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# 1. EXPLANATORY FOREWORD

## 1.1 Introduction

This foreword provides a guide to the most significant matters contained in these accounts, the purpose of the main statements, a summary of the Council's current financial position and the future prospects for the Council.

We are pleased to introduce the Council's Statement of Accounts for 2008/09. These accounts set out the financial results of Oxford City Council's activities for the 12 months up to 31<sup>st</sup> March 2009.

The accounts have been prepared in accordance with 'The Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice' (SORP).

## The Statements

### This Statement of Accounts consists of the following:

- The Statement of Responsibilities, setting out the general responsibilities of both the City Council, and of the Head of Financial Services, in making proper financial arrangements and in maintaining financial records.
- The Annual Governance Statement, which sets out the arrangements within the City Council for ensuring that it complies with legal and other standards, and that public money is properly and efficiently used.
- The Statement of Accounting Policies, setting out the detailed rules under which we account for assets, liabilities, income and expenditure.
- The Core Financial Statements incorporating:

**The Income and Expenditure Account** – This statement summarises the resources generated and consumed in providing all services (including council housing) and managing the Council during the year

**The Statement of the Movement on the General Fund Balance** – This statement reconciles the Income and Expenditure account with the Council's requirement to raise council tax. The Statement of the Movement on the General Fund Balance compares the Council's spending against the council tax that is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

**Note of reconciling items for the Statement of the Movement on the General Fund Balance** – This statement excludes council housing and reflects the statutory adjustments required to show spending against council tax raised.

**The Statement of Total Recognised Gains and Losses** – This statement brings together all the gains and losses of the Council in the year and shows the aggregate increase in its net worth. The net worth is the movement in the balance sheet reserves between financial years.

**The Balance Sheet** – This statement shows the fixed and net current assets employed in its operations, together with summarised information showing fixed assets owned by the Council. It also shows the balances and reserves at the Council's disposal, (net worth) and its long term indebtedness, (long term liabilities).

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

**Explanatory Notes to the Core Financial Statements** – The notes relating to the statements above are detailed after the core statements.

Supplementary Financial Statements comprising:

**The Housing Revenue Account and Notes** – These statements show the resources generated and consumed in the provision of council housing in the year (the Income and Expenditure Account) and

reconcile this to the statutory Housing Revenue Account (the Statement of Movement on the Housing Revenue Account Balance)

**The Collection Fund and Notes** – These statements show the income and expenditure transactions of the Council in respect of the collection and distribution of council tax and non-domestic (business) rates

## **Revenue Budget and Outturn for 2008/09**

### **General Fund**

The Council set a budget for spending on General Fund services of £28.4m, to be financed partly from a Government Grant of £2.0m and a share of the National non-Domestic Rate of £14.4m. Of the remainder £11.3m was to be raised through Council Tax, with £0.7m being taken from balances. The average Council Tax for a Band D property was set at £250.15.

As well as delivering savings of £4m, the Council dealt with the credit crunch (recession) and the collapse of the Icelandic banks in September 2008. The Council responded proactively to this by undertaking line by line reviews on each service and £900k was removed from the budget in Autumn 2008 and earmarked to cover any Icelandic loss and the reduced income from the recession. By year end, the Council underspent by a further £1m, of this £560k relates to ongoing projects and will be carried forward to 2009/10.

The Council has reviewed reserves and provisions. Further provisions have been created to cover repairs and maintenance in areas other than leisure and to meet recession pressures during 2009/10. The Council foresees difficult financial pressures in 2011 as the Public Sector recession kicks in and the Pension triannual review impacts. In planning ahead the Council has allocated £750k for investment in Transformation projects that will deliver savings in future years.

Overall balances will be over £4m as at 31<sup>st</sup> March 2009.

### **Housing Revenue Account**

The HRA budget was set as a balanced budget. Targeted underspends achieved in 2008/09 were to offset any implications from the Icelandic Bank crisis. Carryforwards of project underspends of £0.9m have been requested. At the end of the year there was £2.9m in general HRA balances and £3.1m in the HRA capital financing reserve, set up to fund capital expenditure for the decent homes programme.

### **Income & Expenditure Account**

The Income & Expenditure Account shown at 5.1 shows a much higher net cost of services than in previous years. This is because of the large figures impacting on this area from impairment of assets and pensions. The largest difference other than these entries is the increased expenditure on concessionary fares up to £3.9m in 2008/09 from £2.1m in 2007/08.

Tables 5.2 and 5.3 show how the Income & Expenditure account is reconciled back to the use of General Fund reserves. The use of General Fund reserves is the net expenditure figure provided in the monthly financial monitoring. More detailed information on the year end position can be found in "Performance Matters" published monthly on the Council's website.

The key accounting entries impacting on the Income & Expenditure Account are:

The general decline in the property market has required the City Council to review valuations of assets to reflect the economic downturn. The process for revaluation of assets was a revaluation exercise for all properties with a value of £500,000 and above and a beacon or indexation approach to assets below that value. Cluttons and Knight Frank have completed their work and the end result of all capital transactions is an impairment charge to the Income and Expenditure account of £37.2m in relation to the HRA and £27.1m for the General Fund. As such large sums are not allowed to impact on Council Tax, these sums are reversed out through the revaluation reserve, and written back out of Income & Expenditure via the Statement of Movement on the General Fund Balances.

Table 9.2 shows the City Council pension deficit is £95m up from £53m in 2007/08. The pension deficit is included in Income & Expenditure and reversed out through the Statement of Movement in General

Fund balances so as not to hit Council Tax. The projected deficit will however increase the Council contribution to the Pension Fund at the tri-annual review effective April 2011.

The Council had £4.5m invested with the failed Icelandic banks. Advice received, at the 31<sup>st</sup> March suggests that the Council can expect to recover all but £1,072k of this. Accounting regulations require that the difference between the amount we will recover, and the value of the investment on our balance sheet, is recognised as an impairment (reduction in value). This would normally be charged to the Income and Expenditure Account, but Capital Finance Regulations introduced in 2008 allow us to defer the impact on General Fund balances until 2010-11 by transferring the impairment to a Financial Instruments Adjustment Account.

Further guidance was received in mid September in relation to the recovery of our investments with the Icelandic Banks, this guidance revised the positions as follows:

- Heritable bank, recoverable amount remains unchanged, but the timing of the repayments has changed
- Glitnir bank, the date for calculating interest up to has changed to the 22<sup>nd</sup> April

The overall impact on the accounts is a reduction in the amount to be recovered of £61k and this is felt to be immaterial to amend the accounts for 2008/09.

## **Capital**

The Council set a budget to spend £28m on capital expenditure in 2008/09, and completed £19m in the year. Over half of the total spend was on the programme of renovations to Council housing to meet the Decent Homes standard by 2010. The Council decided to defer planned spend of £7m in Tower Blocks and Sheltered Schemes pending strategic decisions.

The Council has investment of approximately £20m either planned or in hand over the next 10 years that will be funded through Prudential borrowing. This may be either through the use of internal resource or external borrowing. The level of planned investment will commit the Council to between £870k and £2.6m of revenue repayments over the next 10 years.

The Council currently holds borrowing of £7.2m in relation to Council Housing.

