering grou to co-ordinate work.
and Safety	Failure to comply with health and safety legislation leads to injury, sickness, absence and litigation against the council	Legal & Professional	4	5	20			Both Councils have policies, procedures, and arrangements in place to mitigate the risks of accidents to staff, members of the public and contractors that may be affected by the Councils actions	3	5	15		
ency Planning	That plans are not in place to ensure the council responds effectively in the event of a civil emergency and local residents are not supported. This could result in casualties, unnecessary hardship, impact on the local environment, costs and reputation.	Customer Citizen / Service Delivery / Operational	3	4	12	Engagement with TVLRF and testing of plans county wide with all partners.		Emergency plan reviewed quarterly and on activation.	2	4	8	EP are reviewed quarterly and provided to our partners in the TVLRF. Desk top excercises have been undertaken on implimentation of both EP and BC plans in Cherwell and across Oxfordshire	OCC EP Division have accepted our EP as bein sufficient and suitable. OCC have also led on de top studies of implementation.
Planning (Major ations)	That planning perfomance (major planning applications) does not meet the planning inspectorate threshold and is subject to special measures	Reputation / Communication	5	4	20	reallocation of resources to improve performance	Oct-13	On-going performance review meetings led by director	4	4	16		Director oversight
Community Safety ership	The partnership doesn't add value to the work of the council Undertakes projects that don't align with strategic objectives of the council. Council is unable to influence the partnership's agenda. Leading to failure to achieve corporate objectives and loss of reputation	Customer Citizen / Service Delivery / Operational	3	3	9			Performance Management, Strategy/Action Plan.	2	2	4		
g and Crime issioner	The Council fails to engage/influence the PCC/ PCP Doesn't add value to partnership work of the Council PCC commissions projects that don't align with strategic objectives of the Council. Loss/reduction of funding to Community Safety. Becomes isolated from PCC. Leading to failure to achieve corporate objectives and loss of reputation	Political / Social / Economic	3	3	9			Effective local Community Safety Partnership meetings Elected member representation at PCP Elected Member representation at Northamptonshire and Oxfordshire Board (OSCP) arrangements. Elected Member representation at CSP Alignment with PCC Policing Plan Elected membership in accordance with agreed PCP steering group policy	2	2	4	Community Safety Partnership meetings on-going. Chair of CSP sits on PCP and OSCP. CSP strategy and action plan refreshed to reflect PCC policing plan	PCC subject to scrutiny b PCP. CDC chair of CSP sits on PCP
Local Strategic ership	Failure or reduced effectiveness of the partnership could lead to: • Key partners adopting policies or projects inconsistent with each other, • Opportunities being missed for effective partnership working • Existing LSP sponsored projects failing to deliver their objectives Any of the above could result in wasted resources and reputational damage to the council and the partnership	Political / Social / Economic	3	3	9			Annual self assessment of performance (annual report) Annual "Reference Group" conference to report to and gain guidance from the wider community CDC officer time dedicated to servicing the partnership and maintaining links between partners	2	3	6		Reference Group
Community Safety ership	The partnership doesn't add value to the work of the council, undertakes projects that don't align with strategic objectives or the council is unable to influence the partnership's agenda. Leading to failure to achieve corporate objectives and loss of reputation	Political / Social / Economic	3	3	9			CSCP effective meetings, Elected member representation at district and county groups, Continued support of JATAC, CSCP strategy, CSCP action plan compliance.	2	2	4	CSCP meetings on-going chaired by deputy Leader, strategy updated to reflect PCC policing plan. CSP action plan reported in Performance Matters a	PCC / OCC to audit spending, CSP reports to OSCP an subject to CDC,PCC and PCP scrutiny
dshire LEP	The partnership doesn't add value to the work of the council, undertakes projects that don't align with strategic objectives or the council is unable to influence the partnership's agenda.	Political / Social / Economic	4	4	16			Partnership Work Programme / Forward Plan, Resource provision for Partnership work, Senior management and Member Involvement	3	4	12		

...shire Waste ...gement Partnership	binding. However Oxfordshire County Council have indicated that they are not prepared to continue all these payments (landfill diversion payments) in the future, indicating from April 2013. This could threaten the future of the Oxfordshire Waste Partnership.	Political / Social / Economic	4	4	16			The County Council could walk away from the partnership which would mean the County Council would only pay recycling credits. However this is unlikely. The chair of the OWP has moved from Oxfordshire County Council to South Oxfordshire from May 2012	2	3	6	commence from April 2014 , falling by 25% each year until 2017. The payments are no longer linked to performance	
... and Wellbeing ...rships/Boards	Failure of the new partnership arrangements results in the councils not being able to meet its safe and healthy objectives.	Political / Social / Economic	3	3	9			Engagement with CC structures. NB The structures are different in each county. Oxfordshire has a clear structure and acknowledges the need for the DC's direct contribution. However, greater Supporting People budget risk exists which is of more relevance to CDC. SNC engagement has commenced but there is a reliance on each District to set up its local forum with no clear guidance on the contribution mechanism of that to the county structure.	3	3	9	Shadow boards have become functioning boards during this quarter. Structures and relationships have become clearer and working groups are being established. Priorities have been agreed for localities.	
... Midlands LEP	The partnership doesn't add value to the work of the councils, undertakes projects that don't align with strategic objectives or the council is unable to influence the partnership's agenda.	Political / Social / Economic	4	4	16			Partnership Work Programme / Forward Plan, Resource provision for Partnership work, Senior management and Member Involvement	3	4	12		
...oint Planning Unit	Failure to effectively manage the council's partnership with the JPU results in a failure to adopt a sound local plan. This relates to strategic risk s10 as without a sound local plan the long term strategic objectives of the council will be jeopardised and there is a potential negative impact on the council's reputation.	Political / Social / Economic	4	4	16			Partnership governance arrangements in place Working groups to support technical issues are in place (with both member and officer input) Retained QC for legal advice	3	3	9		

