



# Statement of Accounts 2009/10 (subject to Audit)



**CHERWELL DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2009/10**

**CONTENTS**

	<b><u>Page</u></b>
1. Statement of Responsibilities for the Financial Statement	2
2. Explanatory Foreword	3
3. Statement of Accounting Policies	13
4. Annual Governance Statement	22
5. Income and Expenditure Account	40
6. Statement of Movement on the General Fund Balance	41
7. Statement of Total Recognised Gains and Losses	42
8. Balance Sheet	43
9. Cash Flow Statement	45
10. Notes to the Core Financial Statements	46
11. Collection Fund Income and Expenditure Account	75
12. Notes to the Collection Fund Account	76
13. Group Accounts	78
14. Pension Fund Accounts	79
15. Glossary	88

# **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 2010.

**Martin Henry CPFA, BA (Hons.)**  
**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

The purpose of this Statement of Accounts is to present the financial results of the Council's activities for the year ended 31 March 2010, and to summarise the overall financial position of the Council as at 31 March 2010.

### 2.1 The Accounting Statements

The Council is required by law to complete its accounts in line with the Code of Practice on Local Authority Accounting – a Statement of Recommended Practice (SoRP). In theory, the SORP ensures that all local authorities produce their accounts on a consistent basis, enabling comparisons. There are no significant changes in SORP requirements for 2009/10.

The SoRP represents an attempt by accounting regulators to reconcile accounting standards in general use within the UK with the statutory local government finance framework. This is not an easy marriage: there are material differences between what accounting rules state should be included in the accounts and what legislation states should be financed by a local authority and local council taxpayers.

Accordingly there are many entries, particularly within the Income & Expenditure Accounts, which are included as notional items for presentational purposes, so that accounting standards are fulfilled, and then “reversed out” so that the bottom line financial performance is consistent with statutory requirements.

The SORP also requires expenditure on services to be categorised under standard headings that bear little relation to the actual organisation and structure of the Council.

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

This Explanatory Foreword sets out the key issues and is intended to give the reader an insight into the Council's financial performance during 2009/10 in a way that the financial statements themselves may not otherwise do.

This foreword has been written to provide a guide to the significant matters reported in these accounts. It also indicates the type of expenditure incurred and the ways in which money has been raised to pay for this.

### 2.2 The Key Messages

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

The Council has **top quality budgetary control** and as a result has delivered during the year against revenue and capital budget within acceptable tolerances. These are based on percentage variance of revenue and capital budget against profile. (+2%/-5%)

The capital programme has been **continuously reviewed** in detail throughout the year and capital schemes that have not yet started have either been deleted as they are no longer priorities, reduced in value due to procurement savings or specification changes, or slipped forward into future periods. In making these changes we can update our cashflow requirements and receive additional investment income from our cash balances.

We started the year with £129.8 million of net assets, earmarked reserves of £9.2 million and a general fund balance of £1.9 million. As at 31st March 2010 the net asset figure had fallen by £23.9 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 £105.9 million, £7.1 million of earmarked reserves** and **£1.8 million of general fund reserves**. Our approved budget did not draw on General Fund balances, a reserve maintained to provide a financial cushion should something unexpected happen. The final accounts show that £0.1m was utilised from this balance during 2009/10.

We invested £17.7 million on a variety of capital schemes during the year, to continue **providing first-class public facilities and investment in the infrastructure of the district**. Highlights include the completion of the sports centre modernisation programme which saw the Council open new and revitalised leisure centres in Bicester, Kidlington and Banbury. The Woodgreen open air pool was completed and opened to the public in June 2009. Investments of £1.1million were made in housing schemes, increasing the number of social housing and homeless facilities available in the district and a further £1 million was invested in home improvement grants directly helping older and vulnerable people to live independently in their own homes.

We have made the subject of costs and **efficiencies high profile** and commit each year to our residents to cut costs by a specified amount. We promised to deliver a £1m reduction in costs during 2009/10 for the 2010/11 budget and have done so. This brings the total reduction in four years to £5m representing a reduction of 21% when compared with our 2006/07 net revenue budget. We are promising a further **£0.8m reduction in 2010/11 for the 2011/12 budget**. These promises are driven by our medium term financial modelling and the early indication of shortfalls it gives us. These are then backed up by our corporate action plans.

## 2.3 Revenue Expenditure

The Income and Expenditure Account is prepared in accordance with the Best Value Accounting Code of Practice (BVACoP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and as a result we have to take our services and categorise accordingly.

During 2009/10 the General Fund Revenue account has been subject to regular and rigorous monitoring as part of the Performance Management Framework. The monthly 'dashboard' provides a mechanism to analyse revenue and capital activity at all levels, providing detailed analyses from a Corporate, Directorate and individual Service level perspective.

The 'dashboard' contains a range of cost indicators providing an easy to understand picture of the 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.

The 2009/10 revenue budget identified underspends in services at the end of quarter 3 (31<sup>st</sup> December 2009) of £594,000 and these were earmarked to part fund the buy out of contractual car cash allowance that in turn will save the council £343,000 per annum.

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 revenue outturn was reported to the Executive in June 2010 and this report identified the variance between budgets before any year end adjustments relating to pension, impairment, revaluation and financing.

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	1,205	1,013	(192)
Elections	268	228	(40)
Other Central Services	423	281	(142)
Residual Operating Costs	(2)	14	16
<b>Cultural, Environmental &amp; Planning</b>			
Cultural and Related Services	4,578	15,961	11,383
Environmental Services	7,626	7,040	(586)
Planning and Development	4,245	3,512	(733)
<b>Highways, Roads &amp; Transport Services</b>	1,106	1,118	12
<b>Housing Services</b>			
General Fund Housing	3,314	5,214	1,900
<b>Corporate &amp; Democratic Core</b>	3,722	3,218	(504)
<b>Non Distributed Cost</b>	263	606	343
<b>Net Cost of Services</b>	<b>26,748</b>	<b>38,205</b>	<b>11,457</b>

Within Cultural and Related Services the variance against 2008/09 is £11.3m of which £12.5m is related to the impairment of the sports centres detailed in 2.6

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

<b>Primary Drivers</b>	<b>Variance £000s</b>	<b>Year-end adjustments not budgeted £000s</b>	<b>Actual Budget Variance £000s</b>
Pension	(892)	(892)	0
Car Cash Buyout	684	0	684
Additional planning Fee Income	(159)		(159)
Various cost reductions & vacancy freeze	(262)	0	(262)
Housing savings	(249)	0	(249)
Additional income & subsidy	(215)	0	(215)
REFCUS	3,586	3,586	0
Impairment & depreciation	8,964	8,964	0
<b>Variation in expenditure</b>	<b>11,457</b>	<b>11,658</b>	<b>(201)</b>



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 2008/09:

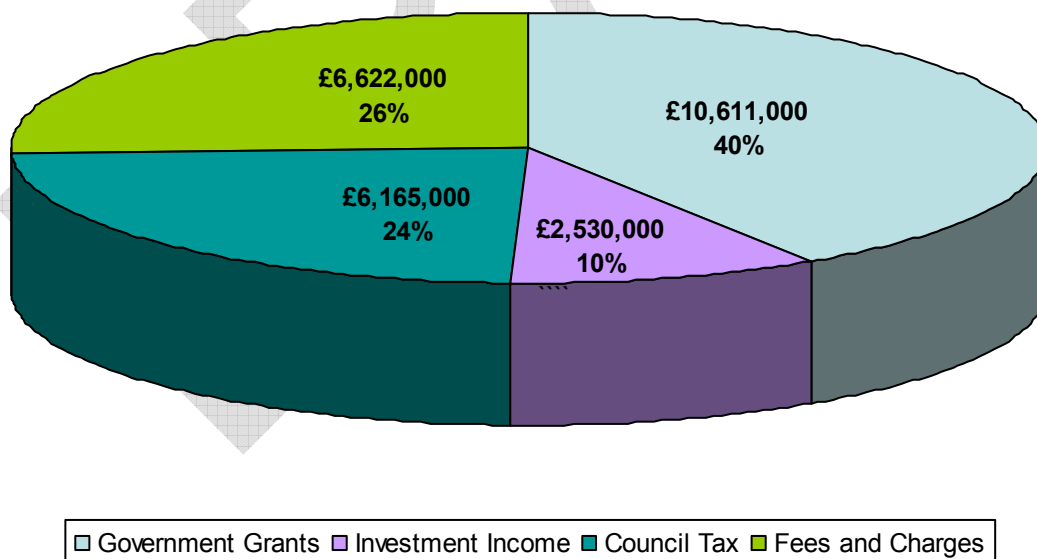
	2008/09 % of costs	2009/10 % of costs
Employee Costs	38%	36%
Supplies & Services	14%	9%
Third Party Payments	20%	15%
Capital Charges, Revaluations & Impairment	13%	23%
Transfer Payments	7%	8%
Premises Costs	5%	5%
Transport Costs	3%	4%
	<b>100%</b>	<b>100%</b>

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.

The % reductions in Employee Costs, Supplies and Services and Third Party payments have arisen through the Councils commitment to reducing overall costs and embedding efficiency savings into core budgets.

## 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:



Funding from investment income has reduced from 26% in 2006/07 to 8% in 2009/10 as a result of reducing investment balances and lower interest rates. Our Medium Term Financial Strategy is based on eliminating our reliance on investment income over the next 2 years.

## 2.5 Capital Expenditure and Financing

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

### Comparison of Capital spending by scheme 2009/10 against budget

Capital Programme by Project	Budget £000s	Actual £000s	Variance £000s
Merton Street Flats	50	50	0
North Oxfordshire Academy Site Safety & Security	60	54	(6)
Environmental Services Waste Management IT System	56	58	2
Sharepoint extension	61	61	0
Climate Change Initiatives Fund	62	62	0
Bicester Town Centre Redevelopment Scheme	60	63	3
Recycling Bins	45	69	24
Refurbishment/Improvement to Willy Freund Youth Centre	33	73	40
365 Warwick Road	74	74	0
Street Scene Replacement Programme	40	79	39
Playwell in Cherwell Grant	35	87	52
Replacement of Vehicle Fuel Installation at Highfield Depot	70	91	21
Community Intelligence Hub	95	98	3
Other Discretionary Grants	110	102	(8)
ICT Virtualisation	108	108	0
North Oxfordshire Academy Astroturf	150	110	(40)
Food Waste Recycling Service	250	146	(104)
Off Road Parking Facilities	147	147	0
Relaying the Astroturf at Cooper School, Bicester	150	170	20
Discretionary Grants for Domestic Properties	339	276	(63)
* Temporary Accommodation Acquisition Scheme	0	297	297
Hurrans Garden Centre	350	350	0
CCTV	375	396	22
Bicester Acquisition 2nd Scheme	410	410	0
Acquisitions Scheme - to extend RSL Housing	422	422	0
Vehicle Replacement Programme	637	595	(42)
Castle Quay Refurbishment	675	675	0
Disabled Facilities Grants	950	950	0
Banbury Pedestrianisation	1,720	961	(759)
Woodgreen Leisure Centre inc Car Parks & Footways	953	1,037	84
Sports Centre Modernisation Programme	8,585	8,585	0
Various Small Schemes	1,130	1,020	(110)
	<b>18,202</b>	<b>17,676</b>	<b>(526)</b>

\* **Note** - This project did not form part of the original capital budget for 2009/10, however it was completed during the year and was fully financed by external funding.



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

	2009/10 £000s
<b>Sources of finance</b>	
Capital Receipts	15,230
Government Grants and Other Contributions	2,122
Funding from Earmarked reserve through revenue	264
Direct Revenue Financing	60
	<u><u>17,676</u></u>

## 2.6 Impairment

All assets have been reviewed in detail for impairment in 2009/10 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. Total impairments in the year were £13.4 million, £10.7 million of which relates to the former Spiceball Sports Centre.

Impairments in 2009/10 were:

	Original value £000s	Capital spend £000s	Impaired by £000s	Value at 31 March 2010 £000s	Last Valuation Date
<b>Total Impairments 2009/10</b>					
Former Spiceball Sports Centre, Banbury	11,292	0	(10,721)	571	1st April 2007
New Spiceball Sports Centre, Banbury	10,773	7,955	(1,795)	16,933	First valuation
Oxford House, Bicester	629	0	(457)	172	1st April 2007
Bicester & Ploughley Sports Centre	13,892	520	(377)	14,035	1st April 2007
Flats at The Fairway, Banbury	212	0	(32)	180	1st April 2008
58 Bridge Street, Banbury	1,239	55	(18)	1,276	1st April 2008
		<u><u>8,530</u></u>	<u><u>(13,400)</u></u>		

Part of the impairment can be offset against previous revaluations held in the reserve (£4.0 million), with the remainder charged to the Income and Expenditure Account. This is a notional transaction and therefore does not have an impact on Council Tax.

## 2.7 Revaluation

The closing position on the Revaluation Reserve at 31st March 2010 shows revaluation gains accumulated since 1st April 2007. The revaluations in 2009/10 equate to £15.6 million.