The Council has set a capital programme of £19m for 2009/10. Of this £4m is funded from borrowing, £5m from capital receipts, £5m from Major repairs allowance with the remainder from central government, developer contributions and revenue contributions.

## **Material Entries in the Accounts**

There are a number of entries in respect of the Westgate Redevelopment and these are explained.

## **Major Fixed Asset Acquisitions and disposals**

The accounts show the Council holding 3 assets acquired under the Compulsory Purchase Order for the Westgate redevelopment. These are held in the accounts at nil value as they may be transferred on request to the Westgate Partnership. The Council recognises a material liability in respect of the acquisition of Albert House. This purpose built housing has been acquired from the Westgate Developers and places an obligation on the Council to pay the developers the building costs should the Westgate development not go ahead.

## **Financial Prospects looking forward**

The Council's Medium Term Financial Strategy (MTFS) and Corporate plan sets out the Council's spending priorities and likely resources over the next three years. The Strategy will be updated over the Summer. It is difficult to predict the level of resources available for future years due to the unknown depth and length of the recession. The large public borrowing undertaken by the Government will need to be financed and repaid. Forecasters are making dire predictions of future year grant levels. The impact on Support Grant Revenue will become known as we go through the next spending review. The Council's strong track record in delivering savings and the allocation of resources to invest in transformation projects means the Council is well placed to deal with the challenges ahead.

The economic down turn has severely impacted on the capital receipts achieved by the Authority. A number of planned disposals in 2008/09 have not been achieved either because of lack of prospective purchasers or because the sale price was too low. This is reflected in the Capital funding statement in the accounts and has expedited the Council's policy of funding the capital programme from revenue contributions rather than receipts. For 2009/10 the Capital programme has been severely curtailed. The HRA requires planned receipts as part of funding Decent Homes, but these are based on approved stock strategies and a planned programme of delivery. The HRA programme is funded in the short-term but may face pressures in later years depending on the prospective value of asset sales.

## **In Conclusion**

We would like to thank Finance staff and services for their work during the year coping with a challenging financial climate and for the work done preparing these final accounts. I hope the information is helpful in allowing you to have a clear understanding of how Council money has been spent.

We've tried hard to put information in as clear a manner as possible, but if you do want to find out more about these accounts you can:

- Write to the Heads of Service for Finance (Sarah Fogden and Penny Gardner) at [sfogden@oxford.gov.uk](mailto:sfogden@oxford.gov.uk) or [pgardner@oxford.gov.uk](mailto:pgardner@oxford.gov.uk)
- Contact our auditors via [j-bull@audit-commission.gov.uk](mailto:j-bull@audit-commission.gov.uk)

## **2. STATEMENT OF ACCOUNTING POLICIES**

### **2.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the accounts and Audit Regulations 2003, Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice (the SORP). Issued by CIPFA and guidance notes issued by CIPFA on application of Accounting Standards (SSAP's) and Financial Reporting Standards (FRS's) The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible assets.

The main changes in the SORP for 2008/09 are listed on pages 2 to 4 of SORP 2008, but much of these are of specialised application. As far as this Council is concerned:

- Depreciated replacement cost valuations for fixed assets are restricted (may not make much difference)
- "Deferred Charges" go, replaced by "Revenue Expenditure Charged to Capital under Statute" (REFFCUS) - pretty much the same thing.
- Fixed assets cannot be revalued to the sale price, so there will be a profit or loss on each transaction.
- Cash Flow Statements can be compiled on an "indirect" basis – reconciling to the I&E rather than showing a subjective breakdown. The Authority has used this method to produce its cashflow this year.

### **Estimation Techniques**

Estimation techniques are the methods adopted by an authority seeking to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis the amount will be arrived at using an estimation technique.

Except where specified in the 2008 Code of Practice on Local Authority Accounting, or in specific legislative requirements, Oxford City Council has determined the estimation techniques that most closely reflect the economic reality of the transactions or other events to which the relevant accounting policy refers.

### **Departures from the SORP**

The Council departs from SORP in the treatment of some fixed asset expenditure. Where the capital spend on an individual asset is less than 15% of the value of the individual asset, the capital expenditure is impaired.

This has reduced the asset value of Council Housing in the accounts. All dwellings have been revalued as at 31<sup>st</sup> March so there is no ongoing impact. The Council will review its policy to align with the SORP in 2009-10.

### **2.2 Accruals of Income and Expenditure**

We account for activity 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.
- Income and expenditure are credited or debited to the relevant service revenue account, unless they properly represent capital receipts and capital expenditure.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, and where the amounts are significant, they are carried as stocks on the Balance Sheet.

- Interest payable on borrowings and 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.

## 2.3 Provisions

We make Provisions where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For example, the Council may be involved in an insurance case that could eventually result in the making of settlement or the payment of compensation.

We charge Provisions to the appropriate service revenue account in the year that the Authority 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. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), we only recognise this as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

## 2.4 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. 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 and they do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

## 2.5 Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

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:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- Dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- Infrastructure assets and community assets – depreciated historical cost.

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 – market value.

The Council revalues assets included in the Balance Sheet at current value when there have been material changes in the value, but as a minimum every five years. 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 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

**Impairment:** the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. The Council also impairs capital spend where the capital spend on an individual asset is less than 15% of the value of the individual asset. This is a departure from the SORP and the implication of this is explained above. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were 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.

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 (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Legislation requires capital receipts to be credited to the Usable Capital Receipts Reserve, and they can then only be used for new capital investment. Receipts are appropriated to this Reserve from the Statement of Movement on the General Fund Balance.

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

**Depreciation:** Depreciation is provided for on all assets with a determinable finite useful life with the exception of non-depreciable land and investment properties. Depreciation is based on the amount at which the asset is included in the balance sheet, whether at net current replacement cost or historic cost.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer.
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- infrastructure – straight-line allocation over a period determined for each class of asset
- Freehold land is not subject to depreciation.

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

## 2.6 Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment (normally 10 years) to reflect the pattern of consumption of benefits.



## **2.7 Receipts arising from sale of assets**

When an asset is disposed of, 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 (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains held on the Revaluation Reserve at the time of disposal, are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Useable Capital Receipts reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the Statement of Movement on the General Fund Balance.

Where the Authority disposes of an asset, the assets can not be revalued to the sale price, so there will be a profit or loss on each transaction.

The profit or loss is then calculated with reference to this updated carrying value. The exception to this is the transfer of housing stock to a Housing Association at nil or nominal value which is treated as impairment (see above).

## **2.8 Grants and Contributions (Capital)**

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is 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 them.

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

Whether paid on account, by instalments or in arrears, we recognise government grants and third party contributions and donations as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution, when 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 service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

## **2.10 Charge to Revenue for Fixed Assets**

We debit service revenue accounts, support services and trading accounts 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 amortisations. It would be required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement, but the Council has no such borrowing requirement. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

## **2.11 Revenue Expenditure Funded from Capital**

Revenue Expenditure Funded from Capital represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue Expenditure Funded from Capital incurred during the year should be funded from capital resources rather than

charged to the relevant service revenue account in the year. Where the Council has determined to meet the cost of the Revenue Expenditure Funded from Capital 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.

