

**CHERWELL DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2008/09**

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# 1. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## 1.1 The Authority's responsibilities

The Authority is required to:

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

## 1.2 The Chief Financial Officer's responsibilities

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

In preparing this statement of accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice
- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## 1.3 Chief Financial Officer Certificate

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

**Julie Evans MBA CPFA**  
Chief Financial Officer

**Date:**

## 1.4 Chairman of Accounts, Audit and Risk Committee Certificate

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

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

**Date:**

## **2. EXPLANATORY FOREWORD**

### **2.1 Introduction**

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

This foreword gives a brief summary of the Authority's overall financial results for 2008/09. It also indicates the type of expenditure incurred and the ways in which money has been raised to pay for this.

### **2.2 The key messages**

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

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

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

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

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

The unprecedented level of turbulence in the economy could not have been anticipated. Our approved budget did not draw on General Fund balances, a reserve maintained to provide a financial cushion should something unexpected happen. The final accounts show that £45k was utilised from this balance during 2008/09 a clear indication of effective financial control.

## 2.3 Revenue Expenditure

During 2008/09 the General Fund Revenue account has been subject to regular and rigorous monitoring as part of the Performance Management Framework. Our continued commitment to improve accuracy of budgeting and forecasting has driven an increased focus and heightened importance of accurate budgeting. Effective budget monitoring has been embedded throughout the Authority. The monthly “dashboard” provides a mechanism to analyse revenue and capital activity at all levels, providing detailed analyses from a Corporate, Directorate and individual Service level perspective. The “dashboard” contains a range of cost indicators providing an easy to understand picture of the Authority’s financial position. This tool has significantly increased the Authority’s ability to manage day-to-day costs and is used to report quarterly to members through the monthly Performance Management Framework. As a result, the end of year position contains no surprises; the year-end variances now being reported have been accurately anticipated throughout the year.

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

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

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

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

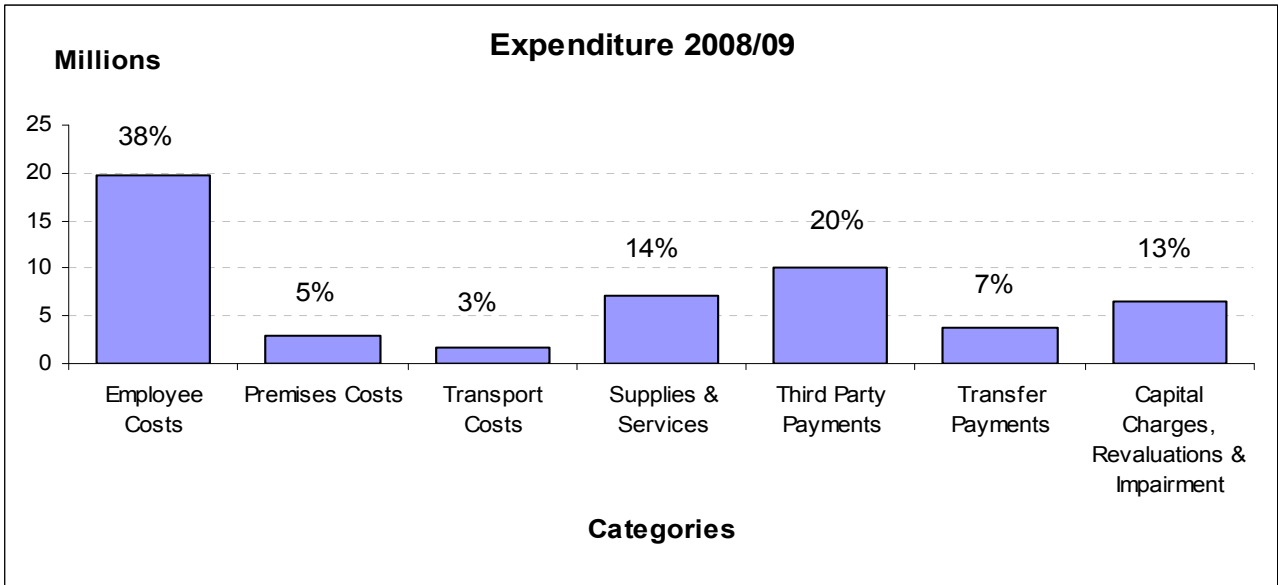
The main budgetary pressures attributable to the economic downturn are summarised on the table below.