The revaluations in 2009/10 were:

	<b>Original value £000s</b>	<b>Capital spend £000s</b>	<b>Revalued by £000s</b>	<b>Value at 31 March 2010 £000s</b>	<b>Last valuation Date</b>
<b>Total Revaluations 2009/10</b>					
Kidlington & Gosford Sports Centre	4,048	110	6,741	10,899	First valuation
Castle Quay Shopping Centre, Banbury	15,219	675	3,378	19,272	1st April 2008
Bodicote House Offices	5,450	171	3,416	9,037	1st April 2008
Woodgreen Leisure Centre, Banbury	2,580	1,108	1,437	5,125	1st April 2008
Banbury Museum	3,906	41	298	4,245	1st April 2008
Hilliers Garden Nursery	406	0	261	667	1st April 2008
Thorpe Land Depot, Banbury	1,025	21	17	1,063	1st April 2004
Highfield Depot, Bicester	278	0	59	337	1st April 2004
Tooleys Boatyard, Banbury	601	0	18	619	1st April 2008
		<b>2,126</b>	<b>15,625</b>		

## 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 capital projects, the expression of interest initiative, to offset the impact of the 0.5% bank base interest rate and job evaluation. Reserves have also been subject to review 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 £9.2 million to £7.1 million during the year. A full list of these reserves is shown in Note 10.31.

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 £0.1 million was utilised from this balance during 2009/10 and the closing balance equates to £1.8 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 2010 we had a total of £67.3 million (£85 million in 2008/09) invested. In the year changes in cash flow and lower than budgeted interest rates resulted in investment income below original budget by £0.8m of which £0.6m was offset by an interest rate risk reserve. The budget was based on an average investment balance of £84 million and an interest rate of 3.35%. The actual average balance was £75 million which attracted an average return of 3.07%. This was achieved despite the Bank of England keeping the bank base rate at 0.5% since March 2009.

## **2.10 Investments in Iceland**

The Council is one of over 100 local authorities that were affected by the collapse of Icelandic banking institutions. The Council currently has a total of £6.5 million in 3 investments with Glitnir and is in the process of trying to recover these funds through the applicable legal process.

Decisions on the priority status of local authority deposits will be made by the Icelandic courts. Allowing for the court cases to be heard, and for the appeals process to run its course, it is considered unlikely that there will be a settled position on priority status before the second quarter of 2011.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009 allow the Council to defer the impact of the impairment charge relating to the 3 Icelandic investments until 2010/11. The Council has decided to take advantage of the Regulations and has accounted for the Icelandic Investments in accordance with CIPFA's LAAP Bulletin Update 82. Any outstanding credits authorised by the regulation must be reversed in the 2010-11 accounts.

The Local Authority Accounting Panel considers, on the basis of the legal advice obtained by local authorities and advice provided by the Local Government Association, that it remains the most likely outcome that the claims will enjoy priority status. Based on this assessment, the Local Authority Accounting Panel recommends that the estimated recoverable amount to be included in the balance sheet is based on the assumption that local authority deposits will enjoy priority status.

The value (recoverable amount) of these deposits at 31 March 2010 has been reassessed in line with FRS 26 - Financial Instruments which states that the recoverable amount of financial assets carried at amortised cost is the present value of the expected future cash flows discounted at the instrument's original effective interest rate.

In line with guidance provided and latest available information on the likelihood of recovery the Council has reassessed the future cash flows of the deposits with Glitnir on the assumption that we receive preferential creditor status and receive 100% of principal and interest by June 2011 and this results in an impairment charge.

Although the Council remains confident of getting all of its investment back as a priority creditor the Council has considered the possibility of an outcome where we only receive 29% of the principle. This strategy has been built into our Medium Term Financial Forecast.

The non-return of the deposit has not caused any immediate cash flow problems for the Council except for the loss of investment income due to its non-availability for reinvestment. At the current low base rate of 0.5% this equates annually to £32,500.

## **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

31st March 2010 is £0.7 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 £68.2 million shown in the Balance Sheet, an increase of £22.5 million in the year. The 12 months to 31st March 2010 is almost a mirror image of the previous 12 months performance – large increases in market values of assets and significant reductions in bond yields. However despite experiencing an increase in asset value of up to 30% upwards in the 12 months to 31st March 2010, liability values have increased by more than asset values thus increasing deficits.

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 completed and implemented a new pay structure including the GLPC job evaluation system. The changes were reached via collective agreement with the national Unison office and implemented on 1 April 2010.

The new system mitigates equal pay claims in the future. There may be a small risk of historical pay claims but given the profile of the workforce and based on the equal pay audit undertaken in 2008 we do not anticipate any claims.

## **2.14 Audit**

The first draft of these accounts was approved for publication on 23rd June 2010. These accounts were approved by the Accounts Audit & Risk Committee on ##### 2010.

## **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 40)**

This account summarises the resources that have been generated and consumed in providing services and managing the Council during 2009/10. 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 41)**

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 42)**

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 43)**

This sets out all the Council's assets and liabilities on 31st March 2010. 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 45)**

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.

**Martin Henry CPFA, BA (Hons.)**  
**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 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**

#### **3.11.1 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.

### **3.11.2 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 is £10,000.

### **3.11.3 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.

### **3.11.4 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:

- Charging the loss to the relevant service account where it is attributable to the clear consumption of economic benefit.
- 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 for all other impairments.

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.

### **3.11.5 Disposals**

In accordance with the SoRP, 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.

### **3.11.6 Depreciation**

All fixed assets other than land, investment and community 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 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.

### **3.11.7 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

### **3.15.1 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.

### **3.15.2 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 STRGL.

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**

### **Executive Summary**

This document describes our governance arrangements and assesses how closely we align with good practice. In overall terms this is a positive statement for the financial year 2009/10.

This document relies on several assurance mechanisms including the internal audit annual review, internal audit reports throughout the year, the Accounts, Audit and Risk Committee, the overview and scrutiny process and external audit.

External audit is undertaken by the Audit Commission and provides assurance on the controls the Council has in place. Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Audit and Inspection Letter. The Council received an unqualified audit opinion on its 2008-09 accounts, the latest published.

The Council was subject to the new Organisational Assessment for the first time in 2009/10.

Overall we scored a '3', 'performing well', with 4 being the highest possible score. The report acknowledges that we have many characteristics of an excellent organisation, but we just missed out on an overall 4, 'performing excellently' on account of our less than adequate performance in processing benefit claims. This performance has now been turned round and we are now operating in the top 25% of local authorities.

Our Use of Resources performance – a new, harder, outcome-focused test and part of the overall Organisational Assessment – was particularly pleasing. The District Auditor noted our considerable achievement in scoring 3s for all Key Lines of Enquiry (KLOEs) and all sub-KLOEs, many of them very strong 3s at that. We expected to be able to convert some of these to 4s in the 2009/10. However the new Coalition Government has decided to cease this inspection regime with immediate effect so Use of Resources scoring will not now be issued.

The 2010 staff survey demonstrates that staff feel that Councillors, the Corporate Management Team and Heads of Service have a vision for and set direction for the council. The survey results also demonstrate an exceptionally high level of the council's objectives by staff across the organisation as well as very good line management practices.

The statement reports positive progress on the two significant issues that arose as part of last year's statement: the impact of the economic climate and back up arrangements for IT services.

There is just one significant issue raised for the financial year 2009/10. It relates to the failed Icelandic Bank (Glitnir) and the action that continues against the bank.

### **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 Chartered Institute of Public Finance and Accountancy (CIPFA)/ Society of Local Authority Chief Executives (SOLACE) Framework for Delivering Good Governance in Local Government. A copy of the code is on our website at [www.cherwell-dc.gov.uk](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**

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

### **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 Sustainable Community Strategy 'Our District, Our Future' 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.

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 chairs the Cherwell Local Strategic Partnership (CLSP) for Cherwell. Membership of the LSP includes members from the county, district, town and parish councils, the faith, business and voluntary communities. As part of the development of the new Community Strategy, the LSP undertook a significant policy and evidence review and consultation with stakeholders to set a vision and objectives for the next twenty years. The strategy sets out long term vision for the district with four ambitions addressing community, environment and infrastructure, economic and community leadership and engagement.

This piece of work included a significant amount of consultation where partners, community groups and stakeholders are asked to help us develop the new strategy. The strategy was also subject to a formal consultative phase where the draft strategy was available for full consultation on our consultation portal. <http://consult.cherwell.gov.uk/portal>.

The Service and Financial Planning process incorporates substantial consultation with all sections of the community. At the corporate level this includes an annual customer satisfaction survey which identifies areas of customer satisfaction and priorities for improvement and a budget consultation process that is focused on qualitative workshops with stakeholders. In

addition we target harder to reach groups (older people, younger people, people with disabilities and people from minority ethnic communities) to ensure that all sections of the community are able to participate in the budget consultation. We also use booster samples to ensure our customer satisfaction survey responses include harder to reach groups.

At the service level individual service areas and teams undertake public consultation. The Council has a consultation strategy, toolkit and web based portal to support this.

The corporate agenda is communicated to staff through regular briefings for all staff from the Chief Executive, 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 in November 2009 a new sustainable community strategy for the district was adopted by the Cherwell Local Strategic Partnership in which the Council plays a leading role. The governance of the local strategic partnership has been reviewed and strengthened to enhance its capacity to deliver the actions plans related to the new strategy.

The Medium Term Strategy (MTFS) is the Council’s key financial planning document. It is driven by our Corporate Plan and the four strategic priorities which lie at the heart of it. This strategy sets clear targets to eliminate the Council’s revenue dependency on investment income over the coming three years. The 2010/11 local government finance settlement represented the final year of the “fixed” three year funding regime announced in 2008/09. Due to the current economic climate and national deficit it is clear that local authorities will continue to need to plan on the basis of a very restricted financial envelope from 2011/12 onwards. The council is currently considering 3 scenarios for funding and developing action plans to meet the potential medium term financial deficits.

#### **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**

The Council undertakes a continuous rolling programme of Value For Money (VFM) reviews which measure 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. In 2009/10 the VFM Review programme has identified and approved action plans to deliver efficiency savings totaling £1million, including: £0.2 million from Housing, £0.5 million from outsourcing the back office processing of revenues and benefits, £0.3 million from support services including finance, legal and human resources. 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. An annual 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 National and Local Performance Indicators and also against service plans and strategies. This is encapsulated in the Performance Management Framework.

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

Financial reporting 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 alternative 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. It has an introduction which sets out clearly how the Council works and how it reaches decisions. Part one sets out terms of reference for each committee and the scheme of delegation. All the procedure rules for each committee were reviewed. Further work has been done on the constitution in 09/10 and on 19<sup>th</sup> April 2010 new Contract and Financial Rules of Procedure were approved as well as amendments to the Scheme of Delegation and the Proper Officer provisions. 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 and implemented. Further changes to public speaking, to simplify the process, take effect from May 2010.

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

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

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

The Standards Committee has responsibility for ensuring the highest standards of behaviour and has undertaken an assessment role for all complaints about breaches of the code of conduct since 8th May 2008 (when this responsibility was transferred from the Standards Board for England). The Standards Committee produces an Annual Report which goes to full Council.

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

The Corporate Governance Panel reviews the governance arrangements of the Council and provides member input into this Annual Governance Statement. 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 guidance to members sitting on outside bodies this year and an Executive report to be considered on 7 June is planning to finalise these arrangements. A new code of conduct had been anticipated in 2009/10 from Standards for England but this did not materialise. Standards for England have indicated that a more fundamental review to simplify the code will be proposed to the new government. Standards for England will also be introducing a risk based approach to supporting authorities. Cherwell is likely to be considered at least a moderate risk because of the number of parish councils in the district (the threshold being more than 60 when Cherwell has 66).

The emphasis for the Standards Committee this year has been ongoing training for the local assessment of complaints. It is still the case that all complaints received have concerned either parishes or town councils. The Standards Committee are looking at ways to support parish councils especially on the issue of declarations of interest which causes particular problems. The Chairman and Vice Chairman of Standards are attending a number of different parish council meetings to raise the profile of standards and provide support.

#### **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**

Under the Local Government Act 1972, as amended, the Council is able to delegate decisions to committees or officers but is required to have a scheme of delegation setting this out. The scheme of delegation is part of the Council's constitution. There has been further work on the constitution this year by the Monitoring Officer. This has involved work across Oxfordshire to consolidate and agree a consistent approach to Proper Officer provisions which details the designated proper officer under the relevant statute. The scheme of delegation has also required amendment to reflect changes to the management structure. There has also been a review and updating of the Contract and Financial Rules of Procedure which went to Council in April 2010. An accurate up to date constitution reduces the risk of challenge to the Council's decisions.

One of the key aspects of the internal control environment is the management of risk. The Council has a risk management strategy 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 monthly. For each risk noted on the register, responsible officers are required to identify controls that are in place to mitigate the risk.

A risk management workshop was held for all managers in December 2009. This resulted in a new set of risk registers being developed and implemented from the start of the 2010/11 financial year. Risks are categorised as either strategic, corporate, partnership or operational. All strategic, corporate and partnership risks are reviewed on a monthly basis and integrated risk and performance reports are received by the Corporate Management Team (CMT). In addition the Executive and the Audit, Accounts and Risk Committee receive quarterly risk reports. The risk management handbook has been updated and the council's performance management software has been upgraded to include a risk management module.

Operational risks are also managed using this new software and monitoring responsibility is at the departmental management team level. Where necessary, operational risks are escalated to CMT.

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 specific earmarked reserves to deal with identified non-insurable risks.

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

The Council has an up to date money laundering policy, and actively participates in the National Fraud Initiative which will be taking place again in 2010/11.

The Council outsourced the Internal Audit service from April 2009 for three years. The service operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK' during 2009/10. The service is provided by Pricewaterhouse Coopers under the management of the Chief Internal Auditor.