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Risk Heat Map (inherent risk)

Impact		Remote	Unlikely	Possible	Probable	Highly Probable
	Catastrophic	**5**	**10**	**15**	**20** CDC Local Plan SHMA Business Continuity Health and Safety SNC Local Plan CDC Local Plan Policy and Legislative Change Moat Lane Regeneration	**25** HS2
	Major	**4**	**8**	**12** Bicester Town Centre Emergency Planning Capital Investment	**16** SNC JPU South Midlands LEP CDC OWP Member Decision Making Managing Data Corporate Fraud ICT loss of systems Horton Hospital Oxfordshire LEP Equalities Communications Joint Working Silverstone Master Plan SNC Changes to waste collection Bicester Eco Town Financial Resilience Managing Growth	**20** SNC Organisational Change CDC Major Planning Aps
	Moderate	**3**	**6**	**9** Health and Wellbeing Boards CDC Community Safety Partnership CDC LSP Policing and Crime Commissioner SNC Community Safety Partnership CDC BFiB	**12** Customer Service	**15**
	Minor	**2**	**4**	**6**	**8**	**10**
	Insignificant	**1**	**2**	**3**	**4**	**5**

Risk Heat Map (residual risk)

Impact	Likelihood:	Remote	Unlikely	Possible	Probable	Highly Probable
	Catastrophic	**5**	**10**	**15** Health and Safety	**20** CDC Local Plan SHMA	**25**
	Major	**4**	**8** Policy and Legislative Change Financial Resilience SNC Changes to waste collection Corporate Fraud Member Decision Making Emergency Planning	**12** Moat Lane Regeneration SNC Local Plan CDC Local Plan Horton Hospital SNC Organisational Change Joint Working Oxfordshire LEP South Midlands LEP	**16** HS2 CDC Major Planning Aps	**20**
	Moderate	**3**	**6** Capital Investment Silverstone Master Plan CDC BFiB CDC LSP CDC OWP	**9** Managing Growth Customer Service Bicester Eco Town Bicester Town Centre Business Continuity ICT loss of systems Managing Data Communications Equalities Health and Wellbeing Boards SNC JPU	**12**	**15**
	Minor	**2**	**4** SNC Community Safety Partnership CDC Community Safety Partnership Policing and Crime Commissioner	**6**	**8**	**10**
	Insignificant	**1**	**2**	**3**	**4**	**5**

Accounts, Audit and Risk Committee

Q1 Treasury Management Report

18 September 2013

Report of the Interim Head of Finance and Procurement

PURPOSE OF REPORT

To receive information on treasury management performance and compliance with treasury management policy for 2013/14 for Quarter 1 including an update for position as at 31 August 2013 as required by the Treasury Management Code of Practice.

This report is public

Appendices 1 and 2 to this report are exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

(1) Note the contents of the Quarter 1 (Q1) Treasury Report

(2) Note the contents of the 2012/13 Annual Treasury Report which was presented to Council in July 2013 – Appendix 3

Summary

1.1 As part of our investment strategy and governance arrangements this committee considers the investment performance to date and our compliance with counterparties being used.

1.2 The Code of Practice on Treasury Management approved by the Chartered Institute of Public Finance and Accountancy (CIPFA) and adopted in full by the Council in 2004, requires that a Treasury Management Strategy is produced prior to the beginning of the financial year to which it relates. The Treasury Management Strategy is the cornerstone of proper treasury management, and is central to the operation, management reporting and performance assessment. The annual strategy for Cherwell District Council was approved at full Council on 25th February 2013. The Council re-appointed Sector as its Treasury Management advisor in January 2013.

1.3 The highest standard of stewardship of public funds remains of the utmost importance to the Council. This document details the Council's management of investments and treasury management activities during the first 3 months of 2013/14.

Background Information

2013/14 Performance

2.1 As at the end of June the Council had £11.8m invested with fund manager Investec. In addition it has around £57.7m managed in-house (including Eco Town funds of £13.5m) which fluctuates during the year. The Council regularly reviews of each of these funds in light of the current economic climate, reducing balances in investments planned to fund the Capital Programme and the need to contribute to efficiency savings.

Update on Cherwell's Treasury Performance

2.2 The Treasury Management Strategy for 2013/14, which includes the Annual Investment Strategy, was approved by the Council on 25th February 2013. It sets out the Council's investment priorities as being:

- Security of Capital; Liquidity; and Yield

2.3 The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover short term cash flow needs. However, the Council also seeks out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions. The Council uses Sector's suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Sector (this applies in particular to nationalised and semi nationalised UK banks).