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

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

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

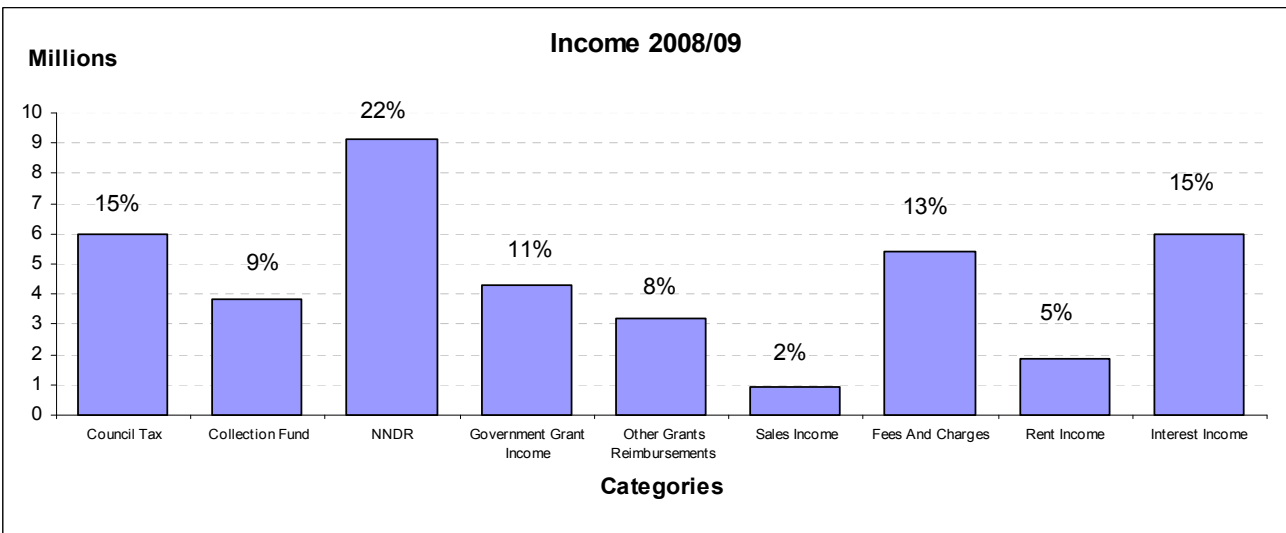
The 10% reduction in employee costs is in relation to the buyout of performance related pay and the impact of the reduction in workforce due to the restructure and outsourcing of the management of the leisure centres.



Our service expenditure can be split between staffing costs and other running costs, including capital charges. Running costs include the costs of running our buildings, transport, payments we make to contractors, the payments we make to people receiving benefits and the cost of administrative and professional support costs. Capital charges are made to cover the annual depreciation cost of our assets.

### 2.4 Sources of Finance - Where the Money Came From

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



## 2.5 Capital Expenditure and Financing

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

	<b>2008/09</b>
	<b>£000s</b>
<b>Capital Investment</b>	
Operational Assets	8,562
Non-operational Assets	14,551
Intangible Assets	259
Revenue Expenditure Funded from Capital under Statute (REFCUS)	5,252
	<hr/>
	<b>28,624</b>
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The capital programme has been financed using government grants, third party contributions, capital receipts and revenue contribution and is analysed by category below:

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

## Comparison of Capital spending by scheme 2008/09 against budget

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

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

## 2.6 Impairment

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



The major impairments in 2008/09 were:

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

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

## 2.7 Revaluation

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

The major revaluations in 2008/09 were:

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

## 2.8 Reserves and Balances Summary

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

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

The original budget estimated that there would be no movement on General Fund balances. We maintain a general reserve to provide a financial cushion should something unexpected happen that may lead to significant unplanned expenditure and to assist with our longer term

financial planning. The final accounts show that £45,000 was utilised from this balance during 2008/09 and the closing balance equates to £1.9 million.

## **2.9 Treasury Management Performance**

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

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

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

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

## **2.10 Investments in Iceland**

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

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

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

## **2.11 Collection Fund**

As a Billing Authority, the Council is required to maintain a Collection Fund, which accounts for the transactions relating to Council Tax and Business Rates. The balance carried forward at 31 March 2009 is £0.6 million surplus. The Council Tax element of this surplus will be shared by the District Council and the major precepting bodies.

## **2.12 Pension**

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

The liability represents our share of the liability to Oxfordshire County Council's Pension Fund. This amount is matched by a Pensions Reserve also shown on the Balance Sheet and

therefore has no immediate impact on the Council's overall financial position and its General Fund Balances but does reduce the net worth of the Council. It does however significantly increase the likelihood that additional contributions will be required in the future.