#### **4.3.7 Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).**

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

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

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

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

To deliver these responsibilities the CFO:

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

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

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

For 2009/10, interim arrangements were in place for the discharge of the CFO role. This involved the recruitment of a consultant to provide the CFO role. This provision was for, on average, one day per week. Over this time the CFO, who was suitably qualified as outlined in the statement, reported directly to the Chief Executive and had access to the Corporate Management Team which is the Council's leadership team. As a result he was able to bring influence to bear, on all material business decisions. Therefore these key principles were met.

The interim arrangements did not involve him leading and directing the finance function but he worked very closely with the Head of Finance who did fulfil this requirement. Similar interim arrangements will continue into 2010/11 until the current Head of Finance becomes the CFO, upon gaining the required qualification, and when this happens the principles in the statement will be fully met.

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

The Council's Accounts, Audit and Risk Committee undertake the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities. In particular it has an ongoing role in ensuring a responsive and effective internal audit function and the effective management of the Council's risks and provides 'robust challenge' to the internal control and other governance arrangements of the Council. During 2009/10, the Committee has sought to increase its effectiveness through additional training and greater engagement with the internal audit function. These sessions include an overview of Local Government Finance, an overview of International Financial Reporting Standards and the impact on district councils and specific sessions with internal and external audit. The National Audit Office produces a checklist for audit committees which is based on 5 good practice principles relating to 1) the role of the committee, 2) membership, 3) skills, 4) scope of work and 5) communication. This checklist has been completed for 2009/10 and this indicates that the audit committee is working effectively. This checklist will be completed annually and will form the basis for areas of improvement or training needs for the committee's work programme.

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

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



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

The Head of 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 2009/10 financial year, the Chief Financial Officer was designated as the person responsible for the administration of the Council's finances under section 151 of the Local Government Act 1972 and ensured the financial management of the Council was conducted in accordance with the Financial Regulations and Corporate Financial Procedures. Financial management facilitates service delivery through the five-year Medium Term Strategy and the annual budget process, underpinned by the Treasury Management Strategy.

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

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

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 wherever possible. Where this is not achievable, the Council's complaints procedure (available on the website) outlines a formal process for rectifying issues.

During 2009/10 the procedure for recording and responding to complaints was centralised and the role of Complaints Manager incorporated into the Customer Service Manager role. During the year the recording process, monitoring and reporting has been built into the corporate customer relationship management system. 241 complaints were recorded in 2009/10 of which 230 were given a full response within 10 working days. The definition of a complaint is

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

The Local Government Ombudsman received nineteen new enquiries and complaints in relation to Cherwell District Council during 2009/2010, of which eleven were investigated. Six of the new complaints investigated by the Local Government Ombudsman's investigative team related to Planning and Building Control, two to Housing, one to Local Taxation and one to Transport and Highways. The Local Government Ombudsman made twelve decisions on complaints during 2009/2010. In nine cases the Council were found not guilty of maladministration, two complaints were deemed to be outside the Ombudsman's jurisdiction and in one case there was a local settlement between the Council and the complainant. The average number of days taken to respond to first enquiries from the investigative team was 21.4 days, well within the required 28 days.

The Council has a dedicated whistle blowing hotline which is publicised on the Council's website and intranet. There were two incidents reported in 2009/2010. 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. The Council will share data with Credit Reference Agencies for the prevention and detection of fraud. This is a Department of Work and Pensions funded data matching tool which throws up irregularities for investigation ( such as claims for single persons discount when it appears there is more than one person living in the property).

As part of the 2009/10 Audit Plan, Internal Audit carried out a review of governance at the Council through use of a survey based on The Good Governance Standard for Public Services. It concluded that the governance arrangements in the Council are sound, and many examples of good compliance with the Standard 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 established a clear set of objectives that are driving improvement in governance within all roles, responsibilities and decision making processes.

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

All members are offered an annual support interview which identifies their support and development needs. In 2009/10 30 councillors received a support interview. Personal plans are produced following these interviews which inform the member development programme. The development programme for elected members offers a range of formal and informal learning events including conferences, briefings, seminars, workshops and forums.

In 2009/10 there were 27 training sessions arranged by Cherwell District Council and 1 joint session (Cherwell, county and the five other Oxfordshire districts). The total attendance at all events was 363 Cherwell District councillors, 12 Cherwell co-opted members and 30 external attendees (other district councillors, town councillors, officers, partners e.g. Fire service).

The Member Development and Support Strategy was agreed by Executive in September 2009. The Strategy sets out the Council's commitment to member development and support. It explains the responsibilities of the Council in delivering effective support to members. All members have been notified of the strategy which is available on the Council's website. The strategy has raised the profile of member development within the organisation.

A monitoring report updating members on the progress in member development since the approval of the strategy was submitted to the Executive in February 2010. The report highlighted that the Member Development Strategy has had a positive impact on member development and support informed through the member support interviews process and evidenced by the increased member attendance at development events. It is also believed that this has been assisted through the increased focus the organisation has given to member development and support. This is evidenced by the appointment of a specific Portfolio holder with such responsibility. The Executive noted the report and requested officers to explore options for external accreditation of Cherwell's Member development and support arrangements.

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

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

There is a Corporate Consultation Framework with a toolkit for staff providing support, guidance and a statement of our standards. The Council has an online consultation portal which provides access to consultations that are underway and information about what consultations are planned. The Council undertakes a statistically representative annual satisfaction survey 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 through the GOV METRIC system. The Council's approach to its budget consultation has been recognised as innovative by the Local Authority Research and Intelligence Association.

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

In addition to the corporate consultation programme the Council also holds a quarterly 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. This panel also supports the consultation that underpins Equality Impact Assessments.

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 Local Strategic Partnership (which holds an annual consultative conference) the Voluntary Organisations Forum, the Older People's Forum, and the Banbury Cohesion Group. There is also a programme of consultation with older and younger people. The council, working with partners, has established a disabled person's forum and is working to set up an inter-faith forum to further improve opportunities for consultation and involvement.

We also 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 2009/10, four editions of Cherwell Link (the resident's magazine) were issued, an increase from three issues sent the previous year.

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.

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

The Council's aim is to fully exploit the opportunities for partnership working and strengthen the governance and performance management arrangements. There is an established Partnerships Protocol and a Partnership Framework including a toolkit to ensure good governance arrangements in respect of partnerships and other groups. This incorporates the Audit Commission's report on the governance of partnership, and ensures their document is reflected in the Authority's overall governance arrangements. We undertake audits of partnership arrangements annually and prepare action plans to address weaknesses and ensure value for money. These form part of our annual audit programme.

In 2009/10 the Cherwell Community Planning Partnership was formally dissolved and the Cherwell Local Strategic Partnership set up in its place. The development of this new strategic partnership for the district was strongly supported by the Council with the aim of improving partnership governance and effectiveness. Membership has been reviewed and roles clarified with clear groups responsible for strategic direction (the LSP board), performance management (the LSP management group) and consultation/engagement (the LSP reference group).

The Cherwell Local Strategic Partnership has formally launched a new Sustainable Community Strategy, based on robust socio-demographic evidence and extensive local consultation.

Performance of the Council's key partnerships (that is those who directly contribute to the Council's strategic objectives) is reported to the Executive on a quarterly basis through the Council's Performance Management Framework (PMF). This includes partnerships at both the county wide and district level. It reports achievements, issues and risks. Monthly performance monitoring also takes place for the Local Area Agreement, this is included within the PMF reports to CMT and an additional county wide performance report is also considered.

In 2009/10 the Council co-led a full review of partnership governance at the County level to ensure that thematic partnerships were effective, able to deliver the Local Area Agreement and that clear governance arrangements existed between the thematic partnerships, the County Local Strategic Partnership and the Public Service Board. This included consideration of the membership, role and accountabilities of the thematic partnerships in the light of the Oxfordshire Sustainable Community Strategy 'Oxfordshire 2030'.

Furthermore in 2009/10 a review of Member representation on outside bodies was undertaken which has resulted in clearer support arrangements for Members representing the Council on outside bodies. Member representation on county wide partnerships has been addressed and improved through the governance review and revised partnerships framework.

The Council's strong partnership working has been recognised as part of the Council's Comprehensive Performance Assessment undertaken in November 2008 and in the Comprehensive Area Assessment published in December 2009. The inspectors have praised the Council's strong partnership working, saying that the Council is an effective leader of local partnership working. The Council is well placed to exploit the opportunities that are presented by partnership working at both the county and district level, whether with the private sector, other authorities and agencies or with the voluntary and community sector. This is particularly important with the increasing pressure on resources and funding arising from the economic downturn, examples in 2009/10 include the partnership leading to the delivery of the new health centre in Banbury, partnership approaches in response to addressing the impact of the recession and the establishment of a multi-agency Local Strategic Partnership sub-group to lead the Banbury Brighter Futures Project (project to break the cycle of deprivation).

Cross-County partnerships are also being developed and from 1 April 2010 a partnership arrangement has been agreed with a Northamptonshire District Council demonstrating an appetite for multi area partnering.

#### **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. In order to understand the design and effectiveness of governance arrangements at the Council, we have conducted a survey of all councillors, executive directors and heads of service. The on-line survey was based on 'Good Governance Standards for Public Services'. The survey was 'live' for a period of a month and had 36 responses and a final response rate of 54%. The findings of the survey were extremely positive and indicate a highly effective governance environment.

The Council uses the Corporate Governance Group to monitor the effectiveness of the Council's governance framework.

#### **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 Corporate Governance Group, consisting of senior officers from a range of relevant disciplines, and seeks to provide assurance by adopting a dual approach, assessing information from a service perspective provided by service managers and a more corporate overview from each of the Group members.

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

- Chief Financial Officer (151 Officer)
- Head of Legal and Democratic Services (Monitoring Officer)
- Head of Human Resources
- Risk Management and Insurance Officer
- Chief Internal Auditor

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

There is a process, whereby significant issues raised within the Framework can be escalated, through the Corporate Governance Group, to Corporate Management Team and/or the Executive. Monitoring reports are taken to Corporate Management Team and to the Accounts Audit and Risk 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 2009/10. They clearly evidence the mechanisms established to support the principles.

## **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 internal audit or 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. Both of the Committees establish '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 (one of these resigned earlier this year and we are recruiting to replace with the expectation of appointing at Annual Council in May). There are two parish council representatives and currently one substitute parish council representative (we will be recruiting another substitute after the parish council elections in May 2010). All are fully trained and able to take part in Standards Committee meetings and to participate in assessments and reviews of assessments and hearings, when required. During 2009/2010 there have been four complaints heard by Assessment subcommittees with one appeal heard by a Review subcommittee. All the complaints have been about parish councils.

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

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

The Head of Legal and Democratic Services, as Monitoring Officer, continues to review the relevance and effectiveness of the constitution. This was a major piece of work in 2008/2009 and considerable work has also been required this year. Amendments go to the relevant committee, for example Planning, Overview and Scrutiny or Standards then to the Executive. 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 where relevant.

#### **4.6.5 Chief Financial Officer**

During the 2009/10 financial year, the Chief Financial Officer was designated as the person responsible for the administration of the Council's finances under section 151 of the Local Government Act 1972 and ensured the financial management of the Council was conducted in accordance with the Financial Regulations and Corporate Financial Procedures.

The arrangement for 2009/10 was an interim arrangement whereby a consultant was engaged to fulfil this role. The permanent arrangement is that the Head of Finance will become the Council's Chief Financial Officer.

The permanent arrangements at the Council will reflect the guidance contained in CIPFA's 'Statement on the Role of the Chief Financial Officer in Local Government (2010)'.

#### **4.6.6 Internal Audit**

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

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

- Risk management
- Control
- Governance processes.

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

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

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

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

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

Limited Assurance – There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational

objectives. However, there are discrete elements of the key system, function or process where internal audit has not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. Internal audit is therefore able to give limited assurance over certain discrete aspects of the system, function or process.

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

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

The Internal Audit Annual Report presented to the Accounts, Audit and Risk Committee on 23rd June 2010 included the following opinion on internal control from PWC:

"We have completed the programme of internal audit work for the year ended 31st March 2010 (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".

Consequently, PWC are able to give **Moderate Assurance** on the design adequacy and effectiveness of the system of internal control. Moderate assurance is the second best level of assurance that can be awarded and is provided where internal audit has identified mostly low and medium rated risks during the course of its audit work on business critical systems, but there have been some isolated high risk recommendations and/or the number of medium rated risks is significant in aggregate. The level of assurance provided is therefore moderated by these risks

#### **4.6.7 Risk Management**

The Risk Management Strategy dated June 2008 was updated in line with current best practice, and approved by the Executive in March 2010.

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 2009/10, all the Council's strategic, corporate, partnership and operational risks were redefined to ensure a greater focus on the most significant risks identified.

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

The council has upgraded its risk management software which now provides an integrated monitoring framework for risk and performance.



#### **4.6.8 Performance and Value for Money**

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

There is a yearly programme of VFM reviews, which target known areas of high comparative cost as a priority, but seek to include all areas of the council as part of a rolling programme. In 2009/10 the VFM Review programme has identified and approved action plans to deliver efficiency savings totaling £1million. During 2009/10, reviews have focused on the council's support costs to reduce the cost to frontline services and covered Insurance and Risk, Human Resources, Legal Services and Finance. These reviews identified actual and potential efficiency savings of £280,995, and significant service improvements. Efficiency savings identified during the year fulfilled the criteria required by the national efficiency regime (National Indicator 179).

A value for money programme for 2010/11 was agreed by Executive on 1 March 2010. The programme was developed from detailed financial comparison work with CIPFA family authorities. This work noted the success in improving the value for money position of the council overall and identified areas where the council still appears to be comparatively high cost. These areas form part of the new programme. A total of 11 areas will undergo a VFM review during the 2010/11 financial year.