2.4 During the quarter ended 30th June, Sector highlighted: -

- Indicators suggested that the economy accelerated;
- Stronger household spending, both on and off the high street;
- Inflation remained stubbornly above the Monetary Policy Committee (MPC)'s 2% target;
- The MPC remained in a state of limbo ahead of Mark Carney's arrival
- 10-year gilt yields rose above 2.5% and the FTSE 100 fell below 6,100,
- The Federal Reserve discussed tapering the pace of asset purchases under Quantitative Easing 3 (QE3).

2.5 Investment rates available in the market have continued at historically low levels. The average level of funds available for investment purposes was £69.5m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme and ECO Bicester.

2.6 It is worth noting that the revenue budget for 2013/14 has been prepared utilising only £150,000 of investment income; however, total Investment income within 2013/14 is budgeted as £550,000. The balance of £400,000 will be used to replenish reserves after transferring interest received in respect of Eco Town funds to the Eco Town reserve.

Investment performance for quarter ended 30th June 2013 was:

Fund	Amount at 30th June 2013	Interest Budget	Actual Interest	Variance	Rate of return %
Investec	£11,840,069	£14,375	(£9,194)	(£23,569)	(0.8%)
In House	£57,735,505	£123,258	£178,969	£55,711	1.24%
Total	**£69,575,574**	**£137,633**	**£169,775**	**£32,142**	

At this point in the year we are currently projecting to be on target. The variance shown above has arisen through the timing of interest received. Although there is currently a negative balance against budget on the funds managed by Investec, this has arisen through the global drop in government bond prices in anticipation of an eventual rise in official interest rates.

UK government bonds were not immune to this and unfortunately the price at 30th June 2013 had fallen from the initial average purchase price; therefore, showing a decline in bond values at quarter end. Given that, since this quarter end position, the new governor of the Bank of England has communicated to the markets that UK rates are on hold for longer, there is an expectation that gilt prices will rise again accordingly.

The negative balance at 30th June 2013 has not yet corrected itself with performance as at the **31st August** as follows.

Fund	Amount at 31st August	Interest Budget	Actual Interest	Variance	Rate of return %
Investec	£11,840,069	£23,958	(£7.499)	(£31,457)	(tbc on 18 Sept)
In House	£61,954,684	£205,431	£277,037	£71,606	1.11%
Total	**£73,794,753**	**£229,389**	**£269,538**	**£40,149**	

We are however still confident though that the position will be recovered.

For Quarter 1, Appendices 1 and 2 show the counterparties that we have invested with and our compliance monitoring.

Icelandic Investments

There is currently no further update in respect of funds remaining within Iceland. As reported previously, out of the £6.5m original capital investment £5.7m has been returned to the Council. The remaining capital balance of £729,000 along with associated interest relating to the investment is still held within Iceland and is accruing interest on an annual basis.

We continue to work with the LGA and Bevan Brittan on the potential for transfer to the UK.

Implications

Financial:	There are no financial implications arising directly from any outcome of this report. Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.
Legal:	Presentation of this report is in line with the CIPFA Code of Practice. Comments checked by Kevin Lane Head of Law & Governance.
Risk Management:	It is essential that this report is considered by AARC as it demonstrates that the risk of not complying with the Council's Treasury Management Policy has been avoided. Comments checked by Nicola Jackson, Corporate Finance Manager, 01295 221731.

Wards Affected

All wards are affected.

Document Information

Appendix No	Title
Appendix 1 Appendix 2 Appendix 3	Treasury Advisor Report Q1 Inhouse – **RESTRICTED** Treasury Advisor Report Q1 Investec – **RESTRICTED** Treasury Annual Report 2012/13
Background Papers	
None	
Report Author	Tim Madden Interim Head of Finance and Procurement
Contact Information	Tim.Madden@Cherwellandsouthnorthants.gov.uk 0300 003 0106

APPENDIX 1

Annual Treasury Management Report 2012/13

Purpose

This Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2012/13. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2012/13 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 25/2/2013)
- a mid year treasury update report (Accounts, Audit & Risk Committee 05/12/12)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The Accounts, Audit and Risk Committee has been nominated to scrutinise the treasury activity of the Council and it receives regular reports. In addition, this Council has received quarterly treasury management update reports by the Executive.

Recent changes in the regulatory environment place a much greater onus on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Accounts, Audit & Risk Committee before they were reported to the full Council.

Executive Summary

During 2012/13, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and treasury indicators	**2011/12 Actual £000**	**2012/13 Actual £000**
Capital expenditure	4,816	11,172
Capital Financing Requirement:	(4,816)	(11,172)
Net borrowing	0	0
External debt	0	0
Investments • Longer than 1 year • Under 1 year • Total	 5,041 61,973 **67,014**	 0 64,415 **64,415**

Other prudential and treasury indicators calculated at the time of preparing our Treasury Strategy for 2013/14 are to be found in Annex 1 of this report. .

The financial year 2012/13 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk.

Introduction and Background

This report summarises:

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- Reporting of the required prudential and treasury indicators;
- Overall treasury position identifying the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed investment activity.

1. The Council's Capital Expenditure and Financing 2012/13

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed:

	2011/12 Actual £000s	**2012/13 Actual £000s**
Capital Expenditure	4,816	11,172
Total Capital expenditure	**4,816**	**11,172**
Resourced by		
Capital receipts	(3,938)	(9,617)
Government Grants & Other Contributions	(547)	(1,109)
Use of Reserves	(331)	(446)
Direct Revenue Financing		-
Total resources used	**4,816**	**11,172**

2. The Council's Overall Borrowing Need

The Council is debt free and does not currently have a borrowing requirement.