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

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

### **2.13 Single Status (Equal Pay Claims)**

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

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

### **2.14 Audit**

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

### **2.15 Explanation of the Statements**

The accounts consist of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Julie Evans MBA CPFA**  
**Chief Financial Officer**

**Date:**

### **3. STATEMENT OF ACCOUNTING POLICIES**

#### **3.1 General principles**

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

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

The qualitative characteristics of financial information:

- Relevance
- Reliability
- Comparability
- Understandable
- Materiality

Pervasive Accounting Concepts:

- Accruals
- Going Concern
- Primacy of Legislative Requirements

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

#### **3.2 Accruals of Income and Expenditure**

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

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

### **3.3 Provisions**

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

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

### **3.4 Reserves**

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

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

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

### **3.5 Government Grants and Contributions (Revenue)**

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

### **3.6 Retirement Benefits**

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

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

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high quality corporate bond. The discount rates at 31st March 2009 are based on the annualised yield on the iBoxx over 15 year AA rated corporate bond index.

The assets of the Oxfordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value, principally market value for investments.

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

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts for which the employees worked.
- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Accounts as part of Non Distributed Costs.
- **Interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
- **Expected return on assets** – the annual investment return on the assets attributable to the Council, based on an average of the expected long term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
- **Gains/losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- **Actuarial gains and losses** – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited/credited to the Statement of Total Recognised Gains and Losses.
- **Contributions paid to the Oxfordshire County Council pension fund** – cash paid as employer's contributions to the pension fund.

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

### 3.7 VAT

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

### 3.8 Overheads and Support Services

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

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

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

### 3.9 Community Assets

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

### 3.10 Intangible Assets

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

### 3.11 Fixed Assets

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

Expenditure that has been capitalised includes expenditure on the:

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

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

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



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

Net current replacement cost is assessed as:

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

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

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

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

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

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

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

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

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

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

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

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

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

Depreciation is calculated on the following basis:

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

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

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

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

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

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

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

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

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

### **3.12 Charges to Revenue for Fixed Assets**

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

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

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

### **3.13 Revenue Expenditure Funded from Capital under Statute (REFCUS)**

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

### **3.14 Financial Liabilities**

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

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

### **3.15 Financial Assets**

Financial Assets are classified into two types;

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

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

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

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

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

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

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

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

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

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

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

### **3.16 Exceptional Items**

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

### 3.17 Prior Period Adjustments

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

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

### 3.18 Leases

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

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

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

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

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

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

### 3.19 Stocks and Work in Progress

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

### 3.20 Provision for Bad and Doubtful Debts

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

## **4. ANNUAL GOVERNANCE STATEMENT**

### **4.1. Scope of Responsibility**

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

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

Cherwell District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework for *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.cherwell-dc.gov.uk](http://www.cherwell-dc.gov.uk).

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

### **4.2 The Purpose of the Governance Framework**

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

### **4.3 The Governance Framework**

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

The Council's strategic objectives are set out in the Corporate Plan and Improvement Strategy 2007-2012. These objectives are derived directly from the Cherwell Community Plan and its supporting medium term strategies. Progress is monitored via the Council's Corporate Performance Framework which integrates financial and service planning. Our annual financial planning process is driven by the council's Medium Term Financial Strategy to ensure our future priorities and ambitions are resourced.

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

The Council identifies and communicates the vision of its purpose and intended outcomes for citizens and service users through a variety of media including its website, the Cherwell Link magazine and consultation documents. The Council leads the Cherwell Community Partnership which acts as the Local Strategic Partnership (LSP) for Cherwell. Membership of

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

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

The Service and Financial Planning process incorporates substantial consultation with all sections of the community. This includes an annual customer satisfaction survey which identifies areas of customer satisfaction and priorities for improvement and a budget consultation process that is focused on qualitative workshops with various stakeholders (parish councils, the voluntary sector, the LSP, all council Members, and a workshop for local residents). In addition we hold specific workshops with harder to reach groups (older people, younger people, people with disabilities and people from minority ethnic communities) to ensure that all sections of the community are able to participate in the budget consultation.

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

#### **4.3.2 Reviewing the Authority’s vision and its implications for the Authority’s governance arrangements**

The Council reviews its vision and the implications for its governance arrangements by regularly updating its Corporate Plan and major strategy documents. The Council has a new Medium Term Financial Strategy in place to ensure future ambitions are resourced, and during the coming year will develop a new Community Plan for the district.