## **2.12 Leases**

### **Finance Lease**

Councils accounts for leases as finance leases when substantially all the risk and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible asset). The liability is written down as the rent becomes payable and
- a finance charge (debited to Net Operating Expenditure in the income and Expenditure Account as the rent becomes payable).

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 asset's estimated useful life. The Council has identified finance leases which have been accounted for as operating leases. The amounts are not material to the presentation of the financial statements.

### **Operating Leases**

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

### **The Council as Lessor**

The Council leases some of its assets to third parties. These are operational leases whereby the assets remain on the Council's balance sheet (and are subject to revaluation and depreciation as appropriate) and rentals are credited to revenue.

## **2.13 Long-term contracts**

Where the Council has entered into contracts that run for longer than one year, the liability or benefit arising is included in the balance sheet as a long-term creditor or debtor respectively.

## **2.14 Debtors and Creditors**

Provision is made within the accounts for all goods and services provided to or supplied by the Council by 31<sup>st</sup> March. Where invoices have not been received or issued by that date accruals are made for the amounts due to creditors and due to be received from debtors.

## **2.15 Stock**

Stock is normally valued at the lower of cost or net realisable value where practical. However for small value stocks current purchase price may be used. This is a departure from the SORP, but the effect is not material to the Council's accounts.

## **2.16 Work in Progress**

Where significant works for other bodies are not fully completed at 31<sup>st</sup> March, the value carried out at that date is estimated and income is accrued within the appropriate service account.

## **2.17 Overheads**

The costs of overheads and Support Services (for example Information Systems and Financial Services) are charged to individual service accounts that benefit from the supply or service in accordance with the costing

principles of the CIPFA Best Value Accounting Code of Practice 2007 (BVACOP). 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 Council’s status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early, and any depreciation and impairment losses chargeable on non-operational properties.

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.

## 2.18 Pensions

The majority of employees of the Council are members of the Local Government Pension Scheme, which we account for as a defined benefits scheme.

In accordance with FRS17, the liabilities of the Oxford 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 the 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 for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 6.9% (based on the indicative rate of return on high quality corporate bonds).

We include the assets of the Oxford County Council Pension Fund attributable to the Council in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – average of the bid and offer rates
- property – market value.

The change in the net pensions liability is analysed into eight components:

- **current service cost** – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account 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 fund 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 pensions 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 to the Statement of Total Recognised Gains and Losses
- **contributions paid to the Oxford County Council Pension Fund** – the employer’s contributions to the pension fund for the financial year.

- **contributions relating to unfunded benefits** - cash paid to pensioners relating to discretionary additional benefits granted by the Council.

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.

The Council complies with the requirements of FRS17. The current year pension costs are shown within net cost of services, with past year, curtailment and settlement costs included under other operating costs. A transfer to or from the pension reserve is made to negate the effects of the pensions adjustments on council tax.

## **2.19 Financial Relationships with Companies and Related Party Interests**

The Council is required to prepare Group Accounts where it exercises significant or have the right to exercise dominant influence. Local Authorities have to consider all their interests and where material, in subsidiaries, associates and joint ventures and include the value of the interest in the Group Accounts. The Council has reviewed all such interests and no material interest and therefore has no requirement to produce Group Accounts.

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 – 6.9 Related Parties.

## **2.20 Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Financial instrument covers both financial assets and financial liabilities.

The financial assets of the Council are classified into two types:

- Loans and Receivables - assets that have fixed or determinable payments, but are not quoted in an active market.
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

### **Loans and Receivables**

Assets of this type will arise where the Council provides money, goods or services to another party and contracts to deter the settlement of debt that arises, but in the meantime will not plan to trade the receivable on the market.

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 asset multiplied by the effective rate of interest for the instrument. For 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 is the amount receivable for the year in the loan agreement.

When assets are identified as impaired because of 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.

### **Available-for-sale Assets**

Available-for-sale assets are initially measured and carried at a 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 (for example a dividend) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

The Council did not hold any financial assets which fall under this category as at 31 March 2009.

## **Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure for interest payable are based on the carrying amount of the liability, multiplied by the effective date rates of interest for the instrument. For the Council borrowings, the amount presented in the balance sheet is the outstanding principal repayable and interest charge to Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gain and losses on the repurchase or early settlement of borrowing are credited and debited to Net operating expenditure in the Income and expenditure in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discount have been charged to the Income and Expenditure account, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund balance is managed by transfer to or from the Financial instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

The Council has no such repurchase or early settlement of borrowing during the 2008/09.

**For further information on the above accounting policies contact:**

Sarah Fogden or Penny Gardner

Heads of Service for Finance

Tel: 01865 252708

Email: [sfogden@oxford.gov.uk](mailto:sfogden@oxford.gov.uk) or [pgardner@oxford.gov.uk](mailto:pgardner@oxford.gov.uk)

### **3. RESPONSIBILITES FOR THE STATEMENT OF ACCOUNTS**

#### **3.1 The Authority's Responsibilities**

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Section 151 Officer (as set out in the Local Government Act 1972)
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

These accounts are published subject to Audit. The audit is expected to be completed and an opinion issued on the 24<sup>th</sup> September 2009. The Audit and Governance Committee has examined these accounts and authorised the Chairman to approve the statement of accounts on its behalf.

Signed: ..... Date: .....  
Chairman of the Audit Committee

#### **3.2 The Section 151 Officer's Responsibilities**

The Section 151 Officer is legally and professionally responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present fairly, the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2009.

In preparing this Statement of Accounts, the Section 151 Officer has:

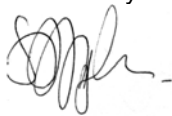
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code of Practice.

The Section 151 Officer has also:

- Kept proper and up to date accounting records; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Certificate**

I certify that the Statement of Accounts present fairly the financial position of the Council and its income and expenditure for the year ended 31<sup>st</sup> March 2009.



Signed: ..... Date: .....

Sarah Fogden/Penny Gardner  
Section 151 Officer

## **4. ANNUAL GOVERNANCE STATEMENT**

### **4.1 Scope of Responsibility**

Oxford City 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 and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Oxford City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

This statement explains how Oxford City Council meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

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

The governance framework comprises the systems and processes and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and 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 Oxford City 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.

The governance framework has been in place at Oxford City Council for the year ended 31<sup>st</sup> March 2009 and up to the date of approval of the accounts.

### **4.3 The Governance Framework**

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

- The Council's vision has been defined through the development of its Corporate Plan (2009-12). This identifies six corporate priorities and specific 1 and 3 year targets for each priority. The Corporate Plan is reflected in service transformation plans and individual appraisals. The Corporate Plan is widely publicised.

Reviewing the authority's vision and its implications for the authority's governance arrangements

- The Corporate Plan 2009-12 was prepared on the basis of a review of the previous Corporate Plan. The priorities have been carried forward but the specific actions and targets under each priority have been updated so as to secure both continuity and continuous improvement.

Ensuring that risks are adequately identified and managed

- The Council's Risk Strategy was updated and re-adopted in April 2009. The corporate risk register is reviewed monthly by officers and quarterly by the Audit and Governance Committee. Service transformation plans each have a service risk register. Risk templates are in a consistent form and significant Executive decisions each have their own risk assessment appended to the City Executive Board report.