#### **4.6.9 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 Council received an unqualified audit opinion on its 2008/09 accounts, the latest published.

The Council was subject to the new Organisational Assessment for the first time.

The score on a scale of 1 to 4 reflects the following assessment:

- 4 – Significantly exceeds minimum requirements – performs excellently
- 3 – Exceeds minimum requirements – performs well
- 2 – Meets only minimum requirements – performs adequately
- 1 – Does not meet minimum requirements – performs poorly

Overall we scored a '3', 'performs well'. The report acknowledges that we have many characteristics of an excellent organisation, under this new assessment regime, but we just missed out on an overall 4, 'performing strongly' on account of our less than adequate performance in processing benefit claims. This performance has now been turned round and we are now operating in the top 25% of local authorities.

Within the organisational assessment our Use of Resources performance – a new, harder, outcome-focused test – was particularly pleasing. The District Auditor noted our considerable achievement in scoring 3s right across the board – all KLOEs and all sub-KLOEs, many of them very strong 3s at that. We expect to be able to convert some of these to 4s in 2010/11.

## 4.7 Significant Governance Issues

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

No.	Issue	Update
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.	We have managed reductions in our income by carefully reducing our cost base without making significant changes to services and while improving performance.
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.	<p>Last year's Annual Governance Statement committed to undertake monitoring of the implementation and operation of the steps proposed to strengthen and enhance the governance arrangements.</p> <p>Following the incident that was discovered in February 2009 an action plan dealing with the issues was presented to the Accounts, Audit and Risk Committee on the 23 September 2009 where its adoption was recommended.</p> <p>This committee has since received updates on the status of implementation of the action plan. The most recent one being at their meeting held on the 20 January 2010. This report showed positive progress against the plan.</p> <p>The commitment given in last year's statement has therefore been delivered through the mechanism described above.</p>

#### 4.7.2 Issues arising from the 2009/10 Annual Governance Statement

No.	Issue	Action taken
1	<p>Cherwell District Council has three deposits with the failed Icelandic bank Glitnir totalling £6.5 million. The bank was originally expected to confirm preferential creditor status to all UK local authorities meaning we would see the return of the full investment plus interest and costs during 2009/10. However the bank's winding-up board is treating all local authority demands as general unsecured claims which would mean a return of only 31 per cent of the original investment only. All local authorities that have invested with Glitnir have been working with the Local Government Association and law firm Bevan Brittan to resolve this issue over the last 18 months. Cherwell is one of a number of authorities that have been chosen as test cases for the legal case that will be heard in the Icelandic District Court.</p>	<p>We are continuing to work with the Local Government Association and Bevan Brittan to achieve the best possible return from our investment within the shortest possible timescales. The legal process is however likely to take 12-18 months and as a result the medium term financial strategy has been updated to reflect the impact on investment income and capital expenditure. The Council has also reviewed its reserves to ensure that an earmarked reserve is available to offset against any loss incurred in relation to these investments so that the local rate payer is not impacted.</p> <p>This legal action will be carefully managed by the Corporate Management Team under the direction of the Executive, and progress regularly monitored.</p>

**Mary Harpley**  
**Chief Executive**  
**September 2010**

**Cllr Barry Wood BSc ACMA**  
**Leader of the Council**  
**September 2010**

## 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. It also shows the 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 2008/09 £000s	Notes	Expenditure 2009/10 £000s	Income 2009/10 £000s	Net Expenditure 2009/10 £000s
2,182	Central Services to the Public	9,796	(8,261)	1,535
17,116	Cultural, Environmental & Planning Services	33,920	(7,406)	26,514
2,000	Exceptional item - flooding	0	0	0
1,826	Highways, Roads & Transport Services	1,673	(555)	1,118
4,931	Housing Services	37,816	(32,602)	5,214
4,169	Corporate & Democratic Core	3,299	(81)	3,218
357	Non Distributed Cost	606	0	606
<b>32,581</b>	<b>Net Cost of Services</b>	<b>87,110</b>	<b>(48,905)</b>	<b>38,205</b>
77	(Gain) / loss on the disposal of fixed assets			(56)
49	Investment losses	10.21a		220
(700)	Income from disposal of capital interests	10.32		(976)
3,755	Parish Council Precepts			3,886
(271)	Surplus on trading undertakings	10.2		(5,916)
126	Interest payable and similar charges			17
155	Contribution of housing capital receipts to Government Pool	10.32		87
(6,050)	Interest & investment income	10.21a		(2,530)
1,750	Pensions interest cost and expected return on pensions assets	14.3		3,401
0	Other adjustments			0
<b>31,472</b>	<b>Net Operating Expenditure</b>			<b>36,338</b>
(9,818)	Demand on the Collection Fund			(10,168)
(1,309)	General government grants			(1,990)
(9,050)	Non-domestic rates redistribution			(8,621)
<b>11,295</b>	<b>Deficit for year</b>			<b>15,559</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>2008/09</b>		<b>2009/10</b>
<b>£000s</b>		<b>£000s</b>
11,295	Deficit for the year on the Income & Expenditure Account	15,559
(11,250)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (Note 10.9)	(15,432)
<b>45</b>	<b>Decrease in General Fund Balance for the year</b>	<b>127</b>
(1,949)	General Fund Balance brought forward	(1,904)
<b>(1,904)</b>	<b>General Fund Balance carried forward</b>	<b>(1,777)</b>

## 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>2008/09</b>		<b>2009/10</b>
<b>£000s</b>		<b>£000s</b>
11,295	Deficit for the year on the Income & Expenditure Account	15,559
327	(Surplus) / deficit arising from the revaluation of fixed assets	(11,853)
17,360	Actuarial (gains) / losses on pension fund assets & liabilities	20,231
38	Movement on the Collection Fund Balance	0
<b><u>29,020</u></b>	<b>Total recognised losses for the year</b>	<b><u>23,937</u></b>

## 8. BALANCE SHEET

This statement summarises the Council's financial position as at 31<sup>st</sup> March 2010. It shows the balances and reserves at the Council's disposal, fixed assets and current assets employed in its operations.

Restated 2008/09 £000s	£000s		Notes	2009/10 £000s	£000s
		<b>Fixed Assets</b>			
	463	Intangible Fixed Assets	10.19		714
		Tangible Fixed Assets			
		Operational Assets			
55,043		Other Land & Buildings	10.10	77,278	
5,445		Vehicles, Plant & Equipment	10.10	5,535	
2,675		Infrastructure	10.10	3,864	
13		Community Assets	10.10	13	
	63,177				86,690
		Non-Operational Assets			
23,628		Investment Properties	10.10	29,316	
14,821		Assets under Construction	10.10	0	
475		Assets Held for Sale	10.10	305	
	38,924				29,621
	18,707	Long Term Investments	10.21		17,947
	487	Long Term Debtors	10.22		97
	121,758	<b>Total Long-Term Assets</b>			135,069
		<b>Current Assets</b>			
66,404		Investments	10.21	50,886	
7,781		Debtors	10.23	13,626	
357		Payments in Advance		332	
162		Stock		144	
2		Cash and Bank		66	
	74,706	<b>Total Assets</b>			65,054
		<b>Current Liabilities</b>			
(6,473)		Creditors	10.24	(4,786)	
(5,924)		Receipts in Advance	10.25	(6,462)	
(135)		Bank Overdraft		0	
	(12,532)				(11,248)
	<b>183,932</b>	<b>Total Assets less Current Liabilities</b>			<b>188,875</b>
		<b>Long Term Liabilities</b>			
(45,730)		Liability Related to Defined Benefit Pension Scheme	14.4.1	(68,184)	
(3,424)		Provisions	10.29	(3,778)	
(2,124)		Capital Contributions Deferred	10.28	(494)	
(1,703)		Capital Grants & Capital Contributions Unapplied	10.27	(9,753)	
(1,130)		Government Grants Deferred	10.28	(782)	
	(54,111)				(82,991)
	<b>129,821</b>	<b>Total Assets less Liabilities</b>			<b>105,884</b>





## 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.

<b>Restated 2008/09 £000s</b>		<b>2009/10 £000s</b>
<b>10,634</b>	<b>Net cash outflow from revenue activities</b>	<b>7,421</b>
	<b>Returns on Investments and Servicing of Finance</b>	
	<b>Cash Outflows:</b>	
0	Interest and Premiums paid	0
0	Interest element of finance lease rental	0
	<b>Cash Inflows:</b>	
(8,078)	Interest received	(2,629)
<b>(8,078)</b>	<b>Net cash inflow from investment and servicing of finance</b>	<b>(2,629)</b>
	<b>Capital Activities</b>	
	<b>Cash Outflows</b>	
21,533	Purchase of fixed assets	14,887
1,000	Purchase of long-term investments	0
0	Other capital cash payments	0
<b>22,533</b>		<b>14,887</b>
	<b>Cash Inflows</b>	
(370)	Sale of fixed assets	(131)
0	Sale of long term investments	(1,000)
0	Capital grants received	(7,886)
(1,947)	Other capital cash income	(2,333)
<b>(2,317)</b>		<b>(11,350)</b>
<b>20,216</b>	<b>Net Cash flow from Capital Activities</b>	<b>3,537</b>
<b>22,772</b>	<b>Net cash outflow before financing</b>	<b>8,329</b>
	<b>Management of Liquid Resources</b>	
(25,050)	Net decrease in short term deposits	(14,343)
2,159	Other liquid resources	5,815
	<b>Financing</b>	
	<b>Cash Inflows:</b>	
0	Capital element of finance lease rental payments	0
<b>(119)</b>	<b>Net increase in cash</b>	<b>(199)</b>

## 10. NOTES TO THE CORE FINANCIAL STATEMENTS

### 10.1 Restatement of prior period items

#### Prior period

The change in the SoRP 2009 accounting policy for Council Tax has required a prior year adjustment. Previously, only the Collection Fund (surplus) / deficit has been apportioned between Cherwell District Council (CDC), Oxfordshire County Council (OCC) and Thames Valley Police Authority (TVPA).

The change in the accounting policy for Council Tax has now required the council tax arrears, impairment allowance for doubtful debts and council tax overpayments / prepayments to be apportioned between Cherwell District Council, Oxfordshire County Council and Thames Valley Police Authority as well as the Collection Fund (surplus) / deficit.

	Total Collection Fund £	Apportionment Basis – 2 decimal places			CDC £	OCC £	TVPA £
<b>Council Tax Arrears</b>	<b>2,848,537</b>	<b>0.14</b>	<b>0.76</b>	<b>0.10</b>	386,668	2,171,348	290,521
<b>Impairment Allowance for doubtful debts</b>	<b>(924,457)</b>	<b>0.14</b>	<b>0.76</b>	<b>0.10</b>	(125,488)	(704,684)	(94,285)
<b>Council Tax overpayments and prepayments</b>	<b>(650,700)</b>	<b>0.14</b>	<b>0.76</b>	<b>0.10</b>	(88,328)	(496,008)	(66,364)
<b>Collection Fund surplus</b>	<b>(638,558)</b>				(87,494)	(486,546)	(64,518)
<b>Cash</b>	<b>(634,822)</b>	<b>Balancing Item</b>			(85,358)	(484,110)	(65,354)

The balances for Oxfordshire County Council and Thames Valley Police Authority are restated as Other Liquid Resources in the Cashflow and in the balance sheet the Debtors and Creditors have been restated.

	As per Balance Sheet – Debtors and Creditors	As per Cashflow – Other Liquid Resources	
	2008/09 £	Restated 2008/09 £	2009/10 £
OCC	(487,586)	484,110	646,640
TVPA	(65,636)	65,353	85,424
NNDR	1,609,274	1,609,274	5,082,688
<b>Total</b>	<b>1,056,052</b>	<b>2,158,737</b>	<b>5,814,752</b>

## 10.2 Trading Operations

Trading accounts are maintained where the service manager is required to operate in a commercial environment. The financial results for 2009/10 were as follows:

Net (Surplus) / Deficit 2008/09 £000s		Expenditure 2009/10 £000s	Income 2009/10 £000s	Net (Surplus) / Deficit 2009/10 £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.			
438		(2,850)	(1,661)	(4,511)
	<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			
(2)		30	(138)	(108)
	<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.			
(41)		33	23	56
	<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.			
(666)		1,166	(2,519)	(1,353)
<u>(271)</u>		<u>(1,621)</u>	<u>(4,295)</u>	<u>(5,916)</u>

The increase in surplus from 2008/09 to 2009/10 is due to the impact of impairment of assets in 2008/09 and the revaluation of assets in 2009/10. These are detailed in 2.7 on page 9.

### 10.3 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:

2008/09 £000s		2009/10 £000s
347	Bicester Town Council	331
130	Oxfordshire County Council	135
105	Kidlington Parish Council	70
2	Other Parish Councils	2
<b>584</b>	<b>Total amount reimbursable</b>	<b>538</b>

### 10.4 General Government Grants

2008/09 £000s		2009/10 £000s
1,260	Revenue Support Grant	1,990
49	Area Based Grant	49
<b>1,309</b>		<b>2,039</b>

### 10.5 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 2009/10 were as follows:

2008/09 £s		2009/10 £s
	<b>Members' Allowances</b>	
4,035	Basic Allowance	4,155
	Special Responsibility Allowance	
6,999	Leader of the Council	7,209
6,108	Members of the Executive	7,291
<b>17,142</b>		<b>18,655</b>

The total of Members' Allowances paid in the year amounted to £317,688. This compares to £305,984 in 2008/09. A detailed list of allowances paid to each member is available for examination.