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

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

A Use of Resources Steering Group comprising elected members and senior officers leads the Value for Money (VFM) agenda in the Council and monitors its delivery. A comprehensive programme of VFM reviews is in progress which measures the quality of services for users, helps ensure they are delivered in accordance with the Council’s objectives and that they represent the best use of resources. To date, the VFM Review programme has identified efficiency savings totaling £1.3 million: £0.5 million from Housing, £0.4 million from benefits, £0.2 million from internal audit and £0.2 million from reductions in land charges, development control, waste and safer communities. The programme has improved the value for money of those services, released resources to support the delivery of the Council’s objectives and supported the delivery of the Medium Term Financial Strategy. Annual customer surveys provide assurance and feedback to inform improvement through the Corporate Improvement Plans. The Council is constantly seeking to ensure that its resources are used economically, effectively and efficiently. The high level Corporate Improvement Plan provides a focus for improvement in those areas of activity that the Council has identified as priorities. The Council encourages staff involvement in the improvement process and actively uses the findings of external agencies and inspections and the national efficiency framework, to drive improvement. Every report to members carries a paragraph that assesses what efficiency savings the proposal might generate.

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

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

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

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

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

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

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

The Standards Committee has responsibility for ensuring the highest standards of behaviour and has undertaken an assessment role in all complaints about breaches of the code of conduct since 8th May 2008 (when this responsibility was transferred from the Standards Board for England). The Accounts, Audit and Risk Committee has responsibility for risk management and financial probity, and signs off the Council's annual Statement of Accounts. The senior officer management team is the Corporate Management Team which meets formally once a fortnight.

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

The Council has adopted codes of conduct for members and officers. The codes and protocols of the Council are in part three of the constitution. There have been revisions to the planning guidance this year, and work on the partnership protocol. A major review will take place when the new code of conduct is issued later this year (consultation on this closed on 24th December 2008, a full response to the consultation was sent by Cherwell having considered



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

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

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

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

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

Budget monitoring takes place monthly with all Heads of Service. Any variations to profile are reported on and managed. Proposals to increase or reduce expenditure will have a risk assessment as to the consequences. There are specifically earmarked reserves to deal with identified non-insurable risks.

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

The Head of Exchequer has reviewed and updated the Council's money laundering policy this year. The Council has also actively participated in the National Fraud Initiative.

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

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

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

The Council's Accounts, Audit and Risk Committee undertake the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*. In particular it has an ongoing role in ensuring a responsive and effective internal audit function and the effective management of the Council's risks. During 2008/09, the Committee has sought to increase its effectiveness through additional training and greater engagement with the internal audit function. These sessions include an overview of Local Government Finance and an overview of International Financial Reporting Standards and the impact on district councils. In addition, the Chairman of the Accounts, Audit and Risk Committee was involved in the evaluation process for the appointment of new internal auditors with effect from 1st April 2009.

#### **4.3.8 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

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

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

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

During the 2008/09 financial year, the Head of Finance was designated Chief Finance Officer under section 151 of the Local Government Act 1972 and ensured the financial management of the Council was conducted in accordance with the Financial Regulations and Corporate Financial Procedures. Financial management facilitates service delivery through the five-year Medium Term Strategy and the annual budget process, underpinned by the Treasury Management Strategy. On 1st April 2009 the Director of Customer Services and Resources became the Council's Chief Financial Officer.

#### **4.3.9 Whistle-blowing and receiving and investigating complaints from the Public**

The Council has well-developed processes for whistle-blowing and for receiving and investigating complaints both internally and from the public.

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

The Council has a dedicated whistle blowing hotline which is publicised on the Council's website and intranet. The Fraud Investigation team aim to prevent, detect, investigate and sanction cases of fraud under the Council's Prosecution Policy. Internally, the Benefit Investigations Manager provides corporate and benefit fraud awareness training to all new staff via induction training. More in-depth and frequent training is provided to front line staff and other staff where it is needed.

The Council participates in the National Fraud Initiative as well as the Housing Benefit Matching Service exercises. This process identifies potential cases of irregularities within Housing Benefits, Licensing and Payroll.

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

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

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

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

There is a Corporate Consultation Framework with a toolkit for staff providing support, guidance and a statement of our standards. The Council has an online consultation portal which provides access to consultations that are underway. The Council undertakes a statistically representative annual satisfaction survey in addition to the National Place Survey. The Council also has an annual budget consultation programme that underpins the service and financial planning process and collects feedback from users of the one-stop shop via the GOV METRIC system.