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 operates within a performance management framework. Key corporate indicators are reviewed monthly by an Officer's Performance Board and quarterly by the Executive and Scrutiny. We also use our residents survey and citizens panel to test user perceptions of service quality and inform our priorities.

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

- Clear schemes of delegation for Council, the Executive and officers are set out in the Council's constitution. The role, purpose and terms of reference for Scrutiny are also set out in the constitution as are protocols for effective communication and access to and use of information.

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 and local member protocols in relation to Member/Officer relations, planning and the use of IT. The Monitoring Officer and the Standards Committee provide regular training opportunities in relation to ethical conduct and the Standards Committee reports annually to full Council on its work. The Audit and Governance Committee reviews the effectiveness of governance arrangements.

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

- The constitution is regularly reviewed and updated by the Monitoring Officer and full Council. Council and the Executive consider annually review and confirm their schemes of delegation and the terms of reference of their committees. All reports to decision making bodies are approved in accordance with the requirements of a report clearance protocol so as to ensure that legal, financial and other risks are properly identified. There are comprehensive contract, financial and employment rules in the constitution.

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

- The Council has an established Audit and Governance Committee with terms of reference that comply with CIPFA's guide. The Committee receives all internal and external audit reports, is effective and is contributing to improving the internal control environment of the Council.

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

- The Council has a coherent accounting and budgeting framework which includes the monthly monitoring and publication of spend against budget
- Financial planning and budget setting is underpinned by consultation, prioritisation, savings action plans and a medium term financial strategy which is regularly reviewed and updated by the Executive
- All reports to Members are required to be approved by legal and finance officers. The Monitoring Officer and Chief Finance Officer have not had cause to issue reports in exercise of their statutory powers from the 2008/09 financial year to date.

Whistle blowing and receiving and investigating complaints from the public

- The Council has adopted and publishes within its constitution a Whistle Blowing Policy. The Policy has recently been reviewed by the Standards Committee
- The Council operates a corporate complaints system. The Standards Committee keeps under review the operation of that system and publicly receives any Ombudsmen reports in relation to maladministration. The Audit and Governance Committee receive quarterly reports on all allegations of fraud or corruption.



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

- In addition to attending external training events members have committed themselves to annual refresher training in respect of their ethical conduct and regulatory issues, attendance at which is linked to the payment of their basic allowance
- The Council has launched a significant management development programme which will have universal coverage for all managerial posts. In addition service areas retain dedicated training budgets to allow for the fulfilment of individual learning and development plans.

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

- The Council has set out in its Corporate Plan the importance of partnership working and identified its key strategic partnerships. Political and managerial leadership is communicated and where appropriate co-ordinated between the public bodies serving the residents of the city.

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

The Authority 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 executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

In preparing this statement each service area has completed and each Head of Service has signed an assurance checklist. The checklist covered the following areas:

- Risk management
- Business planning
- Projects and projects management
- Financial management
- Fraud
- Procurement
- Human resources
- Equality
- Data quality
- Health and safety
- External accreditations
- Review of controls

The checklist asked each Head of Service to draw attention to any matters in respect of which internal controls were not working well and required a positive assurance that apart from those areas which were identified for improvement that the controls within the service had been, and are, working well. Every service was able to give a positive assurance.

The internal audit annual report 2008/09 prepared by KPMG and dated 15<sup>th</sup> April 2009 provided the Authority with an opinion on the adequacy and effectiveness of its internal control environment. After noting that sufficient internal audit had been undertaken to allow a reasonable conclusion to be drawn the report concluded that "Oxford City Council has for the most part adequate and effective risk management, control and governance processes to manage the achievement of its overall objectives."

This statement has also drawn on Audit Commission reports prepared during 2008/09 and the risk register outturn for each service area. The lists of authorised signatories for each service area have also been reviewed to ensure that adequate and appropriate schemes of authorisation for the discharge of functions exist within each service.

All of the above documents collectively represent the assurance framework and they have been reviewed by the Monitoring Officer and a Governance Group. The Governance group consists of the Chief Executive, Executive Directors, the Head of Finance and our new internal auditor. The Governance Group together with the Leader of the Council and the Chair and vice-Chair of the Audit and Governance Committee reviewed the draft statement. We have been advised on the implications of the

result of the review of effectiveness of the governance framework by the Audit and Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

#### 4.5 Significant Governance Issues

The control framework described above facilitates the identification of any areas of the Council's activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk. Overall, it concluded that controls are operationally sound.

The areas where weaknesses have been identified are listed below, together with a brief summary of the action being taken to make the necessary improvements.

Area of Concern	Action Planned
Home Choice deposit scheme – this scheme is used to prevent homelessness. The concern is that monies paid out for deposits are not monitored, chased and recovered on a timely basis	An additional member of staff has been engaged to ensure that systems are in place to optimise the recovery of deposits, when required. This will include the migration of data onto the HMIS using the new Housing Advice module
Health and Safety – there are recommendations outstanding from an internal audit review of our corporate health and safety arrangements	An action plan has been agreed and progress in implementing it will be reviewed by the Audit and Governance Committee
A Code of Corporate Governance has yet to be adopted	It is proposed to seek comments on a draft Code of Corporate Governance at the September 2009 meetings of the Audit and Governance Committee and the Standards Committee before inviting Council to adopt a Code at its October 2009 meeting
Effective implementation of the single status agreement	The Head of Human Resources has a project plan in place and will use additional external resources, if necessary, to ensure effective implementation
The collection of income from the City's car parks is currently outsourced. During 2008/09 the Council's internal auditors identified a breakdown in controls over the collection of car parking income in that the cash banked by the contractor was not supported by audit tickets. The Council therefore could not prove that the income banked was correct.	The Council took appropriate corrective action going forward from April 2009. However, the external auditors required evidence to support the income in the 2008/09 accounts. The Council subsequently obtained the audit tickets and was able to demonstrate that sufficient evidence was available to support the income banked for the nine months from July 2008 to March 2009. However, there were no audit tickets to support income banked from April to June 2008. A desktop analysis of income received in this period shows figures consistent with that expected. The Council is therefore assured that it has suffered no financial loss during the period.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness, and will monitor their implementation and operation as part of our next annual review.

Signed \_\_\_\_\_ Leader Dated \_\_\_\_\_

*Peter Sloman*  
\_\_\_\_\_

Signed \_\_\_\_\_ Chief Executive Dated \_\_\_\_\_

Signed \_\_\_\_\_ Monitoring Officer Dated \_\_\_\_\_

Signed \_\_\_\_\_ Head of Finance Dated \_\_\_\_\_

## 5. CORE SINGLE ENTITY FINANCIAL STATEMENTS

### 5.1 Income and Expenditure Account

This statement sets out the Council's Income and Expenditure relating to Council's functions including the General Fund and Housing Revenue Account for the year, according to proper accounting practice. The services analysis used complies with CIPFA's Best Value Accounting Code of Practice (BVACOP), allowing it to be compared from year to year, to the Government's requirements, and to other local authorities.