3. Treasury Position as at 31 March 2013

The Council's investment position is organised by the treasury management team in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2012/13 the Council's treasury position was as follows:

	2011/12 Actual £000	2012/13 Actual £000
Investments		
Longer than 1 year	5,041	0
Under 1 year	61,973	64,415
Total	**67,014**	**64,415**

4. The Strategy for 2012/13

The Treasury Management Strategy Statement (TMSS) for 2012/13, which includes the Annual Investment Strategy, was approved by the Council on 25/2/2013. It sets out the Council's investment priorities as being:

- **Security of capital;**
- **Liquidity; and**
- **Yield**

The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover short term cash flow needs but also to seek out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions, using Sector's suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Sector.

5. The Economy

During the quarter ended 31 March: -

- Indicators suggest that the economy was very near to a second consecutive quarter of negative growth in GDP;
- Household spending strengthened, both on and off the high-street;
- Unemployment rose for the first time for a year;
- Inflation remained stubbornly above the MPC's 2% target;
- Three members of the MPC voted for further QE;
- UK equity prices rose and sterling fell;
- The US economic recovery gathered pace.

It remains touch-and-go whether the UK economy contracted again in the first quarter: if so, it would result in a triple-dip recession. On the basis of past form, the CIPS/Markit business surveys point to next to no growth in the first quarter of 2013 and the first official sets of output data have been fairly disappointing. Although the index of services rose by a monthly 0.3% in January, this did not fully reverse its drop in December. Meanwhile, industrial production posted a 1.2% monthly fall in January. This was partly driven by lower output in the volatile energy sector, but manufacturing output was down 1.5% on the month too. Note also that unusually bad weather at the end of the quarter may have depressed activity in certain sectors, such as retail and construction.

Household spending appears to have started the year on a stronger footing. The 2.1% monthly rise in retail sales in February more than offset January's 0.7% fall. Non-high street spending has been robust too, with new car registrations up by 7.9% in the year to February.

The latest data tentatively suggested that the labour market's recent resilience is coming to an end. Employment continued to grow, by 131,000 in the three months to January, but this was slower than the 175,000 gain seen in the fourth quarter. The unemployment data was also softer, with the ILO measure showing a 7,000 rise in unemployment in the three months to January, the first increase in a year. Admittedly, the timelier claimant count measure still fell in February, albeit by a trivial 1,500. Meanwhile, pay growth remained subdued, with the headline (3m average of the annual rate) measure of earnings falling to 1.2% in January.

Elsewhere, the housing market has been revived a bit by the Bank of England's Funding for Lending Scheme (FLS) which helped to bring down some mortgage rates, primarily on fixed products. The quoted interest rate on a 2-year fixed mortgage at a 90% loan-to-value ratio has fallen around 80 basis-points since the introduction of the FLS back in August.

This is helping to support house prices. Both the Halifax and Nationwide measures reported monthly gains in February, rising by 0.5% and 0.2% respectively. The Halifax measure rose by 1.9% on a 3-month-on-3-month basis, the fastest pace since the beginning of 2010. But there were some early signs of weakness in the housing market in the first quarter. Mortgage approvals as measured by the BBA fell in both January and February, and are now 8% lower compared with the end of last year. But this may be overstating the fall, as smaller lenders, not measured by the BBA figures, have been gaining market share recently. The broader Bank of England data, which also includes non-bank lenders, showed that approvals fell by just 1.6% in January.

On the fiscal front, the public borrowing figures for this year have been flattered by a number of one-offs, including the transfer of the Royal Mail pension fund and the revenues of interest generated by the Bank of England's Asset Purchase Facility. On an underlying basis, however, the OBR forecast net borrowing of £121.9bn in 2012/13, is basically unchanged from the outturn seen in the last financial year. Underlying borrowing is now not forecast to fall substantially until 2014/15.

This year's Budget contained many good individual measures, but they were on a small scale and their overall effect was fiscally neutral. The further 1p cut in corporation tax and the "employment allowance", which helps to reduce employers' national insurance contributions, were welcome moves that should help business. But giveaways were matched by further cuts, including a further 1% reduction in departmental spending in the next two fiscal years.

The Budget also contained a reaffirmation of the MPC's 2% inflation target along with some minor tweaks to the MPC's remit, which will allow the MPC more flexibility in the communication of its policy. This fell short of speculation that the government could suspend, or even scrap entirely, the 2% inflation target.

Inflation, meanwhile, remained high, with the CPI measure rising from 2.7% to 2.8% in February. The latest rises have been driven, mainly, by higher energy prices. This reflected a sharp rise in sterling oil prices as well as the final price rise from a "big six" utility company filtering through.

The MPC has said that it would "look through" the latest energy driven price rises when setting monetary policy. Indeed, the minutes of February's meeting showed that three members of the MPC, including Governor, Mervyn King, voted for further quantitative easing. The size of the Bank's asset purchase programme has remained at £375bn since November.

Turning to the markets, both UK and global equity prices have rallied since the start of the year, with the FTSE 100 rising from 5,897 to 6,400. Gilt prices were volatile over the quarter, with the yield on 10-year gilts hitting 2.2% in early March, before falling back to 1.72% at the end of the quarter, similar to the level seen at the start of the year.