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

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

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

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

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

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

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

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

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

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

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

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

The Council's aim is to fully exploit the opportunities for partnership working and strengthen the governance and performance management arrangements. There is an established Partnerships Protocol and a Partnership Framework including a toolkit to ensure good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements. We undertake audits of partnership arrangements annually and prepare action plans to address weaknesses and ensure value for money.

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

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

The Council's strong partnership working has been recognised as part of the Council's Comprehensive Performance Assessment undertaken in November 2008. The inspectors praised the Council's strong partnership working, saying that the Council is an effective leader of partnership working locally. The Council is well placed to exploit the opportunities that are presented by partnership working, whether with the private sector, other authorities and agencies or with the voluntary and community sector. This is particularly important with the increasing pressure on resources and funding arising from the economic downturn.

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

#### **4.4 Review of Effectiveness of Governance**

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

#### **4.5 The Authority's Assurance Framework**

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

The members of the ICWG during the year were:-

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

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

There is a process, whereby significant issues raised within the Framework can be escalated, through the ICWG, to Corporate Management Team and/or the Executive. Monitoring reports are taken to Corporate Management Team and to the Accounts and Audit Committee, and are integrated with the Performance Management Framework.

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

## **4.6 The Constitutional Framework**

### **4.6.1 The Executive**

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

### **4.6.2 Accounts, Audit and Risk Committee**

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

### **4.6.3 Overview and Scrutiny**

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

### **4.6.4 Standards Committee**

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

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

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

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

#### **4.6.5 Internal Audit**

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

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

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

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

- Risk management
- Control and;
- Governance processes.

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

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

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

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

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

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

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

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

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

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

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

#### **4.6.6 Risk Management**

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

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

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



During 2008/09 the Council's strategic and corporate risks were redefined to ensure a greater focus on the most significant risks identified.

All reports to the Executive and Committees include a section outlining any risk implications arising from the proposals, risk identification being approved by the Risk Management & Insurance Officer.

#### **4.6.7 Performance and Value for Money**

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

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

#### **4.6.8 Independent Assessment**

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

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

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

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

#### 4.7 Significant Governance Issues

##### 4.7.1 Issues raised in the 2007/08 Annual Governance Statement

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

##### 4.7.2 Issues arising from the 2008/09 Annual Governance Statement

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

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

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

**Mary Harpley**  
**Chief Executive**  
**September 2009**

**Cllr Barry Wood BSc ACMA**  
**Leader of the Council**  
**September 2009**

## 5. INCOME AND EXPENDITURE ACCOUNT

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

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

## 6. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

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

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

## 7. STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

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

## 8. BALANCE SHEET

This statement summarises the council's financial position as at 31<sup>st</sup> March 2009. It shows the balances and reserves at the council's disposal, fixed assets and current assets employed in its operations.

2007/08			2008/09		Notes	Page
£000s	£000s		£000s	£000s		
		<b>Fixed Assets</b>				
	47	Intangible Fixed Assets		463	10.23	55
		Tangible Fixed Assets				
		Operational Assets				
49,788		Other Land & Buildings	55,043		10.14	49
5,714		Vehicles, Plant & Equipment	5,445		10.14	49
2,518		Infrastructure	2,676		10.14	49
13		Community Assets	13		10.14	49
	58,033			63,177		
		Non-Operational Assets				
27,341		Investment Properties	23,628		10.14	49
292		Assets under Construction	14,821		10.14	49
729		Assets Held for Sale	475		10.14	49
	28,362			38,924		
	43,249	Long Term Investments		18,707	10.25	56
	547	Long Term Debtors		487	10.26	58
	130,238	<b>Total Long-Term Assets</b>		121,758		
		<b>Current Assets</b>				
68,006		Investments	66,404		10.25	56
7,664		Debtors	9,589		10.27	58
459		Payments in Advance	357			
241		Stock	162			
5		Cash and Bank	2		10.44	71
	76,375	<b>Total Current Assets</b>		76,514		
		<b>Current Liabilities</b>				
(9,383)		Creditors	(8,281)		10.28	59
(4,228)		Receipts in Advance	(5,924)		10.29	59
(257)		Bank Overdraft	(135)		10.44	71
	(13,868)			(14,340)		
	<b>192,745</b>	<b>Total Assets less Current Liabilities</b>		<b>183,932</b>		
		<b>Long Term Liabilities</b>				
(27,850)		Liability Related to Defined Benefit Pension Scheme	(45,730)		14.1	77
(1,417)		Provisions	(3,424)		10.33	61
(889)		Capital Contributions Deferred	(2,124)		10.32	60
(2,196)		Capital Grants & Capital Contributions Unapplied	(1,703)		10.31	60
(1,552)		Government Grants Deferred	(1,130)		10.32	60
	(33,904)			(54,111)		
	<b>158,841</b>	<b>Total Assets less Liabilities</b>		<b>129,821</b>		