	Gross Expenditure 2008/09 £000's	Gross Income 2008/09 £000's	Net Expenditure 2008/09 £000's	Net Expenditure 2007/08 £000's
Central Services to the Public	2,509	(778)	1,732	2,424
Cultural, Environmental & Planning Services	64,636	(19,088)	45,548	21,922
Highways, Roads & Transport Services	10,291	(9,715)	576	(736)
Housing HRA	73,626	(32,803)	40,823	12,751
Housing Other	72,925	(65,450)	7,476	5,022
Corporate & Democratic Core	4,323	(690)	3,633	3,475
Non Distributed Cost	2,450	(1,124)	1,325	1,330
<b>Net Cost of Services</b>	<b>230,761</b>	<b>(129,648)</b>	<b>101,113</b>	<b>46,188</b>
Gain on the disposal of fixed assets			(889)	(30)
Parish Council Precepts			168	167
Surplus on Trading undertakings not included in Net Cost of Services			(543)	(317)
Interest payable and similar charges			1,022	1,098
Contribution of housing capital receipts to Government Pool			823	1,139
Interest & investment income			(2,281)	(2,658)
Investment losses			1,072	
Pensions interest cost and expected return on pensions assets			3,770	1,050
<b>Net Operating Expenditure</b>			<b>104,254</b>	<b>46,638</b>
Demand on the Collection Fund			(11,486)	(11,121)
Revenue Support Grant			(2,000)	(2,302)
Other Govt Grants not attributable to specific services			(284)	(1,106)
Non-domestic rates redistribution			(14,367)	(13,719)
<b>Deficit for year</b>			<b>76,117</b>	<b>18,389</b>

## 5.2 Statement of the 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 twelve 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 pension funds and pensioners, rather than as future benefits earned.

The General Fund Balance shows whether the Council has over or under spent against the council tax that it raised for the year, taking into account the use for 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 & Expenditure Account and the General Fund Balance.

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000's</b>	<b>£000's</b>
Deficit for the year on the Income & Expenditure Account	76,117	18,389
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(73,483)	(20,653)
	<hr/>	<hr/>
<b>(Increase)/decrease in General Fund Balance for the year</b>	<b>2,634</b>	<b>(2,264)</b>
	<hr/>	<hr/>
General Fund Balance brought forward	(6,976)	(4,712)
	<hr/>	<hr/>
<b>General Fund Balance carried forward</b>	<b>(4,342)</b>	<b>(6,976)</b>

### 5.3 Note of Reconciling Items for the Statement of Movement on the General Fund

The individual items that make up the amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year are set out below:

	2008/09 £000's	2007/08 £000's
<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>		
Depreciation and impairment of fixed assets	(70,746)	(19,859)
Excess of depreciation charged to HRA over the Major Repairs Allowance element of Housing Subsidy	(4,823)	(4,836)
Government Grants Deferred amortisation	3,252	5,878
Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute	(2,214)	(4,457)
Net gain/(loss) on sale of fixed assets	889	0
Interest difference between Statutory and SORP - Investment impairment	(1,072)	0
Interest difference between Statutory and SORP - interest on impaired investment	220	0
Net changes made for retirement benefits in accordance with FRS 17	(7,580)	(8,750)
	<u>(82,075)</u>	<u>(32,024)</u>
<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>		
Minimum revenue provision for capital financing		
Capital expenditure charged in-year to the General Fund Balance	1,220	829
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(823)	(1,139)
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	6,590	6,630
	<u>6,987</u>	<u>6,320</u>
<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>		
Housing Revenue Account balance	(1,048)	(4)
Voluntary revenue provision for capital financing	221	210
Net transfers to or from earmarked reserves	2,432	4,845
	<u>1,606</u>	<u>5,051</u>
<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<u>(73,483)</u>	<u>(20,653)</u>

## 5.4 Statement of Total Recognised Gains and Losses

This statement analyses the total gains and losses within the “net worth” section of the balance sheet shown below. In addition to the deficit sustained on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

<b>2007/08</b>	<b>2008/09</b>
<b>£000</b>	<b>£000</b>
18,389 (Surplus) / Deficit on Income and Expenditure Account	76,117
(13,695) (Gain) / Loss on valuation of fixed assets	(51,802)
(6,710) Actuarial (Gain) Loss on pension fund assets and Liabilities	41,590
186 (Increase) / Decrease in share of Collection Fund	(114)
<u>(760) Exceptional items</u>	<u>140</u>
<b><u>(2,590)</u></b>	<b><u>65,931</u></b>

## 5.5 Balance Sheet

The Balance sheet details the Council's assets and liabilities at the end of the financial year as at 31<sup>st</sup> March 2009.

2007/08 £000	Note	31 March 2009 £000	£000
<b>Fixed Assets</b>			
<b>Tangible Fixed Assets:</b>			
<b>Operational assets:</b>			
554,549	Council Dwellings	6.15-6.26	573,364
103,109	Land and Buildings		94,015
4,095	Vehicles, Plant and Equipment		4,564
188	Infrastructure assets		173
3,623	Community assets		3,615
<b>Non-operational assets:</b>			
107,188	Investment properties	6.15-6.26	84,030
	Surplus assets held for disposal		
772,752	<b>Total Fixed Assets</b>		759,760
2,032	Long-term investments	6.30	32
5,260	Long-term debtors	6.32	4,728
			4,760
780,043	<b>Total Long-term assets</b>		764,520
<b>Current assets:</b>			
585	Stocks	6.33	677
284	Works in progress	6.34	0
31,925	Investments		28,489
18,864	Debtors	6.35	15,076
72	Cash and bank		0
			44,242
831,773	<b>Total assets</b>		808,762
<b>Current liabilities:</b>			
(16,464)	Creditors	6.36	(17,528)
(567)	Short-term borrowing		(2,124)
(860)	Bank overdraft		(234)
			(19,886)
813,882	<b>Total assets less current liabilities</b>		788,876
<b>Long-term liabilities</b>			
(7,374)	Long Term Borrowing	6.29	(5,236)
(887)	Provisions	6.38	(1,433)
(4,356)	Government grants deferred	6.28	(3,530)
(7,355)	Deferred liabilities	6.31	(7,753)
(60,046)	Liability for defined benefit pension scheme		(102,990)
			(120,942)
733,864	<b>Total assets less liabilities</b>		667,934
<b>Financed by:</b>			
(744,977)	Capital Adjustment Account	6.39	(680,054)
(13,874)	Revaluation Reserve Account	6.39	(65,676)
(6,460)	Usable Capital Receipts	6.39	(4,867)
(10,913)	Deferred Capital Receipts	6.39	(4,685)
60,046	Pensions Reserve	6.39	102,990
(3)	Major Repairs Reserve	6.39	0
(6,787)	Other Reserves	6.39	(9,237)
0	Financial Instruments Adjustment Account	6.39	852
(10,896)	Fund Balances	6.39	(7,259)
(733,864)	<b>Total Net Assets</b>		(667,934)