## 10.6 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 2008/09 incl. PRP	Number of employees 2008/09 excl. PRP	Remuneration Band	Number of employees 2009/10 incl. CCB	Number of employees 2009/10 excl. CCB
11	9	£50,000 to £54,999	7	6
6	4	£55,000 to £59,999		
4	3	£60,000 to £64,999	2	2
1	1	£65,000 to £69,999	7	8
		£70,000 to £74,999	1	
	1	£75,000 to £79,999	4	4
4	4	£80,000 to £84,999	4	4
1		£85,000 to £89,999	1	1
		£90,000 to £94,999		
		£95,000 to £99,999		
		£100,000 to £104,999		
1	1	£105,000 to £109,999		
		£110,000 to £114,999	1	1
		£114,000 to £119,999		
		£120,000 to £124,999		
		£125,000 to £129,999		1
		£130,000 to £134,999	1	
<b>28</b>	<b>23</b>		<b>28</b>	<b>27</b>

Post title	Year	Basic Salary £s	Fees - Monitoring Officer, S151, Returning Officer £s	Performance Related Pay Buyout £s	Compensation for loss of office / redundancy £s	Any other emoluments (OT, Hol Pymt, Election Fees, Tel Allow) £s	Car Allowance & Car Allowance Buy Out * £s	Total Remuneration excluding pension contributions £s	Pension Contributions £s	Total remuneration including pension conts £s
Head of Improvement	2009/10	76,386	0	5,404	46,115	424	5,517	133,846	17,748	151,594
	2008/09	74,160	0	5,404		207	5,356	85,127	17,265	102,392
Chief Executive	2009/10	102,720	3,732	0	0	484	7,957	114,893	23,163	138,056
	2008/09	99,729	2,596	0	0	528	7,706	110,559	21,727	132,286
Head of Safer Community & Community Development	2009/10	50,889	0	0	30,948	1,782	4,624	88,243	11,067	99,310
	2008/09	49,407	0	0	0	564	4,490	54,461	10,754	65,215
Strategic Director Environment & Community	2009/10	76,386	0	0	0	1,251	5,516	83,153	17,857	101,010
	2008/09	74,160	0	0	0	893	5,356	80,409	17,293	97,702
Strategic Director Planning, Housing and Economy	2009/10	76,386	0	0	0	1,130	5,517	83,033	16,576	99,609
	2008/09	74,160	0	0	0	547	5,356	80,063	16,093	96,156
Head of Finance**	2009/10	58,727	0	0	0	7,374	15,987	82,088	7,606	89,694
	2008/09	16,253	0	12,769	0	88	1,255	30,365	3,527	33,892
Head of Legal and Democratic Services (Monitoring Officer)	2009/10	59,880	5,304	0	0	676	16,185	82,045	14,145	96,190
	2008/09	58,137	5,150	0	0	1,515	4,490	69,292	13,733	83,025
Head of Customer Service & Information Systems	2009/10	59,880	0	0	0	548	16,184	76,612	12,994	89,606
	2008/09	58,137	0	0	0	720	217	59,074	12,616	71,690
Head of Regeneration and Estates	2009/10	59,880	0	0	0	507	16,184	76,571	12,994	89,565
	2008/09	58,137	0	0	0	353	4,253	62,743	12,616	75,359
Head of Planning Policy & Economic Development***	2009/10	59,880	0	0	0	486	16,184	76,550	12,994	89,544
	2008/09	49,073	0	0	0	683	3041	52,797	10,701	63,498
Head of Development Control & Major Developments***	2009/10	59,880	0	0	0	0	16,185	76,065	12,994	89,059
	2008/09	36,101	0	0	0	99	2,788	38,988	7,856	46,844
Head of Building Control & Engineering Services	2009/10	50,889	0	3,663	0	765	16,184	71,501	12,865	84,366
	2008/09	49,407	0	3,663	0	901	4,490	58,461	12,512	70,973
Head of Housing Services	2009/10	50,778	0	0	0	598	16,185	67,561	11,043	78,604
	2008/09	49,392	0	0	0	327	4,490	54,209	10,721	64,930
Head of Recreation and Health	2009/10	50,889	0	0	0	390	16,184	67,463	11,043	78,506
	2008/09	49,407	0	0	0	409	4,490	54,306	10,722	65,028
Head of Environmental Services	2009/10	50,889	0	0	0	567	15,221	66,677	11,055	77,732
	2008/09	49,407	0	0	0	616	0	50,023	10,738	60,761
Head of People & Improvement	2009/10	58,705	0	0	0	2,979	4,534	66,218	1,083	67,301
	2008/09	58,137	0	0	0	304	4,490	62,931	12,640	75,571
Head of Safer Communities, Urban & Rural Services	2009/10	50,889	0	0	0	966	13,937	65,792	11,105	76,897
	2008/09	49,407	0	0	0	1,708	4,490	55,605	10,777	66,382
Strategic Director of Customer Service & Resources (151 Officer)	2009/10	43,326	3,009	0	0	689	3,129	50,153	10,055	60,208
	2008/09	74,160	0	0	0	4238	5356	83,754	16,234	99,988

\* The car allowance scheme was bought out during 2009/10

\*\* Post vacant between 11<sup>th</sup> July 2008 and 11<sup>th</sup> June 2009

\*\*\* Officer changed during 2008/09 year – period that post was vacant

## 10.7 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 2010 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 £4,750 are listed below:

<b>Mary Harpley - Chief Executive</b>	Governor at Oxford & Cherwell Valley College with whom the Council had various financial transactions totalling £4,785. On the Board of Trustees at North Oxfordshire Carers Centre which received a £9,700 grant.
<b>Cllr Cullip</b>	Member of Representative Committee of Charter Community Housing with whom the Council had various financial transactions totalling £147,138. Member of Representative Committee of Mill Arts Centre Management Committee which received £38,475 in Arts Grants and £978 in other financial transactions.
<b>Cllr Donaldson</b>	Involved with Cherwell and Community Voluntary Services who received £24,357 in Grant Funding. Involved with the Mill Arts Centre Management Committee which received £38,475 in Arts Grants and £978 in other financial transactions.
<b>Cllr Milne Home</b>	Involved with Banburyshire Community Transport Association which received grant funding of £219,340.
<b>Cllr. Macnamara</b>	Member of Oxford Radcliffe Hospitals Trust which received grant funding of £12,000
<b>Cllr Parish</b>	Involved with the Community Bus Project who received a grant of £27,054
<b>Cllr Reynolds</b>	Councillor's wife and daughter work part time at Spiceball Sports Centre. The council had a contract with Parkwood who managed the facility on our behalf. In 2009/10 payments to Parkwood totalled £260,077.
<b>Cllr Sibley</b>	Cherwell District Council nominee on the Charter Community Housing Board with whom the Council had various financial transactions totalling £147,138.
<b>Cllr's Mr &amp; Mrs Stratford</b>	Cllr Lawrie Stratford is the Chairman of the Trustee Board at Bicester Citizens Advice Bureau who received £64,697 in grants. Cllr Lawrie Stratford is a Member of the Advisory Committee of the Courtyard Youth Arts Centre who received grant funding of £38,723 and other financial transactions amounting to £2,299.42. Member of the board for Charter Housing. In 2009/10 payments to Charter Housing totalled £147,109.
<b>Cllr Turner</b>	Chairman of Mill Arts Centre Management Committee which received £38,475 in Arts Grants and £978 in other financial transactions
<b>Cllr Gibbard</b>	Member of the board for Charter Housing. In 2009/10 payments to Charter Housing totalled £147,109.

## 10.8 Audit Costs

In 2009/10 the council incurred the following fees relating to external audit and inspection:

2008/09 £000s		2009/10 £000s
115	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	119
25	Fees payable to the Audit Commission for the certification of grant claims and returns	32
15	Fees payable in respect of other services provided by the appointed auditor	0
<b>155</b>		<b>151</b>

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

2008/09 £000s		2009/10 £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>	
(6,401)	Depreciation and impairment of fixed assets	(11,273)
(3,670)	Net charges made for retirement benefits in accordance with FRS17	(4,772)
(2,519)	Revenue Expenditure financed from capital resources	(3,131)
(80)	Amortisation of intangible fixed assets	(133)
(73)	Net gain or (loss) on sale of fixed assets	56
446	Government Grants Deferred amortisation	2,012
700	Income from disposal of capital interests (includes ECO Town Funding)	976
0	Financial Instrument Gains / Losses	131
<b>(11,597)</b>		<b>(16,134)</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>	
3,150	Employer's contribution payable to the Oxfordshire County Council Pension fund and retirement	2,549
669	Capital expenditure charged to the General Fund Balance	329
(155)	Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(87)
<b>3,664</b>		<b>2,791</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>	
(3,317)	Net transfers to or from earmarked reserves	(2,089)
<b>(11,250)</b>	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<b>(15,432)</b>



## 10.10 Summary of Capital Expenditure and Fixed Asset Disposals

Operational Assets	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Infrastructure £000s	Community Assets £000s	Total £000s
<b>Cost or valuation</b>					
As at 1st April 2009	57,023	9,299	3,612	13	69,947
Reclassifications	13,123	0	0	0	13,123
Additions	9,930	1,714	1,331	0	12,975
Disposals	0	(434)	0	0	(434)
Revaluations	10,846	0	0	0	10,846
Prior year impairments reversed	1,940	0	0	0	1,940
<b>As at 31st March 2010</b>	<b>92,862</b>	<b>10,579</b>	<b>4,943</b>	<b>13</b>	<b>108,397</b>
<b>Depreciation</b>					
As at 1st April 2009	(1,980)	(3,854)	(937)	0	(6,771)
Reclassifications	42	0	0	0	42
Charge for 2009/10	(1,373)	(1,434)	(142)	0	(2,949)
Written-back on disposals	0	434	0	0	434
Written-back on revaluations	703	0	0	0	703
Impairments / accelerated depreciation	(13,674)	(190)	0	0	(13,864)
Written-back on impairment	698	0	0	0	698
<b>As at 31st March 2010</b>	<b>(15,585)</b>	<b>(5,044)</b>	<b>(1,079)</b>	<b>0</b>	<b>(21,707)</b>
<b>Net book value of assets at 31st March 2010</b>	<b>77,278</b>	<b>5,535</b>	<b>3,864</b>	<b>13</b>	<b>86,690</b>

Non-Operational Assets	Investment Properties £000s	Assets Held For Sale £000s	Assets under Construction £000s	Total £000s
<b>Cost or valuation</b>				
As at 1st April 2009	23,628	475	14,821	38,924
Reclassifications	1,868	(170)	(14,821)	(13,123)
Additions	731	0	0	731
Disposals	(75)	0	0	(75)
Revaluations	261	0	0	261
Prior year impairments reversed	3,378	0	0	3,378
Impairments due to loss of economic benefit	(475)	0	0	(475)
<b>Net book value of assets at 31st March 2010</b>	<b>29,316</b>	<b>305</b>	<b>0</b>	<b>29,621</b>

## 10.11 Capital Expenditure and Financing

2008/09 £000s		2009/10 £000s
<b>Capital Investment</b>		
8,562	Operational Assets	12,975
14,551	Non-operational Assets	731
259	Intangible Assets	384
5,252	Revenue Expenditure Funded from Capital under Statute (REFCUS)	3,586
<b>28,624</b>		<b>17,676</b>
<b>Sources of finance</b>		
23,963	Capital Receipts	16,897
1,992	Government Grants and Other Contributions	455
2,000	Funding from Earmarked reserve through Revenue	60
669	Direct Revenue Financing	264
<b>28,624</b>		<b>17,676</b>

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.

## 10.12 Commitments under Capital Contracts

The total capital programme budget for 2010/11 is £19.2 million including slippage from 2009/10. Of this, the major capital commitments at 31 March 2010 were:

Contract	Purpose	Value £000s	Period of Investment
Bicester Town Centre Re-development	Redevelopment of town centre in partnership with Sainsbury's	10,000	24 months
Thorpe Lane Depot	Refurbishment	1,113	12 months
Banbury Pedestrianisation	Completion of works to Parson Street , Banbury	310	5 months
Sports Centre Modernisation	Completion works	350	3 months
		<b>11,773</b>	
ECO Town	ECO Town Project in NW Bicester (capital element only) <b>Not contractually committed</b>	7,900	60 months

### 10.13 Revenue Expenditure funded from Capital under Statute

The following analysis represents capital expenditure incurred during 2009/10 which did not result in the creation of a tangible asset owned by the Authority. This expenditure has been written off to revenue in 2009/10.