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

## 9. CASH FLOW STATEMENT

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

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



## 10. NOTES TO THE CORE FINANCIAL STATEMENTS

### 10.1 Restatement of prior period and exceptional / extraordinary items

#### Prior period

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

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

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

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

#### Exceptional items

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

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

## 10.2 Trading Operations

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

Net (Surplus) / Deficit 2007/08 £000s		Expenditure 2008/09 £000s	Income 2008/09 £000s	Net (Surplus) / Deficit 2008/09 £000s
	<b>General Corporate Properties</b>			
	These are all investment properties, which have been acquired as a result of developments in previous years, often having strategic importance, and which are now managed with a view to maximising medium term investment income.			
(34)		1,842	(1,404)	438
	<b>Industrial Units</b>			
	The Council owns 14 small industrial units which it leases to business occupiers as investment properties, with a view to maximising its medium-term investment			
(73)		143	(145)	(2)
	<b>Markets</b>			
	The council has the right to hold street markets in Banbury and Bicester. It employs contractors to run those markets with the aim of contributing to the retail offered in those towns whilst generating an income for the Council.			
(79)		60	(101)	(41)
	<b>Car and Lorry Parks</b>			
	The Council provides off-street car parking facilities in all 3 principle urban areas in the District. It manages these in order to satisfy the demand for public car parking and generate the budgeted net income.			
(694)		1,367	(2,033)	(666)
<u>(880)</u>		<u>3,412</u>	<u>(3,683)</u>	<u>(271)</u>

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

### 10.3 Section 137 Local Government Act 1972 (as amended)

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

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

### 10.4 Expenditure on Publicity

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

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

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

## 10.5 The Building Control Trading Account

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

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

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

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

### Summary of Three-year Position

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

## 10.6 Agency Income and Expenditure

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

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

## 10.7 General Government Grants

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

## 10.8 Local Area Agreements

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

## 10.9 Members' Allowances

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

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

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

## 10.10 Officers' Emoluments

The Council is required, under regulation 7(2) of the Accounts and Audit Regulations 2003, to include in the notes to the accounts the number of employees in the accounting period whose remuneration was in excess £50,000.

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

## 10.11 Related Parties

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

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

Transactions for the financial year ended 31<sup>st</sup> March 2009 with Central Government, Oxfordshire County Council, Thames Valley Police Authority and town and parish councils, are disclosed in the Income and Expenditure Account, Cash Flow Statement, and the Collection Fund.

Members and Chief Officers are also regarded as related parties. A register of members' interests and a register of staff interest are used to record and monitor related party transactions. In addition declaration forms were sent to all councillors and relevant officers at the end of the financial year and contain details of all related transactions. All transactions greater than £5,000 are listed below:

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

## 10.12 Audit Costs

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

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

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

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



## 10.14 Summary of Capital Expenditure and Fixed Asset Disposals

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

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

## 10.15 Capital Expenditure and Financing

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

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

## 10.16 Commitments under Capital Contracts

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

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

## 10.17 Revenue Expenditure funded from Capital under Statute

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

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

## 10.18 Information on Assets Held

Fixed assets owned by the Council include the following:

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

## 10.19 Assets Held Under Leases

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

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

## 10.20 Assets Held for Leases

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

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

## 10.21 Valuation Information

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

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

## 10.22 Information about Depreciation Methodologies

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

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

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

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

## 10.23 Intangible Fixed Assets

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

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

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

## 10.24 Analysis of Net Assets Employed

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

## 10.25 Investments

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

### Analysis of Investments

#### Fixed Term Loans and receivables

These investments are fixed term and fixed interest rate cash deposits with banks and Building Societies. The carrying value includes the principal sum plus accrued interest, less impairments relating to Iceland investments. During the year, long term loans of £22,500,000 were reclassified as short term, as maturity dates now fall within the next 12 months.

#### Instant Access Loans and receivables

These investments have no fixed term and are variable interest rate cash deposits with banks and Building Societies. The carrying value includes the principal sum plus accrued interest.