## 5.6 Cash Flow Statement

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

<b>Cash Flow Statement</b>	<b>2008/09 £000</b>
<b>Revenue Activities Net Cash Flow</b>	(4,554 )
	<u><b>(4,554 )</b></u>
<b>Returns on Investments and Servicing of Finance</b>	
Cash Outflows	
Interest Paid	1,036
Cash Inflows	
Interest Received	(2,716 )
<b>Net Cash Outflow from Returns on Investments and Servicing of Finance</b>	<u><b>(1,680 )</b></u>
<b>Capital Activities - Cash Outflows</b>	
Purchase of Fixed Assets	19,323
Other Capital Cash Payments	860
<b>Capital Activities - Cash Inflows</b>	
Sale of Fixed Assets	(7,622 )
Capital Grants Received	(2,901 )
Developers Contributions	(649 )
<b>Net Cash Outflow from Capital Activities</b>	<u><b>9,011</b></u>
<b>Net Cash Inflow/(Outflow) before Financing</b>	<u><b>2,777</b></u>
<b>Management of Liquid Resources</b>	
Net increase/(decrease) in short term deposits	(4,016 )
<b>Total Management of Liquid Resources</b>	<u><b>(4,016 )</b></u>
<b>Financing</b>	
<b>Cash Outflows</b>	
Repayment of amounts borrowed	(872 )
Increase/(Decrease) in Temporary Borrowings	1,557
<b>Total Financing</b>	<u><b>685</b></u>
<b>Net (Increase)/Decrease in Cash</b>	<u><b>(554 )</b></u>

Liquid resources includes short term investments that are made by the Council, these include investments with Banks and Building Societies, Money Market Funds and the Debt Management Office.

## 6. NOTES TO THE CORE FINANCIAL STATEMENTS

### Income and Expenditure

#### 6.1 Trading Operations

A number of operations that the Council undertake are technically classified as Trading operation. Most of the Council operations provide services on an internal basis to other parts of the Authority. The activities set out below are included in the Net Operating Expenditure.

	Expenditure 2008/09 £000's	Income 2008/09 £000's	Net (Surplus) / Deficit 2008/09 £000's	Net (Surplus) / Deficit 2007/08 £000's
Building Control Charging Account	1	(1)	(0)	(13)
Trade Refuse & Recycling	1,418	(2,042)	(624)	(302)
Building Maintenance Services	379	(368)	11	(1)
SOHA	1	3	4	
<b>Total trading operations</b>	<b>1,799</b>	<b>(2,408)</b>	<b>(609)</b>	<b>(316)</b>

#### 6.2 Expenditure Incurred on Publicity

All Local Authorities are required to keep separate accounts of their publicity expenditure under Section 5 of the Local Government Act 1986. This expenditure includes costs of press and public relations staff, printing, stationery, distribution, advertising for staff and consultants and public meetings. Total expenditure in 2008/09 was £718k (2007/08 - £788k).

	2008/09 £000's	2007/08 £000's
Staff advertising	130	224
Advertising & publicity	588	564
<b>Total</b>	<b>718</b>	<b>788</b>

### 6.3 Building Control Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. The Council sets charges for work carried out in relation to building regulations, with the aim of covering costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

	<b>Non-chargeable</b>	<b>Chargeable</b>	<b>Total</b>	<b>Total</b>
	<b>2008/09</b>	<b>2008/09</b>	<b>2008/09</b>	<b>2007/08</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Expenditure</b>				
Employee expenses	112	405	517	566
Central and support service charges	37	113	150	196
Supplies and services	4	45	49	72
Transport	3	14	17	18
<b>Total Expenditure</b>	<b>156</b>	<b>577</b>	<b>733</b>	<b>852</b>
<b>Income</b>				
Building regulation charges		(620)	(620)	(708)
Miscellaneous income	(12)	(5)	(17)	(22)
<b>Total Income</b>	<b>(12)</b>	<b>(625)</b>	<b>(637)</b>	<b>(730)</b>
<b>(Surplus)/Deficit for year 2008/09</b>	<b>144</b>	<b>(48)</b>	<b>96</b>	<b>122</b>

### 6.4 Agency Income and Expenditure

The Council carried out certain works on behalf of Oxfordshire County Council for which it is fully reimbursed. This includes routine and other maintenance.

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000's</b>	<b>£000's</b>
Routine maintenance	961	1,037
Administrative costs	85	92
Other		
<b>Total amount reimbursable</b>	<b>1,046</b>	<b>1,129</b>

## 6.5 Commercial Properties Trading Account

The Council has a number of commercial properties, and we have analysed the income and expenditure on each of these properties for 2008/09. This note includes the impact of depreciation on each property but does not include the impact of the impairments carried out this year, to reflect the current economic climate.

	Expenditure £	Income £	Internal Recharges £	Grand Total £
<b>Total Retail City Centre</b>	<b>352</b>	<b>(4,314)</b>	<b>702</b>	<b>(3,260)</b>
Retail	1	(195)	37	(157)
Offices	20	(53)	9	(23)
Offices / Retail	16	(609)	81	(513)
Offices / Residential / Retail	2	(108)	17	(88)
Shops & Offices	0	(44)	8	(36)
Residential	30	(257)	47	(180)
Residential / Retail	0	(85)	12	(73)
Workshop/Office	0	(24)	3	(21)
Theatre	0	(82)	11	(72)
Museum of Modern Art	0	(45)	6	(39)
Agricultural	7	(97)	13	(77)
Easement	0	(8)	3	(5)
<b>Sub-Total</b>	<b>77</b>	<b>(1,610)</b>	<b>248</b>	<b>(1,285)</b>
<b>Other</b>	<b>9</b>	<b>(2)</b>	<b>12</b>	<b>19</b>
<b>Uncategorised</b>	<b>255</b>	<b>(264)</b>	<b>0</b>	<b>(9)</b>
<b>Grand Total</b>	<b>693</b>	<b>(6,189)</b>	<b>962</b>	<b>(4,534)</b>

## 6.6 Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. The Council provided services to various local Housing Associations (£135k), Vale of White Horse District Council (£13.8k), West Oxfordshire District Council (£43.7k), South Oxfordshire District Council (£9.2k) and Oxfordshire County Council (£12.3k).

## 6.7 Members' Allowances

The Council is required under the Local Authorities (Member Allowances) (England) Regulation 2003 to disclose the total amount of Members' allowances paid. The following table shows the amount of Members' allowance paid in 2008/09 compared to 2007/08.