	2009/10 £000s
<b>Type of Charge</b>	
Disabled Facilities Grant	950
Housing Homelessness	818
Community Improvement Schemes	800
Local Authority Social Housing Grant	747
Other Discretionary Grants	271
	<hr/>
	<b>3,586</b>

## 10.14 Information on Assets Held

Fixed assets owned by the Council include the following:

Total Number 2008/09		Total Number 2009/10
	<b>Other Land &amp; Buildings</b>	
1	Bus Station	1
26	Car Parks	26
2	Depots	2
6	Municipal Offices	5
1	Museums	1
11	Properties for Homeless Persons	11
6	Public Conveniences	6
4	Sports Centres & Pools	4
1	Stores	1
1	Tourist Information Centre	1
<b>59</b>	<b>Total Other Land &amp; Buildings</b>	<b>58</b>
	<b>Infrastructure</b>	
3	Pedestrianisation Schemes	4
<b>3</b>	<b>Total Infrastructure</b>	<b>4</b>
	<b>Community Assets</b>	
6	Public Halls & Community Centres	6
<b>6</b>	<b>Total Community Assets</b>	<b>6</b>
	<b>Vehicles</b>	
63	Vehicles	67
<b>63</b>	<b>Total Vehicles, Plant &amp; Equipment</b>	<b>67</b>
	<b>Non-operational Assets</b>	
1	Advertising Sites	1
20	Estate Shops	20
14	Industrial Units	14
4	Other Properties	5
1	Shopping Centres	1
<b>40</b>	<b>Total Non-operational Assets</b>	<b>41</b>
<b>171</b>	<b>Total Assets</b>	<b>176</b>

## 10.15 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 2010 as follows:

2008/09 £000s		2009/10 £000s	
23	Land and Buildings	23	
168	Other	16	
<b>191</b>		<b>39</b>	
The Council was committed at 31st March 2010 to making payments of £23,000 under operating leases, as shown below.			
<b>Land and Buildings</b>			
23	Leases expiring between 2010/2013	23	
<b>Other</b>			
0	Leases expiring 2010	0	
0	Leases expiring between 2010/2013	0	
<b>23</b>		<b>23</b>	

## 10.16 Assets Held for Leases

Land and Building operating lease income and similar related income receivable in the year ended 31st March 2010 amounted to £1.868 million comprising of 13 agreements. 67% 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 £1.253 million for the year ended 31st March 2010.

The gross value of assets held for use in operating leases was £27.7 million for the year ended 31st March 2010.

## 10.17 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 Regeneration and Estates at Cherwell District Council. The bases of valuation are as set out in the Statement of Accounting Policies and are undertaken in accordance with the Statement of Asset Valuation Practice and Guidance Notes, published by the RICS.

	Other Land & Buildings £000s	Assets Held for Sale £000s	Investment Properties £000s	Total £000s
<b>Valued at cost:</b>				
2009/10	76,782	0	21,387	98,169
2008/09	15,924	150	7,928	24,002
2007/08	155	155	0	310
2006/07	0	0	0	0
2005/06	0	0	0	0
<b>Total</b>	<b>92,861</b>	<b>305</b>	<b>29,315</b>	<b>122,481</b>

## 10.18 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 3, 5 or 10 years
- Other 3, 5 or 7 years

Land, Community Assets and non-operational assets are non-depreciable in accordance with FRS 15 Tangible Assets.

## 10.19 Intangible Fixed Assets

	Software / Licenses £000s
Balance at 1st April 2009	
Original Cost	666
Amortisation to 1st April 2009	(203)
Capital expenditure in year	384
Amortisation in year	(133)
	<u>714</u>

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

## 10.20 Analysis of Net Assets Employed

2008/09 £000s		2009/10 £000s
95,569	General Fund	66,325
34,252	Trading Undertakings	39,559
<u>129,821</u>		<u>105,884</u>

## 10.21 Investments

2008/09 £000s		In Year Movement 2009/10 £000s	2009/10 £000s
	<b>Long Term Investments</b>		
18,707	Fixed Term Loans and Receivables	(760)	17,947
<u>18,707</u>		<u>(760)</u>	<u>17,947</u>
	<b>Current Investments</b>		
39,731	Fixed Term Loans and Receivables	(21,511)	18,220
443	Instant Access Loans and Receivables	11,879	12,322
26,230	Fair Value through I&E Investments	(5,886)	20,344
<u>66,404</u>		<u>(15,518)</u>	<u>50,886</u>
<u>85,111</u>		<u>(16,279)</u>	<u>68,833</u>

## 10.21a 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 £2,000,000 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.

### Investment Gains and losses

2008/09 £000s		Loans and Receivables £000s	2009/10 Fair value through I&E £000s	Total £000s
6,050	Interest and Investment Income	2,182	348	2,530
<b>6,050</b>		<b>2,182</b>	<b>348</b>	<b>2,530</b>
497	Gains (losses) on Forward deals	0	497	497
(546)	Impairment of Iceland Investments	(277)	0	(277)
<b>(49)</b>	<b>Net loss on revaluation</b>	<b>(277)</b>	<b>497</b>	<b>220</b>
<b>6,001</b>	<b>Net gain</b>	<b>1,906</b>	<b>844</b>	<b>2,750</b>

Three forward deals were entered into during 2008/09 at advantageous interest rates and an overall gain of £497,000 was credited to the Income and Expenditure Account. This forward deal has been recognised in 2009/10 as an ordinary investment and therefore the forward deal gain from the previous year has been reversed. The impairment relates to deposits with the Icelandic Bank Glinitr.



## 10.22 Long Term Debtors

2008/09 £000s		New Advances £000s	Repayments £000s	2009/10 £000s
	<b>Mortgages to Owner Occupiers</b>			
52	Sale of Council Houses	0	(9)	43
1	Housing Act Advances	0	(1)	0
<u>53</u>		<u>0</u>	<u>(10)</u>	<u>43</u>
	<b>Other Long Term Debtors</b>			
422	Fixed Interest Loans to Parish and Town Councils	70	(492)	0
12	Car Loans to Officers	50	(8)	54
<u>434</u>		<u>120</u>	<u>(500)</u>	<u>54</u>
<u>487</u>		<u>120</u>	<u>(510)</u>	<u>97</u>

## 10.23 Debtors

Restated 2008/09 £000s		2009/10 £000s
	<b>Debtors</b>	
600	Council Tax	1,274
1,757	Other Local Authorities	968
1,510	Sundry Debtors	3,061
1,609	National Non Domestic Rates	5,121
2,182	Government Departments	3,066
644	Housing Benefit Overpayments	658
<u>8,303</u>		<u>14,148</u>
	<b>Provision for Bad Debts</b>	
(125)	Council Tax	(103)
(397)	Sundry Debtors	(419)
<u>(522)</u>		<u>(522)</u>
<u>7,781</u>	<b>Total Net Debt</b>	<u>13,626</u>

## 10.24 Creditors

<b>Restated 2008/09 £000s</b>		<b>2009/10 £000s</b>
(5,021)	Sundry Creditors	(3,066)
(602)	Other Local Authorities	(226)
(88)	Council Tax	(107)
(736)	Government Departments	(1,363)
(18)	Tenants Commercial Rent	(13)
(8)	Water Companies	(11)
<b><u>(6,473)</u></b>		<b><u>(4,786)</u></b>

## 10.25 Receipts in Advance

<b>2008/09 £000s</b>		<b>2009/10 £000s</b>
(2,280)	S106 Planning Receipts (Note 10.26)	(2,413)
(1,856)	National Non Domestic Rates	(162)
(765)	Council Tax	(743)
(361)	Planning Delivery Grant	(810)
(383)	Other	(500)
(279)	S38 Road Adoption Developer Contributions	(0)
0	Eco Town	(1,834)
<b><u>(5,924)</u></b>		<b><u>(6,462)</u></b>

## 10.26 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 2010 is set out below:

<b>2008/09 £000s</b>		<b>Expenditure £000s</b>	<b>Income £000s</b>	<b>Interest £000s</b>	<b>2009/10 £000s</b>
(2,280)	Revenue schemes	400	(523)	(10)	(2,413)
(1,480)	Capital schemes	458	(567)	(7)	(1,596)
<b><u>(3,760)</u></b>					<b><u>(4,009)</u></b>

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.

## 10.27 Capital Grants and Capital Contributions Unapplied

	<b>Government Grants 2009/10 £000s</b>	<b>Capital Contributions 2009/10 £000s</b>	<b>Total 2009/10 £000s</b>
Balance brought forward 1st April 2009	(11)	(1,692)	(1,703)
Receipts received in year	(8,314)	(644)	(8,958)
Receipts applied in year	416	492	908
<b>Balance carried forward 31st March 2010</b>	<b>(7,909)</b>	<b>(1,844)</b>	<b>(9,753)</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.

## 10.28 Capital Grants and Capital Contributions Deferred

	<b>Government Grants 2009/10 £000s</b>	<b>Capital Contributions 2009/10 £000s</b>
Balance brought forward 1st April 2009	(1,130)	(2,124)
Deferred in year	0	(34)
Release to revenue in the year	348	1,664
<b>Balance carried forward at 31st March 2010</b>	<b>(782)</b>	<b>(494)</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.

## 10.29 Provisions

2008/09 £000s		Movement in year £000s	2009/10 £000s
(2,000)	Flood Alleviation Scheme	0	(2,000)
(1,169)	Restructure Provision	(109)	(1,278)
(96)	Landlord Deposit Guarantee	70	(26)
(73)	Performance Reward Provision	73	0
(50)	Sports Development	50	0
(32)	Landlord Deposit Guarantee Bond for Charter	(73)	(105)
(4)	Health Walks Training	0	(4)
0	Engineering Services Reserve Account	(80)	(80)
0	Banbury Bowls Club Reserves	(5)	(5)
0	58 Bridge Street - Repair & Renewals	(5)	(5)
0	Car Buy Out Provision	(250)	(250)
0	Housings Home Improvement Agency	(25)	(25)
<b>(3,424)</b>		<b>(354)</b>	<b>(3,778)</b>

## 10.30 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.

2008/09 £000s		Movement in Year £000s	2009/10 £000s	Purpose of Reserve
(10,227)	Revaluation Reserve	(7,594)	(17,821)	Store of gains on revaluation of fixed assets not realised through sales.
(92,021)	Capital Adjustment Account	(8,819)	(100,840)	Store of capital resources set aside to meet past expenditure.
0	Financial Instrument Adjustment Account	(131)	(131)	This is used to offset the impact of the revised Financial Instrument values carried at fair value.
(62,101)	Capital Receipts Reserve	6,091	(46,290)	Proceeds of fixed asset sales available to meet future investment.
(52)	Deferred Capital Receipts	9	(43)	Principal outstanding from mortgages to owner occupiers.
45,730	Pension Reserve	22,454	68,184	Balancing account to allow for inclusion of pension liability in the balance sheet.
(9,159)	Earmarked Reserves	2,089	(7,070)	Various individual needs.
(1,904)	General Fund	127	(1,777)	Resources available to meet future running costs.
(87)	Collection Fund	87	(0)	Represents the Council's share of the Collection Fund surplus or deficit.
0	Collection Fund Adjustment Account	(96)	(96)	The demand on the Collection Fund for the year, plus the statutory amount payable or receivable for the year in relation to past deficits/surpluses.
<b>(129,821)</b>		<b>14,217</b>	<b>(105,884)</b>	

## 10.31 Earmarked Reserves

2008/09 £000s		Movement in Year £000s	2009/10 £000s
	<b>Insurance Reserves</b>		
(500)	Insurance Reserves	500	0
(300)	Ex HRA Insurance Reserve	0	(300)
<b>(800)</b>		<b>500</b>	<b>(300)</b>
	<b>Building Control Reserve</b>		
(47)	Building Control Reserve	0	(47)
<b>(47)</b>		<b>0</b>	<b>(47)</b>
	<b>Repairs and Renewals Reserve</b>		
(800)	Plant and transport repairs and renewals	195	(605)
(400)	Wheeled bin replacements	69	(331)
<b>(1,200)</b>		<b>264</b>	<b>(936)</b>
	<b>Other Earmarked Reserves</b>		
(3,500)	Environmental Warranties Reserve	218	(3,282)
(914)	Corporate Improvement Reserve	321	(593)
(711)	Planning Control Reserve	0	(711)
(697)	Planning Policy Reserve	0	(697)
(600)	Interest Rate Risk Reserve	400	(200)
(250)	Corporate IT Reserve	171	(79)
(200)	Economic Risk Reserve	100	(100)
(108)	Restructuring Reserve	108	0
(100)	Hanwell Fields Open Space Reserve	0	(100)
(32)	Job Evaluation Reserve	32	0
0	Licensing Reserve	(25)	(25)
<b>(7,112)</b>		<b>1,325</b>	<b>(5,787)</b>
<b>(9,159)</b>		<b>2,089</b>	<b>(7,070)</b>

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.

### 10.32 Capital Receipts Reserve

2008/09 £000s		2009/10 £000s
(85,126)	Balance bought forward 1st April 2008	(62,101)
0	Reversal of 2008/09 unused creditor	(57)
	<b>Receipts in year</b>	
(370)	Disposal of Fixed Assets	(131)
(700)	Disposal of Capital Interests	(976)
(23)	Repayment of Mortgages	(9)
23,963	Financing of Capital Expenditure	16,897
155	Payments to Housing Capital Receipts Pool	87
<b><u>(62,101)</u></b>		<b><u>(46,290)</u></b>

### 10.33 Revaluation Reserve

2008/09 £000s		2009/10 £000s
(10,766)	Balance bought forward 1st April 2009	(10,227)
(3,332)	Revaluation of assets	(11,107)
(1,177)	Written-back depreciation on revaluations	(745)
95	Disposal of assets	41
117	Adjustment for historic cost depreciation	242
4,836	Impairment of assets	3,975
<b><u>(10,227)</u></b>		<b><u>(17,821)</u></b>

### 10.34 Capital Adjustment Account

2008/09 £000s		2009/10 £000s
(76,175)	Balance bought forward 1st April 2009	(92,021)
	<b>Capital Financing</b>	
(23,963)	Capital Receipts	(16,897)
(2,000)	Revenue expenditure funded from capital under statute financed from earmarked reserves	0
(733)	Revenue expenditure funded from capital under statute financed from grants & contributions	(455)
(669)	Revenue	(263)
(446)	Government Grants & Contributions Deferred	(2,012)
(117)	Adjustment for historic cost depreciation	(242)
0	Realised revaluation gains	(3,975)
80	Amortisation of Intangible Fixed Assets	133
348	Disposal of assets	34
2,342	Depreciation of Fixed Assets	2,949
4,060	Impairment of Fixed Assets	8,323
5,252	Revenue expenditure funded from capital under statute	3,586
<b>(92,021)</b>		<b>(100,840)</b>

### 10.35 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 meeting. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

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.