Meanwhile, the pound has fallen sharply against the dollar, from $1.63 to $1.51. Sterling was slightly weaker against the euro, too, slipping from €1.23 to €1.19.

Internationally, the economic recovery in the US appeared to gather momentum over the first quarter. A weighted average of the ISM indices is consistent with annualised GDP growth of close to 3%. What is more, the growth in private payrolls accelerated to a 3-month average of 200,000 in February. While the expiry of the payroll tax cut at the start of the year will hit real incomes, the 0.4% rise in underlying retail sales in February looks consistent with consumption growth of 2% annualised.

The Eurozone crisis flared up again at the end of the quarter, after it was agreed that bank deposits could be subject to a "haircut" as part of an international bail-out package for Cyprus. While a bailout package agreed by European Finance Ministers should avert disaster, the episode has raised fears about the safety of bank deposits in other periphery countries. Meanwhile, the underlying Eurozone economy looks weak.

Abbreviation	
MPC	*Monetary Policy Committee*
QE	*Quantitative Easing*
ILO	*International Labour Organisation*
BBA	*British Banking Association*
OBR	*Office Budget Responsibility*

5. Interest Rate Forecast

The Council's treasury advisor, Sector, provides the following forecast:

	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%
5yr PWLB rate	1.80%	1.80%	1.80%	1.90%	2.00%	2.10%	2.20%	2.40%
10yr PWLB rate	2.90%	2.90%	2.90%	3.00%	3.10%	3.20%	3.30%	3.50%
25yr PWLB rate	4.10%	4.10%	4.10%	4.20%	4.20%	4.30%	4.40%	4.60%
50yr PWLB rate	4.20%	4.20%	4.20%	4.40%	4.40%	4.50%	4.60%	4.70%

Sector undertook a review of its interest rate forecasts following the issue of the latest Bank of England Inflation Report in February 2013. Sector has left unchanged its forecast for the first increase in Bank Rate to be in March 2015.

However, forecasts for PWLB rates have been increased as a result of the marked recovery in confidence in equity markets, anticipating stronger economic recovery in America, supported by growth in the Far East.

The rise in equity prices has, conversely, resulted in a selloff in bonds and some diminution of the UK as a safe haven from more risky assets. However, towards the end of March, the Cyprus crisis has partially reversed these general trends during the quarter, although this is likely to be a temporary phase – at least, until the next Eurozone crisis!

6. Investment Outturn for 2012/13

Investment Policy – the Council's investment policy is governed by CLG guidance, which was been implemented in the annual investment strategy approved by the Council on 25/02/2013. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

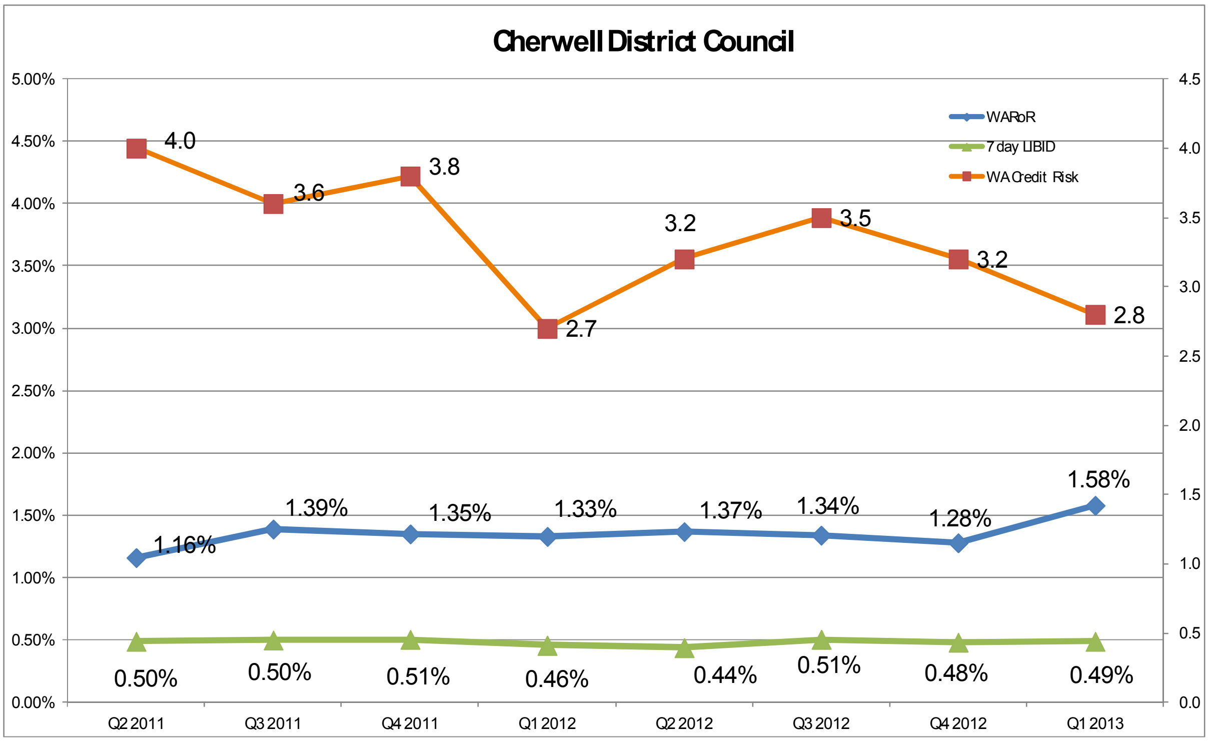
Investments held by fund managers – the Council used 2 external fund managers to invest part of its cash balances but this has reduced to 1 (Investec) during the course of 2012/13. The performance of the managers against the benchmark return was:

Fund Manager	Balance 01/04/2012	Balance 31/03/13	Return
In House	43,824	50,480	803
Tradition UK	10,500	0.00	106
Investec	11,548	11,840	119
Total	**£65,872m**	**£62,320m**	**£1,028m**

The actual return on investments for 2012/13 was £1.028m compared with a budget of £0.828m a positive variance of £199k. However approximately £144k of the interest received is in respect of the investment of Eco Town funds and this has been allocated back to the Eco Town funding pot.

The budget was based on an average investment balance of £62.5m and an interest rate of 1.33%. The actual average balance was £77.1m which attracted an average return of 1.40%.

The graph below shows that this rate of return has been successfully achieved whilst ensuring the overall credit risk to the council has been reducing steadily throughout 2012/13 over this current year.



7. Icelandic Bank Defaults

The Council was one of over 100 local authorities that were affected by the collapse of Icelandic banking institutions. The Council held a total of £6.5 million in 3 investments with Glitnir.

As reported previously out of the £6.5m original capital investment £5.7m has been returned to the Council. The remaining balance of £729k and the associated interest relating to the investment are still held within Iceland but are accruing interest on an annual basis.

We continue to have discussions with the LGA and Bevan Brittan on the potential for transfer to the UK.

Annex 1 Prudential and Treasury Indicators

(As per Treasury Management Strategy approved 25th February 2013)

Existing Investment & Debt Portfolio Position

	31/01/13 Actual Portfolio £m
External Borrowing: - Total External Borrowing	 0
Other Long Term Liabilities: - Finance Leases	 0
Total Gross External Debt	**0**
Investments: **Managed in-house** - Short-term monies (Deposits/ monies on call / MMFs) - Long-term investments **Managed externally** - By Fund Managers - Pooled Funds (please list)	 64,159 5.000 11,700 0
Total Investments	**80,859**

Background:

It is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

Net Borrowing and the Capital Financing Requirement:

This is a key indicator of prudence. In order to ensure that over the medium-term net borrowing will only be for a capital purposes, the local authority needs to ensure that the net external borrowing does not (except in the short term) exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

The Director of Resources reports that the authority had no difficulty meeting this requirement in 2012-13, nor is there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

Estimates of Capital Expenditure:

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, considers the impact on Council Tax.

The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. This total expenditure can be paid for immediately by resources such as capital receipts, capital grants etc. However, where these resources are insufficient any residual expenditure will form a borrowing need.

	2012/13 Actual £000s	**2013/14 Estimated £000s**	**2014/15 Estimated £000s**	**2015/16 Estimated £000s**
Capital Expenditure	5,817	9,483	5,484	1,397
Financed by:				
Capital receipts	(5,442)	(9,108)	(5,109)	(1,397)
Capital grants	(375)	(375)	(375)	-
Net financing need for the year	**-**	**-**	**-**	**-**

Ratio of Financing Costs to Net Revenue Stream:

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs.

The definition of financing costs is set out in the Prudential Code.

The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	**2012-13 Approved %**	**2012-13 Revised%**	**2013-14 Estimate %**	**2014-15 Estimate %**	**2015-16 Estimate %**
Total	**0**	**0**	**0**	**0**	**0**

Capital Financing Requirement:

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and it's financing.

The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of Council's underlying borrowing need. The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments.

The Council is debt free and has no plans to enter into any long term debt arrangements. As such this section is largely irrelevant but is included for completeness if there was a decision to go back into debt. Therefore, the Council has a nil Minimum Revenue Provision for 2012/13.

The Council is asked to **approve a NIL CFR projection.**

Actual External Debt:

This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2012	£m
Borrowing	0
Other Long-term Liabilities	0
Total	**0**

Incremental Impact of Capital Investment Decisions:

This is an indicator of affordability that shows the impact of capital investment decisions on the Council Tax. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

The Council's capital plans, as estimated in forthcoming financial years, have a neutral impact on council tax. This reflects the fact that capital expenditure is predominantly financed from internal resources (grants, contributions, revenue and capital receipts) and that any increase in the underlying need to borrow is supported through the Revenue Support Grant system.

Adoption of the CIPFA Treasury Management Code:

This indicator demonstrates that the Council has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its Full Council meeting on 27th February 2012.

The Council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

This Council is aware that there is now a new indicator on net debt which has been considered; however, this is not detailed further as the Council currently has no plans to go into debt during the 2013-14 financial year.

Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments:

	Existing level (or Benchmark level) at 31/03/12 %	2012-13 Approved £m or %	2012-13 Revised £m or %	2013-14 Estimate £m or %	2014-15 Estimate £m or %	2015-16 Estimate £m or %
Upper Limit for Fixed Interest Rate Exposure	-£0.030	-£0.030	-£0.030	-£0.030	-£0.030	-£0.030
Upper Limit for Variable Interest Rate Exposure	-£0.012	-£0.012	-£0.012	-£0.012	-£0.012	-£0.012

The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

As the Council's investments are substantially in excess of its borrowing, these calculations have resulted in a negative figure.