	2008/09 £'000s	2007/08 £'000s
<b>Members' Allowances</b>		
Basic Allowance	221	206
Special Responsibility Allowance	104	93
Carers Allowance	2	4
Computer Purchase Scheme	2	2
Travel Expenses	1	1
<b>Total Payments</b>	<b>330</b>	<b>305</b>

### Detailed Breakdown of Members Allowances 2008/09

	Councillor Name	£'s		Councillor Name	£'s
M	ABBASI	4,615	J	MCMANNERS	4,982
M	ALTAF-KHAN	5,715	M	MILLS	4,125
AE	ARMITAGE	6,922	S	MIRZA	4,615
A	BANCE	12,745	M	MORTON	4,203
L	BAXTER	3,881	MP	MURRAY	5,665
E	BENJAMIN	5,904	S	PHELPS	643
S	BROWN	4,018	S	PRESSEL	8,473
C	BRUNDIN	6,845	RJ	PRICE	21,087
JRM	CAMPBELL	7,584	N	PYLE	4,203
M	CHRISTIAN	4,182	S	ROAF	412
MR	CLARKSON	11,067	G	ROYCE	4,898
L	COLE	412	D	RUNDLE	10,407
C	COOK	12,745	GA	SANDERS	4,637
S	CRAFT	5,014	MJ	SAREVA	6,116
S	DHALL	4,763	PA	SARGENT	437
JL	FOOKS	5,752	C	SCANLAN	4,615
J	GODDARD	8,782	M	SELLWOOD	618
M	GOTCH	4,396	C	SIMMONS	5,879
T	GRAY	412	D	SINCLAIR	6,660
B	HAZELL	3,928	V	SMITH	3,881
A	HOLLANDER	436	M	SOLOMON	11
R	HUMBERSTONE	4,615	SJ	TALL	466
RWJ	HUZZEY	470	J	TANNER	10,854
B	KEEN	7,041	R	TIMBS	10,442
C	KENT	430	E	TURNER	13,266
SJ	KHAN	4,753	O	VAN NOOIJEN	10,804
JE	LACEY	4,615	C	VAN ZYL	1,030
M	LYGO	3,892	R	WILKINSON	3,881
T	MACGREGOR	422	D	WILLIAMS	4,725
SH	MALIK	10,917	N	YOUNG	6,922
S	MCCREADY	3,881			
	<b>Total</b>				<b>330,107</b>

## 6.8 Employees Remuneration

This is required under part 6 of the Accounts and Audit Regulations 2003 to include in the notes to the accounts the number of employees in the accounting period whose remuneration was in excess of £50,000. The remuneration is to be shown in each bracket of a scale in multiples of £10,000. For this purpose remuneration means all amounts paid to or receivable by an employee, and includes sums due by way of expenses allowances (so far as these sum are chargeable to United Kingdom income tax), and estimated money value of any other benefits received by an employee otherwise than in cash.

	Number of employees 2008/09	Number of employees 2007/08
<b>Remuneration Band</b>		
£50,000 - £59,999	6	9
£60,000 - £69,999	9	2
£70,000 - £79,999	0	2
£80,000 - £89,999	4	0
£90,000 - £99,999	0	1
£100,000 - £109,999	2	1
£110,000 - £119,999	0	0
£120,000 - £129,999	1	0
£130,000 - £139,999	0	0
£140,000 - £149,999	0	1
<b>Total Number</b>	<b>22</b>	<b>16</b>

## 6.9 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Related parties include:

**Central Government** - central government has effective control over the general operation of the Council. It is responsible for providing the statutory framework within which the Council operate, provides much of the Council funding in form of grants and prescribes the terms of many of the transactions that the Council has with other parties e.g. housing benefits. Details of transactions with government departments are shown in the Income and expenditure account, the cash flow statement and notes.

**Members** - Members of the Council have direct control over the Council's financial and operating policies. None of the members or chief officers had any interest in any related party transactions during the year. The register of members' interest is held at the Town Hall, and is open to public inspection. No material interests have been declared. A number of Members serve on both the City Council and Oxfordshire County Council. This is not considered material.

Two responses to the annual declaration of related parties were not received by Councillor Mirza and Former Councillor Kent.

Members represent the Council on various organisations. Appointments are reviewed annually, unless a specific termination date for the term of office applies. None of these appointments places the Member in a position to exert undue influence or control.

The Council has the following relationships, none of which are considered material under the Accounting Code of Practice.

- **Central Government** - Central Government provides a number of grants to local authorities.
- **Housing Associations** - The Council is a partner with various Housing Associations for the purpose of providing Social Housing.
- **Oxfordshire County Council** - The Council undertakes agency work on behalf of the County Council.
- **Local Boards and Trusts** – Officers and Members represent the Council on various organisations. There are no material transactions.

**Other Organisations** – The Council awards grants to support a number of voluntary or charitable bodies and individuals through grants and Service Level Agreements. These are shown in the Income Expenditure Account.

## 6.10 Audit Costs

The Council is externally audited by the Audit Commission. The fees below are for external audit services carried out by the appointed auditor (Audit Commission) under the Code of Audit Practice, in accordance with Section 5 of the Audit Commission Act 1998.

	<b>2008/09</b> <b>£000's</b>	<b>2007/08</b> <b>£000's</b>
External audit service	256	236
Certification of grant claims & returns	61	65
Statutory inspections		2
Other	5	0
<b>Total</b>	<b>322</b>	<b>303</b>

## 6.11 Interest Receivable

Interest is credited in the year in which it is due, as opposed to the year in which it is received. Income due to the Council was £2,300k in 2008/09 (£2,700k in 2007/08).

	<b>2008/09</b> <b>£000's</b>	<b>2007/08</b> <b>£000's</b>
Interest due on Investments	(2,270)	(2,447)
Mortgage interest due	(11)	0
Other Interest	0	(220)
<b>Total Received</b>	<b>(2,281)</b>	<b>(2,667)</b>

## 6.12 Finance and Operating Leases

The Authority uses cars, vans, trailers, tippers, dustcarts, photocopiers and CCTV equipment financed under terms of a lease. The types of lease are detailed below. A finance lease exists if all risks and rewards of ownership of an asset transfer to the lessee or if the total rental costs on a lease is over 90% of the cost of the asset. An operating lease is anything other than a finance lease.

	2008/09 £000's	2007/08 £000's
Operating Lease	172	397
Finance Lease	7	7
<b>Total</b>	<b>179</b>	<b>404</b>

### Future Rental Liabilities under Operating Leases

The Authority is committed to spend the following in the future years:

	Vehicles £000's	Plant & Equipment £000's
<b>Leases expiring in:</b>		
2009/10	62	2
2010/11 to 2012/13	0	0
After 2012/13	0	0
<b>Total</b>	<b>62</b>	<b>2</b>

### Future Rental Liabilities under Finance Leases

The Authority is committed to spend the following in the future years:

	Vehicles, Plant & Equipment £000's
<b>Obligations payable in:</b>	
2009/10	7
2010/11 to 2013/14	21
After 2013/2014	7
<b>Total</b>	<b>35</b>

The above finance leases are all in the secondary rental period, and therefore no split between capital and interest is required. The above payments are charged to service accounts.

### Authority as Lessor

The Authority has granted a number of leases to commercial operations, accounted for as finance leases. The aggregate rentals receivable in 2008/09 were £7,118k (£6,820k in 2007/08). The net investment in finance leases of property was £95,510k in 2008/09 (£127,487k in 2007/08).