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

### Credit risk

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

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets as held by the authority are as detailed below:

Financial Asset Category	Criteria	Maximum Investment
Deposits with banks	Short term: F1+ Long term: AA Support : 2 Active in sterling markets	£8m
Deposits with Building Societies	Short term: F1/P-1	£1m
Deposits with Money Market Funds	AAA	£10m



The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

<b>Deposits with banks and financial institutions (Excluding Icelandic Banks)</b>	<b>Amount at 31st March 2010 £000s</b>	<b>Historical experience of default %</b>	<b>Adjustment for market conditions at 31st March 2010 %</b>	<b>Estimated maximum exposure to default £000s</b>
AAA rated counterparties	2,320	0.00%	0.00%	0
AA rated counterparties	49,679	0.00%	0.00%	0
A rated counterparties	4,656	0.00%	0.00%	0
BBB rated counterparties	3,502	0.00%	0.00%	0
Other counterparties	2,044	0.00%	0.00%	0
Debtors	7,753	5.00%	5.00%	388
<b>Total</b>	<b>69,954</b>			<b>388</b>

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £6.5m invested in this sector at that time. The table above excludes investment in the Icelandic Bank Glitnir. These investments are carried on the balance sheet at £6,631,317.

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 10.21).

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.

As the table excludes Icelandic Bank investments and historically there have been no other defaults, 0% has been used for all categories with the exception of debtors who historically have defaulted at a rate of 5%. This is in line with one of the options contained in guidance received from our Treasury Management advisors Sector.

The table below detailed the position in relation to the investments in the Icelandic Bank Glitnir.

<b>Icelandic Bank Defaults</b>	<b>Date Invested</b>	<b>Maturity Date</b>	<b>Amount Invested</b>	<b>Interest Rate</b>	<b>Receivable Amount</b>	<b>Impairment</b>	<b>Principal Default %</b>
Glitnir Deal 1	06/02/07	08/02/10	£2,000,000	5.74%	£2,203,809	£105,679	5.28
Glitnir - Deal 2	26/10/06	26/10/09	£2,000,000	5.72%	£2,235,382	£107,492	5.37
Glitnir - Deal 3	31/08/07	30/03/09	£2,500,000	6.30%	£2,533,658	£128,361	5.13
			<b>£6,500,000</b>		<b>£6,972,849</b>	<b>£341,532</b>	

In line with LAAP Bulletin 82 (Update 2) this Council has assumed that 100% of the amount claimed for the investments in Glitnir will be received.

No credit limits were exceeded during the reporting period and (apart from the investments in the Icelandic Bank Glitnir) the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The authority generally allows 30 days credit for its debtors, such that £7,479,337 of the £14,148,122 invoices debtors balance is past its due date for payment. The past due amount can be analysed by age as follows:

	2009/10 £000s
Less than three months	169
Three to twelve months	4,423
More than one year	2,887
	<u>7,479</u>

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

### **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 of 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 monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs. The spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council has no long term financial liabilities. All trade and other payables (£4,785,901) are due to be paid in less than one year.

The maturity analysis of financial assets is as follows:

	<b>2009/10</b>
	<b>£000s</b>
Less than one year	44,255
Between one and two years	9,458
Between two and three years	3,012
More than three years	5,477
Glitnir Bank, Iceland	6,631
	<hr/>
	<b>68,833</b>

All trade and other receivables are due to be paid in less than one year so debtors of £14,148,122 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 affect the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gains and Losses, 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.

As at 31<sup>st</sup> March 2010, there was no material exposure to changes in interest rates as the majority of investment activity was undertaken at a fixed rate of interest. Therefore, had the interest rate been 1% higher (or conversely 1% lower), there would be no material impact on other financial statements within these accounts.

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

**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.

## **10.36 Contingent Assets**

### **VAT Share**

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

### **Fleming Claim**

The council is in negotiations with Her Majesty's Revenue & Customs (HMRC) regarding unsettled and backdated overpayment on value added tax (VAT) claims (re: Fleming case – Section 21 of the Finance Act 2008) as at 31st March 2010 for income relating to leisure services, bulky waste and mileage.

The possibility of payments being received depends solely upon future events largely outside the control of the Council. As payments remain uncertain as at 31st March 2010, they cannot be placed on the balance sheet but should be disclosed as a note to the accounts. The total claim submitted was £657,295.

In May 2010 the Council received notification from HMRC that its claim for income relating to car parking had been approved at £179,612 and this has been accrued as a debtor in 2009/10 accounts. The Council expects to receive interest on this amount as well however this amount is uncertain but could result in an asset up to a further £179,000 – this is disclosed as a contingent asset.

## **10.37 Contingent Liabilities**

### **Icelandic Investments**

As detailed in 2.10 the Council has 3 investments in the failed Icelandic Bank totalling £6.5 million, failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009 allow the Council to defer the impact of the impairment charge relating to the 3 Icelandic investments until 2010/11. The Council has decided to take advantage of the Regulations and has accounted for the Icelandic Investments in accordance with CIPFA's LAAP Bulletin Update 82. Any outstanding credits authorised by the regulation must be reversed in the 2010-11 accounts.

The latest estimates provided by CIFPA in LAAP Bulletin 82 published in May 2010 indicate that total assets of the bank only equate to 29% of its liabilities. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 29p in the £ indicating a potential liability of £4.6 million.

## **10.38 Events after the Balance Sheet Date**

These events will be monitored until the accounts are given audit approval on 30<sup>th</sup> September 2010.

### 10.39 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>Restated 2008/09 £000s</b>		<b>2009/10 £000s</b>
11,295	Surplus on the Income and Expenditure Account	15,624
125	Surplus / (deficit) on the Collection Fund	0
(87)	Surplus(deficit) on Collection Fund Adjustment Account	(8)
5,875	Net return from investment and servicing of finance	2,294
	<b>Adjustments for non-cash transactions</b>	
(5,910)	Capital related transactions	(9,415)
700	Gain on disposal of fixed assets	976
(520)	FRS 17 Pensions	(2,223)
(2,087)	Other non-cash transactions	(372)
	<b>Items on an accruals basis</b>	
(1,919)	Increase / (decrease) in debtors	242
3,162	(Increase) / decrease in creditors	303
<b>10,634</b>	<b>Net cash outflow from revenue activities</b>	<b>7,421</b>

### 10.40 Analysis of Cash, Debt and Investments

<b>2008/09 £000s</b>		<b>Cash Flow £000s</b>	<b>Non-Cash £000s</b>	<b>2009/10 £000s</b>
66,404	Current asset investments	(14,343)	(1,175)	50,886
18,707	Long Term Investments	(1,000)	240	17,946
2	Cash and Bank	64	0	66
(135)	Bank Overdraft	135	0	0
<b>84,978</b>		<b>(15,144)</b>	<b>(935)</b>	<b>68,898</b>

## 10.41 Analysis of Government Grants

2008/09 £000s		2009/10 £000s
	<b>Government Grants</b>	
(1,260)	Revenue Support Grant	(1,990)
<u>(1,260)</u>		<u>(1,990)</u>
	<b>Other Government Grants</b>	
(819)	Benefits Administration	(928)
(503)	Planning Delivery Grant	(607)
(426)	Concessionary Fares	(436)
(410)	Disabled Facilities Grant	(375)
(224)	Business Rate Collection	(228)
(163)	Crime and Disorder – Area Based Grant	(49)
(131)	Flooding Grant	0
(105)	Homelessness Grant	(106)
(66)	LABGI	(95)
(51)	Discretionary Housing Payments	(78)
0	Climate Change – Area Based Grant	(23)
(11)	Council Tax Billing	(10)
<u>(2,909)</u>		<u>(2,935)</u>
<u>(4,169)</u>		<u>(4,925)</u>

## 10.42 Authorisation of Accounts for Issue

The Statement of accounts was authorised for issue on ##### 2010 by Martin Henry the Chief Financial Officer (S151) for Cherwell District Council. The financial impact of any events taking place after 31 March 2010 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.

2008/09 £000s		2009/10 £000s
	<b>Income</b>	
(65,785)	Council Tax	(67,989)
	Transfers from General Fund	
(5,905)	Council Tax Benefits	(6,927)
(61,954)	Business Ratepayers	(63,790)
<b>(133,644)</b>		<b>(138,706)</b>
	<b>Expenditure</b>	
	Precepts and Demands	
54,137	Oxfordshire County Council	56,444
7,191	Thames Valley Police Authority	7,552
9,717	Cherwell District Council	10,051
	Business rate	
61,730	Payment to National Pool	63,562
224	Cost of Collection allowance	228
	Bad and doubtful debts	
186	Write offs	159
(9)	Provision	(151)
736	Contribution towards previous year's Collection Fund surplus	792
<b>133,912</b>		<b>138,637</b>
268	<b>(Surplus)/Deficit for the year</b>	(69)
(906)	<b>Balance at start of year</b>	(638)
<b>(638)</b>	<b>Balance at end of year</b>	<b>(707)</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 is £1,483.23 (2008/09 £1,430.11) multiplied by the ratio specified for the particular band to give an individual amount due.

The Council Tax base was calculated as follows:

Valuation Band	Chargeable dwellings after effect of discounts	Ratio	Band D equivalents dwellings
A	4,092.25	6/9	2,728.2
B	12,539.50	7/9	9,752.9
C	14,393.75	8/9	12,794.4
D	9,002.50	9/9	9,002.5
E	6,547.50	11/9	8,002.5
F	2,945.50	13/9	4,254.6
G	2,121.75	15/9	3,536.3
H	189.00	18/9	378.0
Band A entitled to Disabled Relief Reduction	9.50	5/9	5.3
			<b>50,454.7</b>
Ministry of Defence properties			298.0
			<b>50,752.7</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 2009/10 there are two multipliers, the small business non-domestic rating multiplier of 48.1p and the non-domestic rating multiplier of 48.5p. 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 31st March 2010 was £149.7 million (2009 £151.7 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.

2008/09 £000s		2009/10 £000s
(486)	Oxfordshire County Council	(539)
(65)	Thames Valley Police Authority	(72)
<u>(551)</u>	<b>Disclosed as creditors in the balance sheet</b>	<u>(611)</u>
(87)	Cherwell District Council	(96)
<u>(638)</u>		<u>(707)</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 – 10.7 Related Parties.

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## **14. THE PENSION FUND ACCOUNTS**

### **14.0 Background**

Cherwell District Council is a member of the Oxfordshire Local Government Pension Scheme and Oxfordshire County Council is the administering authority. The county council is responsible for maintaining, administering and paying out all benefits from the pension fund. The fund is valued by a professional Actuary and Barnett Waddingham is the appointed actuary to the Fund. The following pension fund accounts have been prepared by Barnett Waddingham

### **14.1 Introduction**

We have been instructed by Oxfordshire County Council, the Administering Authority to the Oxfordshire County Council Pension Fund ("the Fund"), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme ("the LGPS") to employees of Cherwell District Council ("the Employer") as at 31st March 2010.

These figures are prepared in accordance with our understanding of Financial Reporting Standard 17 (FRS17), published in November 2000 and the subsequent amendment published in 2006.

Our calculations have been carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits under Financial Reporting Standard 17 issued by the Institute and the Faculty of Actuaries.

This report complies fully with "Technical Accounting Standard R: Reporting Actuarial Information" issued by the Board for Actuarial Standards and this is the only Technical Actuarial Standard which applies to this report. The figures in this report which relate to the year to 31st March 2010 count as part of a "valuation exercise" for the purposes of TAS-R. This means that the primary purpose of the figures is to quantify amounts to be recorded in a formal document (being the Employer's accounts).

The figures quoted will form the basis of the balance sheet and funding status disclosures to be made by the Employer as at 31st March 2010 in respect of its pension obligations under the LGPS. The projected pension expense calculations for the year to 31st March 2011 may be used for the purpose of any interim financial reporting during the year to 31st March 2011. However, it may subsequently be necessary to adjust these projections following the occurrence of any material events such as curtailments, settlements or the discontinuance of the Employer's participation in the Fund.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2007/08, as amended. It is contracted out of the State Second Pension.

However FRS17 also requires the disclosure of any other employer provided pension benefits which are not paid from the Fund itself: examples include additional pensions paid on retirement under the Discretionary Payment Regulations.

We have only valued such additional liabilities, which would not be covered in the formal LGPS valuation, to the extent that they have been notified to us and are as disclosed in Section 2 of this report.

This report also complies with our understanding of International Accounting Standard 19 and International Financial Reporting Standards.

## 14.2 Valuation Data

### 14.2.1 Data Sources

In completing our calculations for FRS17 purposes we have used the following items of data, which we received from Oxfordshire County Council:

- The results of the Triennial Actuarial Valuation as at 31st March 2007 which was carried out for funding purposes
- Estimated whole fund income and expenditure items for the period to 31st March 2010
- Estimated whole fund returns for the period to 31st March 2010 are based on assets used for the purpose of the FRS17 valuation as at 31st March 2009, actual fund returns for the period to 28th February 2010 and then market returns (estimated where necessary) for the period to 31st March 2010
- Details of any new early retirements for the period to 31st March 2010 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report, especially in the context of the roll-forward approach we have taken (as described in 14.3.1). Further, we are not aware of any material changes or events since we received the data.