Maturity Structure of Fixed Rate borrowing:

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Maturity structure of fixed rate borrowing	Existing level (or Benchmark level) at 31/03/12 %	Lower Limit for 2013/14 %	Upper Limit for 2013/14 %
Less than twelve months	0%	0%	100%
12 months – 10 years	0%	0%	100%
10 years plus	0%	0%	100%

Credit Risk:
The Council considers security, liquidity and yield, in that order, when making investment decisions with Security the most important. With the uncertainty in market, the Council is seeking to place investments for a short term and is effectively forgoing return in order to protect capital.

Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

Upper Limit for total principal sums invested over 364 days:
The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	2012-13 Approved £m	2012-13 Revised £m	2013-14 Estimate £m	2014-15 Estimate £m	2015-16 Estimate £m
	15.0	15.0	15.0	15.0	15.0

Accounts, Audit and Risk Committee

Use of Purchase Orders

18 September 2013

Report of the Interim Head of Finance and Procurement

PURPOSE OF REPORT

The purpose of this report is to provide information to the Accounts, Audit and Risk Committee on the Council's use of Purchase Orders.

This report is public

Recommendation

The Accounts, Audit and Risk Committee is recommended to:

(1) Note the contents of the report on the progress the Council is making to improve the use of purchase orders.

Background information

The Annual Governance Statement was presented to Accounts, Audit and Risk Committee on 26 June 2013. This included one high risk issue around the use of purchase orders:

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

No.	Issue	Action taken
1	**Creditors** One high risk issue was noted relating to non purchase orders. PwC audit showed that no purchase order was in place for 77% of invoices received in year. Performance in this area is comparable to prior year (83%). If purchase orders are not raised, there is an increased risk that unauthorised purchases may not be identified until invoices are received. In addition, the Council is not able to fully monitor commitments unless a purchase order is posted to the system. This increases the risk that the budget position is not fully understood.	Whilst progress has been made in this area as a result of it being a significant issue in last year's report – it is still not at a satisfactory level. An action plan has been developed to improve the use of purchase orders and we will also implement a no purchase order no payment policy from June 2013. This action plan will be monitored throughout the year.

We implemented the “no purchase order no payment policy” in June.
Our purchase order statistics are currently:

2013/14	Use of Purchase Orders		
Month	Order	Non Order	Total
April	201	450	651
	31%	**69%**	
May	153	561	714
	21%	**79%**	
June	313	260	573
	55%	**45%**	
July	339	261	600
	57%	**44%**	
August	342	179	521
	66%	**34%**	

This shows an improving trend since the PwC internal audit report at the end of 2012/13. However, we recognise that there still needs to be further improvement and will update the committee verbally at the meeting.

Implications

Financial: There are no financial issues arising from this report

Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

Legal: There are no legal issues arising from this report.

Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

Risk Management: There are no risks arising directly from this report.

Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

Wards Affected

All

Document Information

Appendix No	Title
None	
Background Papers	
None	
Report Author	Tim Madden, Interim Head of Finance & Procurement Nicola Jackson, Corporate Finance Manager
Contact Information	01295 221731 Nicola.Jackson@cherwellandsouthnorthants.gov.uk

Accounts Audit and Risk Committee

Internal Audit Progress Report

18 September 2013

Report of Chief Internal Auditor

PURPOSE OF REPORT

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

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

(1) Note the contents of this report

Executive Summary

1.1 Introduction

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

Background Information

Internal Audit has undertaken work in accordance with the Internal Audit Plan which was approved by the Accounts, Audit and Risk Committee. Progress reports are taken to this committee to outline the work performed and conclusions reached.

Implications

Financial: n/a

Legal: n/a

Risk Management: The progress of the Audit Plan approved by this Committee is monitored as part of the Council's Performance Monitoring Framework. Failure to 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.

Comments checked by Chris Dickens, Chief Internal Auditor, 07720 427215

Wards Affected

All

Document Information

Appendix No	Title
Appendix 1	Internal Audit Progress Report
Background Papers	
n/a	
Report Author	Chris Dickens, Chief Internal Auditor
Contact Information	07720 427215 Chris.Dickens@cherwell-dc.gov.uk

www.pwc.co.uk

Internal Audit Progress Report

Cherwell District Council

September 2013

Update to the Accounts Audit And Risk Committee on Internal Audit activity

pwc

Introduction

We are committed to keeping the Accounts, Audit and Risk (AAR) Committee up to date with internal audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Committee and to bring to your attention matters that are relevant to your responsibilities as members of the Committee.

2013/14 audit plan

We have undertaken work in accordance with the 2013/14 Internal Audit Plan which was approved by the AAR Committee at its meeting in June 2013.

We are currently in discussions with the Council's Programme Manager to determine how best to utilise the programme management reviews. Possible projects include:

- Resource Planning
- Welfare and Council Tax Reform
- Moat Lane
- Resource Link System Pre Readiness Review
- Partnership arrangements between Cherwell District Council and South Northamptonshire Council
- Project and Corporate Risk Management

Reporting activity and progress

For the 2013/14 Audit Plan to date, draft reports are being prepared in the following areas.