#### Fair value through Income and Expenditure Investments

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

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



## Investment Gains and losses

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

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

### Impairment of Investments

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

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

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

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

## 10.26 Long Term Debtors

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

## 10.27 Debtors

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

## 10.28 Creditors

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

## 10.29 Receipts in Advance

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

## 10.30 Section 106 Planning Receipts

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

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

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

### 10.31 Capital Grants and Capital Contributions Unapplied

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

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

### 10.32 Capital Grants and Capital Contributions Deferred

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

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

### 10.33 Provisions

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

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

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

## 10.34 Reserves

The Council keeps a number of reserves in the balance sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

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

## 10.35 Earmarked Reserves

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

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

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

### 10.36 Capital Receipts Reserve

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

### 10.37 Revaluation Reserve

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



## 10.38 Capital Adjustment Account

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

## 10.39 Financial Instruments – Risk Analysis

### Key Risks

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

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

## Overall Procedures for Managing Risk

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

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

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

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

### Credit risk

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

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

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

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

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

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

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

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

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

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

### **Liquidity risk**

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

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

### **Refinancing and Maturity Risk**

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

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

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

The maturity analysis of financial assets is as follows:

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

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

**Market risk**

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

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

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

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

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

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

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

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

#### 10.40 Contingent Assets

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

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

#### 10.41 Contingent Liabilities

There are none to report.

#### 10.42 Events after the Balance Sheet Date

There were no reportable events after the balance sheet date.

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

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

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

#### 10.44 Analysis of Cash, Debt and Investments

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

#### 10.45 Analysis of Government Grants

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

#### **10.46 Authorisation of Accounts for Issue**

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



## 11. COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

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

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

## 12. NOTES TO THE COLLECTION FUND

### 12.1 Council Tax

Council Tax income derives from charges raised according to the value of residential properties that have been classified into eight Valuation Bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Oxfordshire County Council, Thames Valley Police Authority and Cherwell District Council together with each parish requirement and dividing this by the Council Tax base i.e. the number of properties in each valuation band converted to an equivalent number of band D dwellings and adjusted for discounts. The basic amount of Council Tax for a band D property including an average parish charge, £1430.11 (2007/08 £1378.62), is, multiplied by the ratio specified for the particular band to give an individual amount due.

The Council Tax base was calculated as follows:

Valuation Band	Chargeable dwellings after effect of discounts	Ratio	Band D Equivalents Dwellings
A	3,980.00	6/9	2,653.3
B	12,250.00	7/9	9,527.8
C	14,331.25	8/9	12,738.9
D	8,965.75	9/9	8,965.8
E	6,513.50	11/9	7,960.9
F	2,911.00	13/9	4,204.8
G	2,124.75	15/9	3,541.3
H	187.75	18/9	375.5
Band A entitled to Disabled Relief Reduction	7.50	5/9	4.2
			<b>49,972.5</b>
Ministry of Defence Properties			245.0
			<b>50,217.5</b>

### 12.2 Business Rates

Under the arrangements for Non-Domestic Rates, the Council collects rates for its area based upon local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2008/09 there are two multipliers, the small business non-domestic rating multiplier of 45.8p and the non-domestic rating multiplier of 46.2p. The total non-domestic rates due, less certain reliefs and deductions are paid into a National Non-Domestic Pool which is administered by the Government. The Government redistributes the sums paid into the pool back to Local Authorities Funds on the basis of a fixed amount per head of population.

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

### 12.3 Analysis of Collection Fund Balance

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

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

### **13. Group Accounts**

Under the terms of FRS9 where the Council has an interest in any other entity, it is required to prepare a Group Income and Expenditure and Group Balance Sheet. The Council holds no interest in any other entity and therefore no group accounts have been produced.

Where either the Council, or its Members or Senior Officers is connected with any other entity that it transacts any business with, it is required to disclose these as related party interests. These are shown in the Notes to the Core Financial Statements – 10.11 Related Parties.

## 14. The Pension Fund Accounts

### 14.1 Disclosure under FRS17 (LGPS funded benefits)

#### Introduction

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

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

#### Contributions for the accounting period ending 31st March 2010

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

#### Assumptions

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

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

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

## Principal demographic assumptions

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

## Expected return on assets

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

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

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

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

#### Reconciliation of funded status to balance sheet

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

#### Analysis of Income and Expenditure / Profit and Loss charge

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

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

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

\* Includes changes to the actuarial assumptions.