### 14.2.2 Employer Membership Statistics

The table below summarises the membership data as at 31st March 2007, the last triennial actuarial valuation.

	Number	Salaries / Pensions £000s
Active members	566	12,158
Deferred pensioners	397	728
Pensioners	440	2,612

The service cost for the year ending 31st March 2010 is calculated using an estimate of the average total pensionable payroll during the year. From the contribution information provided by the employer, the estimated average total pensionable payroll during the year is £11,647,000. The projected service cost for the year ending 31st March 2011 is calculated from an estimated payroll of £12,276,000.

### 14.2.3 Early Retirements

We have been notified of 10 new early retirements during the year which were not allowed for in the FRS17 assumptions. The total annual pension that came in to payment was £105,000.

### 14.2.4 Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2010 is estimated to be 36%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date. The actual return on Fund assets over the year may be different.

The estimated asset allocation as at 31st March 2010 is as follows:

<b>Employer Asset Share</b>	<b>31 March 2010</b>		<b>31 March 2009</b>	
	<b>£000s</b>	<b>%</b>	<b>£000s</b>	<b>%</b>
Equities	42,496	73%	27,549	62%
Gilts	6,986	12%	6,191	14%
Other bonds	3,493	6%	3,493	8%
Property	2,911	5%	1,990	5%
Cash	2,329	4%	4,997	11%
<b>Total</b>	<b>58,215</b>	<b>100%</b>	<b>44,220</b>	<b>100%</b>

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31st March 2010 is likely to be different from that shown due to estimation techniques.

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

#### **14.2.5 Unfunded Benefits**

In the year to 31st March 2010 we estimate £230,000 of unfunded pensions were paid.

### **14.3 Actuarial Methods and Assumptions**

#### **14.3.1 Roll-Forward Approach**

To assess the value of the Employer's liabilities as at 31st March 2010, we have rolled forward the value of the Employer's liabilities reported as at the latest formal valuation allowing for the different financial assumptions required under FRS17. This is the same approach as was taken for the report for the report as at 31 March 2009.

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

It is not possible to assess the accuracy of the estimated liability as at 31st March 2010 without completing a full valuation. However we are satisfied that the approach of rolling forward the previous valuation data to 31st March 2010 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears no evidence that this approach is inappropriate.

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

#### **14.3.2 Valuation Method**

As required under FRS17, we have used the projected unit method of valuation to calculate the service cost.

### 14.3.3 Demographic/Statistical Assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2007 and these are the same as those used for the report for the period to 31 March 2009. The post retirement mortality tables adopted were the PNA00 series with medium cohort projections to 2007 and from 2007 with 80% for males and 60% for females of long cohort projections. Future improvement in mortality set as minimum of 1.25% per annum.

The assumed life expectations from age 65 are:

Life expectancy in years from age 65		
Retiring today	Males	23.10
	Females	25.00
Retiring in 20 years	Males	25.40
	Females	27.30

### 14.3.4 Financial Assumptions

The financial assumptions used for the purposes of the FRS17 calculations are as follows:

Assumptions as at	31 March 2010		31 March 2009		31 March 2008	
	% pa	Real	% pa	Real	% pa	Real
Price increases	3.9%	-	3.4%	-	3.7%	-
Salary increases	5.4%	1.5%	4.9%	1.5%	5.2%	1.5%
Pension increases	3.9%	-	3.4%	-	3.7%	-
Discount rate	5.5%	1.5%	6.7%	3.2%	6.8%	3.0%

These assumptions are set with reference to market conditions at 31st March 2010. The discount rate is the yield on the iBoxx AA rated over 15 year corporate bond index as at this date which has been chosen to meet the requirements of FRS17. The price increases and pension increases assumptions are based on the unadjusted difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England. Salary increases are then assumed to be 1.5% above price increases, as last year.

### 14.3.5 Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1st April 2009 for the year to 31st March 2010). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields. We have adopted the following expected returns:

Asset Class	1 April 2010	Expected Return at 1 April 2009	1 April 2008
	% pa	% pa	% pa
Equities	7.5%	7.0%	7.6%
Gilts	4.5%	4.0%	4.6%
Other bonds	5.5%	5.8%	6.8%
Property	6.5%	6.0%	6.6%
Cash	3.0%	1.6%	6.0%
<b>Expected return on assets</b>	<b>6.8%</b>	<b>5.8%</b>	<b>7.1%</b>

### 14.3.6 Past Service Costs

Past service costs can arise when the Employer awards additional discretionary benefits such as added years and other forms of augmentation of benefits.

We are not aware of any additional benefits which were granted over the year ended 31st March 2010.

### 14.3.7 Curtailments

Curtailments arise as a result of the early payment of accrued pensions on retirement on the grounds of efficiency, or redundancy, or where the Employer has allowed employees to retire on unreduced benefits before they would otherwise have been able to do so.

Over the year, we understand that the Employer agreed to allow 10 former employees to retire prematurely before they had attained their 'rule of 85' age.

The capitalised cost of the additional benefits relative to those reserved for under FRS17 is calculated at £303,000.

### 14.3.8 Settlements

As a result of some members transferring to a new Employer over the year, liabilities have been settled at a cost different to the FRS17 reserve. The capitalised loss of this settlement is £249,000.

## 14.4 Results and Disclosures

The results of our calculations for the year ended 31st March 2010 are set out below. We estimate that the net liability as at 31st March 2010 is a liability of £68,184,000. In addition:

- 14.4.2 sets out the profit and loss account costs for the year ended 31st March 2010
- 14.4.3 details a reconciliation of assets and liabilities during the year
- 14.4.4 shows the sensitivity analysis to a change in discount rate
- 14.4.5 shows the balance sheets for the previous 4 years (where available)
- 14.4.6 shows the statement of recognised gains and losses (STRGL)
- 14.4.7 contains an estimates of the projected profit and loss account costs for the year ending 31st March 2011 and therefore counts as part of a “planning exercise” for the purposes of TAS-R. This means that the primary purpose of the estimate is to assist in budgeting purposes. Please note that no allowance has been made for the costs of any early retirements or augmentations which may occur over the year and whose additional capitalised costs would be included in the liabilities and it is only an estimate so actual experience over the year is likely to differ. We have not provided balance sheet projections on the basis that they will depend upon market conditions and the asset value of the Scheme at the end of the following year.

The figures presented in this report are prepared only for the purposes of FRS17. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension’s legislation.

### 14.4.1 Balance Sheet Disclosure as at 31st March 2010

	31 March 2010 £000s	31 March 2009 £000s	31 March 2008 £000s
Present value of funded obligation	122,714	86,450	82,720
Fair value of Scheme assets (bid value)	58,215	44,220	58,360
<b>Net Liability</b>	<b>64,499</b>	<b>42,230</b>	<b>24,360</b>
Present value of unfunded obligation	3,685	3,500	3,620
Unrecognised past service cost	0	0	0
<b>Net Liability in Balance Sheet</b>	<b>68,184</b>	<b>45,730</b>	<b>27,980</b>



#### 14.4.2 Profit & Loss Account Costs for the year to 31st March 2010

	31 March 2010 £000s	31 March 2009 £000s
Current service cost	1,371	1,560
Interest on obligation	5,940	5,830
Expected return on Scheme assets	(2,539)	(4,080)
Past service cost	0	360
Loss on curtailments and settlements	552	0
<b>Total</b>	<b>5,324</b>	<b>3,670</b>
<b>Actual return on Scheme assets</b>	<b>15,875</b>	<b>(14,000)</b>

#### 14.4.3 Asset and Benefit Obligation Reconciliation for the year to 31st March 2010

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	31 March 2010 £000s	31 March 2009 £000s
Opening defined benefit obligation	89,950	86,340
Service cost	1,371	1,560
Interest cost	5,940	5,830
Actuarial loss / (gain)	33,567	(850)
Losses / (gains) on curtailments	303	0
Liabilities extinguished on settlements	(735)	0
Estimated benefits paid (net of transfers in)	(4,552)	(3,860)
Past service cost	0	360
Contributions by Scheme participants	785	790
Unfunded pension payments	(230)	(220)
<b>Closing defined benefit obligation</b>	<b>126,399</b>	<b>89,950</b>

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

	31 March 2010 £000s	31 March 2009 £000s
Opening fair value of Scheme assets	44,220	58,360
Expected return on Scheme assets	2,539	4,080
Actuarial gains / (losses)	13,336	(18,080)
Contributions by employer including unfunded benefits	3,101	3,150
Contributions by Scheme participants	785	790
Estimated benefits paid including unfunded benefits	(4,782)	(4,080)
Receipt of bulk transfer value	(984)	-
<b>Fair value of Scheme assets</b>	<b>58,215</b>	<b>44,220</b>

## Reconciliation of opening and closing deficit

	31 March 2010 £000s	31 March 2009 £000s
Deficit at beginning of year	(45,730)	(27,980)
Current service cost	(1,371)	(1,560)
Employer contributions	2,871	2,930
Unfunded pension payments	230	220
Past service cost	0	(360)
Other finance income	(3,401)	(1,750)
Settlements and curtailments	(552)	0
Actuarial gain	(20,231)	(17,230)
<b>Deficit at end of year</b>	<b>(68,184)</b>	<b>(45,730)</b>

### 14.4.4 Sensitivity Analysis

The following table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service cost along with a +/- 1 year age rating adjustment to the mortality assumption.

	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation	123,834	126,399	129,025
Projected service cost	2,488	2,575	2,664
Adjustment to mortality age rating assumption	+ 1 year	none	- 1 year
Present value of defined benefit obligation	122,216	126,399	130,622
Projected service cost	2,467	2,575	2,684

#### 14.4.5 Amounts for the Current and Previous Periods

	31 March 2010 £000s	31 March 2009 £000s	31 March 2008 £000s
Defined benefit obligation	(126,399)	(89,950)	(8,340)
Scheme assets	58,215	44,220	58,360
Deficit	(68,184)	(45,730)	(27,980)
Experience adjustment on Scheme liabilities	351	(250)	(1,200)
Percentage of liabilities	0.3%	-0.3%	-1.4%
Experience adjustment on Scheme assets	13,336	(18,080)	(5,140)
Percentage of assets	22.9%	-40.9%	-8.8%
Cumulative actuarial gain / (loss)	(33,141)	(12,910)	4,320

#### 14.4.6 Statement of Total Recognised Gains and Losses

	31 March 2010 £000s	31 March 2009 £000s
Actual return less expected return on pension scheme assets	13,336	(18,080)
Experience gain / (loss)	351	(250)
Changes in assumptions underlying the present value of the scheme liabilities	(33,918)	1,100
<b>Actuarial loss on pension scheme</b>	<b>(20,231)</b>	<b>(17,230)</b>
Increase / (decrease) in irrecoverable surplus	0	0
<b>Actuarial loss recognised in STRGL</b>	<b>(20,231)</b>	<b>(17,230)</b>

#### 14.4.7 Projected Pension Expense for the year to 31st March 2011

	31 March 2011 £000s
Service cost	2,575
Interest cost	6,920
Return on assets	(3,923)
<b>Total</b>	<b>5,572</b>
Employer contributions	2,664

## 15. GLOSSARY OF TERMS USED IN FINANCIAL STATEMENTS

### **Accrual**

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

### **Actuarial Gains and Losses**

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

### **Actuarial valuation**

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

### **Audit**

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

### **Audit Commission**

The Audit Commission was established by the Local Government Finance Act 1982. It has responsibility for the external audit of all local 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. Balances from part of our reserves.

### **Balance Sheet**

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

### **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 reflect the cost of fixed assets used to provide services.

**Capital Expenditure**

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

**Capital Receipts**

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

**Cash 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.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy (CIPFA). This is the professional organisation for accountants working in the public service.

**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.

**Collection Fund Adjustment Account**

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

**Communities & Local Government (CLG)**

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

**Community Assets**

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

**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.

**Contingency**

The money we set aside to pay for unexpected spending.

**Contingent liabilities**

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

**Contingent Assets and Liabilities**

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

**Corporate and Democratic Core**

Split under 2 headings:

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

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

**Council Tax**

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

**Creditors**

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

**Current Assets**

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

**Current Liabilities**

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

**Current Service Cost**

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

**Debtors**

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

**Depreciation**

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

**Earmarked Reserves**

Reserves set aside for specific purposes.

**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 Instrument Adjustment Account**

The SORP introduced the requirement to account for Financial Instruments based on a new set of Financial Reporting Standards, FRS 25, FRS 26 and FRS 29. This technical guidance requires certain Financial Instruments such as loans and deposits to be valued on the Balance Sheet in accordance with the financial reporting requirements rather than being shown at their "nominal" value. This results in an impact on Service Cost and Interest in the Income and Expenditure Account. However, Accounting Regulations have been put in place to allow the impact of these new accounting requirements to be adjusted in the Statement of Movement in the General Fund Balance. This adjustment has resulted in creation of a Financial Instrument Adjustment Account on the Balance Sheet.

**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.

**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.

### **Leasing**

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

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

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

### **Local Government Pension Scheme (LGPS)**

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

### **Minimum Revenue Provision**

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

### **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.

**Provision**

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

**PRP**

Performance related pay.

**Related Party Transactions**

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

**Reserves**

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

**Revaluation Reserve**

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

**Revenue Expenditure**

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

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

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

**Revenue Support Grant**

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

**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.

**FRS 26 (IAS 39)**

FRS 26 implements the recognition, measurement and hedge accounting requirements of the international standard IAS 39.