Pioneer Places Agreed upon Procedures

The Council submitted and won grant funding from the Department of Energy and Climate Change (DECC) for Green Deal Projects in January 2013. The capital element of the funding (£95k) was required to be compliant with the Local Government Act 2003 Section 11(2) and a grant submission required to the DECC.

PwC agreed procedures with both Cherwell and DECC to provide assurance that expenditure was spent correctly. A grant claim form was prepared for expenditure spent by Cherwell up to May 2013. The fieldwork was performed in August 2013, with a draft report to be issued to Cherwell w/c 16th September.

Conclusion of 2012/13 audit plan

When we issued our Annual Report for 2012/13 in June 2013, one report was still in draft pending receipt of management comment and action plans. This report has been concluded as follows, with no change to the previously reported draft risk ratings:

Review	Status / Comment	Overall risk rating
Environmental Services: Dry Recycling	Final	Medium

Additional Projects from the 2012/13 audit plan

As agreed with management, we have undertaken additional projects in Q1 of the 2013/14 financial year that were agreed and brought forward from the 2012/13 audit plan.

Oxfordshire Waste Partnership Small Bodies Return

The responsibility for the internal audit of the Partnership rotates on a biannual basis with the Chair. For 2011/12 and 2012/13 the responsibility was with Cherwell District Council.

The Oxfordshire Waste Partnership is a joint committee of the District Councils and County Council of Oxfordshire, the aim of which is to facilitate joint working on waste matters.

PwC was approached to perform internal audit procedures for the submission of the small bodies return to the Audit Commission. As part of this we performed set procedures including ensuring adequate accounting records were kept, periodic bank reconciliations were being performed and petty cash payments were supported by valid receipts.

The Small Bodies Return was submitted to the Audit Commission in June with all processes agreed in place. An internal audit report was also issued to management, with a 'low' risk rating. One low risk issue was identified regarding financial information reported to OWP Joint Committee not being traceable.

Year End Finance Support

We agreed to assist the finance team in reviewing an initial draft of the Statement of Accounts for Cherwell District Council. We reviewed the accounts against the 'CIPFA Code of Practice on Local Government Accounting 2013' and reviewed for casting, accuracy and any obvious omissions. All issues identified were then relayed to the Finance team and considered before the external audit process.

Appendix 1 – Audit plan update

Ref	Auditable Unit	Indicative number of audit days	Status/Revisions to Plan
A	Cross-cutting Processes		
A.1	General Ledger	3	To commence in Q3.
A.2	Debtors	3	To commence in Q3.
A.3	Creditors	3	To commence in Q3.
A.4	Payroll	3	To commence in Q3.
A.5	Budgetary Control Treasury Management	5	To commence in Q4.
A.6	Collection Fund	3	To commence in Q3.
A.9	Housing Benefits	3	To commence in Q3.
A.13	Risk Management	10	To commence in Q4.
A.14	IT Risk Management Access and Recovery	5	To commence in Q3.
B	Department Level		
B.1	Finance and Procurement – Year end support	4	To commence in Q4.
B.2	Performance – Performance Management	5	To commence in Q3.
B.3	Community Services – Grant Allocation	5	To commence in Q3.
B.4	Programme Management - Project and Programme Management	25	To commence in Q3.
B.5	Human Resources – Workforce Planning and Performance Management	5	To commence in Q3.
B.6	Payroll Implementation	5	To commence in Q3.
B.7	Environmental Services	5	To commence in Q3.
B.8	Human Resources – Employment Contracts	**5**	To commence in Q3.
VE	Value Enhancement		
VE.1	Joint Working Arrangements	10	To commence in Q3.
VE.2	Joint Working Arrangements	10	To commence in Q4.

Appendix 2 – Recent PwC Publications

As part of our regular reporting to you, we plan to keep you up to date with the emerging thought leadership we publish. The PricewaterhouseCoopers Public Sector Research Centre ('PSRC') produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

All publications can be read in full at www.psrc.pwc.com/

The Local State We're In PwC's annual local government survey, 2013

This PwC publication finds that UK local authorities have once again successfully delivered against an ambitious programme of financial savings over the last year without impacting the quality or quantity of services. But the survey points to nervousness about meeting rising demands for services and protecting the frontline in future in the face of further public spending cuts.

Gaming the Cuts: Local government in 2018

Local authority decision makers in the UK are attempting to bridge a widening financial gap. Against this backdrop this report sets out the potential implications of future spending reviews out to 2018. The purpose is not to add more detail to an already fatalistic picture but to recommend new policies and approaches that can be applied to future fiscal challenges.

At risk? Dealing with failure

No government wants a provider of public services to fail. But as public services are opened up to more competitive pressures, it is likely that under performance will no longer be hidden and provider failure will then appear to occur more frequently.

Brave new world? Different ways of working

Today's pressures will significantly impact on the way public services are delivered in future, whether by public sector organisations or by a mix of other providers. Here we examine how public sector organisations need to re-define their purpose and future ways of working by becoming more agile and managing demand more effectively.

Opening out? New approaches to service delivery

The UK Government has committed to opening up public services to a diverse range of providers competing to offer a better service for users. But why is opening up public services to new providers such a priority? Does a new market for 'public service partnerships' exist yet? Here we discuss the implications for the partnership models needed to deliver public services.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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