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

## Changes to the fair value of assets during the accounting period

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

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

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

## Actual return on assets

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

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

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

## History of asset values, present value of liabilities and deficit

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



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

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

**History of experience gains and losses**

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

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

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

**14.2 Disclosure under FRS17 (LGPS unfunded benefits)**

**Introduction**

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

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

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

**Assumptions**

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

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

## Principal demographic assumptions

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

## Reconciliation of funded status to balance sheet

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

## Analysis of Income and Expenditure charge

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

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

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

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

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

### History of present value of liabilities and surplus / deficit

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

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

### History of experience gains and losses

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

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

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

## 15. Glossary of Terms used in Financial Statements

### **Accruals**

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

### **Actuarial Gains and Losses**

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

### **Audit**

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

### **Audit Commission**

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

### **Balances**

The revenue reserves of the Council, made up of the accumulated surplus of income over expenditure.

### **Balance Sheet**

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

### **Best Value Accounting Code of Practice (BVACoP)**

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

### **Business Rates or National Non-Domestic Rates (NNDR)**

The rates paid by businesses. The money is collected by the Council and paid into a central pool administered by the Government. The total collected is then redistributed to authorities on the basis of population.

### **Capital Adjustment Account**

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

### **Capital Charge**

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

### **Capital Expenditure**

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

### **Capital Receipts**

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

**Cash Flow Statement**

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

**Chartered Institute of Public Finance and Accountancy (CIPFA)**

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

**Collection Fund**

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

**Communities & Local Government (CLG)**

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

**Community Assets**

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

**Commutated Sums**

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

**Contingent Assets and Liabilities**

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

**Corporate and Democratic Core**

Split under 2 headings:

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

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

**Council Tax**

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

**Creditors**

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

**Current Assets**

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

**Current Liabilities**

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

**Current Service Cost**

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

**Debtors**

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

**Depreciation**

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

**Earmarked Reserves**

Reserves set aside for specific purposes.

**Expected Return on Assets**

Under the provisions of FRS17 the expected return on assets is a measure of the return (income from dividends, interest etc.) on the assets held by the scheme for the year. It is not intended to reflect the actual returns, but a longer term measure, based on assets at the start of the year, any movements during the year and an expected return factor.

**Fair Value**

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

**Finance Lease**

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

**Financial Reporting Standards (FRS)**

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

**Financial Reporting Standard 17 (Retirement Benefits)**

The objectives of FRS17 are to ensure that financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities. The financial statement should also reflect the assets and liabilities arising from an employer's retirement benefit obligations and any related funding at fair values. In addition the operating costs of providing retirement benefits should be recognised in the accounting period(s) in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities should be recognised in the accounting periods in which they arise.

**Fixed Asset**

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

**General Fund**

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

**Government Grants**

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

**Housing Benefit**

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

**Housing Revenue Account (HRA)**

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

**Impairment**

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

**Income and Expenditure Account**

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

**Infrastructure Assets**

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

**Intangible Assets**

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

**Interest Cost**

Under the provisions of FRS17 interest cost is the amount needed to unwind the discount applied in calculating the current service cost. Provisions made at present value in previous years will need to be uplifted by a year's discount in order to keep pace with current values.

**Investments**

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

**Investment Properties**

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

**Local Government Pension Scheme (LGPS)**

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

**Minimum Revenue Provision**

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

**Net Book Value**

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

**Non Distributed Costs**

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

**Non-Operational Assets**

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

**Operating Lease**

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

**Operational Assets**

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

**Past Service Costs**

Under the provisions of FRS17 past service costs are non-periodic costs arising from decisions in the current year but whose financial effect is derived from years of service earned in earlier years. Most costs are likely to be discretionary benefits, including added year liabilities. Any new added years liabilities/past service costs will need to be recognised in non distributed costs.

**Post Balance Sheet Events**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible officer.

**Precepts**

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

**Prior Year Adjustments**

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

**Provisions**

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

**PRP**

Performance related pay.



**Related Party Transactions**

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

**Reserves**

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

**Revaluation Reserve**

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

**Revenue Expenditure**

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

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Capital expenditure which does not result in, or remain matched with, tangible assets. Examples of this include expenditure on items such as private sector housing grants or expenses included in the promotion of a Private Act of Parliament.

**Revenue Support Grant**

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

**Statement of Recommended Practice (SoRP)**

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

**Statement of Total Movement in Reserves**

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

**Stocks**

These comprise the following:-

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

**Useable Capital Receipts**

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

**Useful Life**

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