Category	Total Number	2008/09		2007/08	
		Rent £000's	NBV £000's	Rent £000's	NBV £000's
Miscellaneous Social Partnership	38	91	1,121	111	1,012
Housing estate shops	68	500	4,042	480	4,993
Miscellaneous properties and miscellaneous investments	73	684	12,222	457	3,647
Offices	14	161	4,213	172	4,725
Other dwellings	17	40	3,464	55	4,944
Miscellaneous land	16	37	58	5	1,470
Public houses	6	467	5,903	344	5,735
Parks and cemetery buildings	3	4	455	8	457
Restaurants and cafes	6	232	2,288	226	3,080
Theatre and cinema	2	121	3,550	2	4,200
Shops	57	3,014	38,492	3,194	51,620
Utility properties and sites	128	146	583	0	2
Car parks	3	8	136	20	15,380
Other commercial and industrial property	9	99	1,070	544	9,121
Agricultural property	27	114	4,063	0	4
Shopping centres	2	1,402	13,850	1,201	16,980
Sports Centres & Pools				1	117
		<b>7,118</b>	<b>95,510</b>	<b>6,820</b>	<b>127,487</b>

### 6.13 Minimum Revenue Provision

The Council is required to make a minimum provision within its revenue account for debt repayment (MRP), calculated as a percentage of its Capital Financing Requirement (CFR) at the start of the financial year. At 1<sup>st</sup> April 2008 the Council had a negative non-housing MRP and therefore no provision is required in 2008/09.

### 6.14 Special Expenses

Under Section 147 of the Local Government Act 1972 and Section 35 of the Local Expenses Government Finance Act 1992 certain expenses are treated as Special Expenses to be charged to particular areas within the borough. For Oxford City Council it covers both parished and unparished areas. Parishes can issue their own precept to cover the costs of services they provide. In the remainder of the City, the Council provides services that in other areas would be provided by a Parish. It maintains a Special Expenses Account for the unparished area and levies a supplementary Council Tax for this area.

The net expenditure is included within the relevant service headings of the Income and Expenditure Account. An analysis of Special Expenses is given below:

	2008/09 £000's	2007/08 £000's
Allotments	13	17
Street Furniture	185	199
Cemeteries	111	109
Ditches & Streams	9	15
Parks & Open Spaces	124	101
Community Recreation	89	80
<b>Total</b>	<b>531</b>	<b>521</b>

## Notes to the Balance Sheet

### 6.15 Movements in Tangible Fixed Assets

Movement during the year on Council's fixed assets is set out below:

	Operational					Non-operational	Total
	Council Dwellings £000's	Other Land & Buildings £000's	Vehicles & Plant £000's	Infra-structure £000's	Community Assets £000's	Investment Properties £000's	£000's
Valuation	573,617	111,387	5,947	207	3,623	107,188	801,968
Accumulated depreciation	(19,068)	(8,278)	(1,852)	(19)	0	0	(29,217)
Net book value as 1 April 2008	<b>554,549</b>	<b>103,109</b>	<b>4,095</b>	<b>188</b>	<b>3,623</b>	<b>107,188</b>	<b>772,752</b>
<b>Movements during 2008/09</b>							
Additions	1,323	172	1,442	0	11	82	3,029
Revaluations	32,156	656	0	0	2	1,411	34,224
Disposals	(356)	(213)	(46)	0	0	(367)	(981)
Impairment of fixed assets	(33,376)	(6,642)	0	0	(20)	(24,283)	(64,321)
Depreciation for year	(9,561)	(4,401)	(961)	(15)	0	0	(14,938)
Depreciation written back	28,629	1,333	33	0	0	0	29,995
Re-classification of assets	0	0	0	0	0	0	0
Miscellaneous adjustments	0	0	0	0	0	0	0
Net book value of assets at 31st March 2009	<b>573,364</b>	<b>94,015</b>	<b>4,564</b>	<b>173</b>	<b>3,615</b>	<b>84,030</b>	<b>759,760</b>

The above table shows the net position of the spend on decent homes on our council dwellings, this has been netted off through the impairments figure.

### 6.16 Capital Expenditure and Financing

Capital expenditure and income is accounted for on an accruals basis, and financed in the year the accrual appears in the account. The expenditure charged to capital was financed as follows:

	2008/09 £000's	2007/08 £000's
<b>Capital investment</b>		
Operational assets	16,705	12,430
Non-operational assets	42	3,088
	<b>16,747</b>	<b>15,518</b>
Revenue expenditure funded by capital	2,214	4,457
<b>Sources of finance</b>		
Capital receipts	9,052	8,925
Government grants and other contributions	8,207	8,312
Sums set aside from revenue	476	689
<b>Total Financing</b>	<b>17,735</b>	<b>17,926</b>
<b>Capital Financing Requirement movement</b>	<b>(1,226)</b>	<b>(2,048)</b>

## 6.17 Revenue Expenditure Funded from Capital (Deferred Charges)

Deferred Charges has been replaced by Revenue Expenditure Charged to Capital under Statute (REFFCUS) (SORP 2008). This represents expenditure which may be classified as capital for funding purposes but does not represent fixed assets. The purpose of this statute is to enable such expenditure to be funded from capital resources rather charged to the General Fund. The expenditure is accounted for by debiting Capital Adjustment Account and crediting General Fund Balances

## 6.18 Capital Commitments

In 2009/10 the Council is committed to capital expenditure on the following schemes:

	<b>2009/10</b> <b>£000's</b>
<b>Contractual Commitments:</b>	
West End Partnership (Growth Points Grant)	1,067
Littlemore Baptist Church	330
Disabled Facilities Grants	126
Leisure Contract With Fusion	5,500
Oxford City Homes	494
<b>Total</b>	<hr/> <b>7,517</b> <hr/>

## 6.19 Assets Valuations

While most categories of fixed assets are carried on the balance sheet on the basis of historic cost, operational land and buildings, land awaiting development and assets awaiting disposal are subject to valuations at not more than five-year intervals. Properties regarded by the Authority as operational are valued on the basis of open market value for existing use or, where this could not be assessed because there was no market for subject asset, the depreciated replacement cost.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. Valuations and professional advice are provided by Cluttons LLP Chartered Surveyors & Property consultant and Knight Frank LLP. The valuations of our Council Dwellings was carried out by Knight Frank LLP as at the 31<sup>st</sup> March 2009, and the valuations of all out other properties was carried out by Cluttons LLP as at 31<sup>st</sup> March 2009. The basis for valuation is set out in the Statement of Accounting Policies.

Our assets are valued in the balance sheet in the following way:

- Council Dwellings - existing use for social housing
- Other Land & Buildings - lower of the net current replacement cost and the net realisable value for their existing use
- Vehicles, Plant & Equipment - historic cost
- Infrastructure – depreciated replacement cost. This is a change from the SORP because the historic cost is unobtainable for these assets
- Community Assets – mixture of historic cost for assets such as land, and existing use value for the buildings on the land. This is a slight departure from the SORP because of the nature of our assets
- Investments - lower of net current replacement cost and net realisable value, normally open market value

The effect on the balance sheet of the departures from the SORP mentioned above is not considered material.

## 6.20 Valuation of Fixed Assets Carried at Current Value

	Council Dwellings £000's	Other Land & Buildings £000's	Vehicles, Plant & Equipment £000's	Infra-structure Assets £000's	Community Assets £000's	Investment Properties £000's	Total £000's
<b>Valued at historic cost:</b>	0	0	4,564	0	3,486	0	8,050
<b>Valued at current value:</b>							
2008/09	573,364	31,393	0	0	55	78,899	683,710
2007/08	0	31,488	0	66	21	422	31,997
2006/07	0	23,459	0	0	0	811	24,269
2005/06	0	7,597	0	101	0	3,475	11,173
2004/05	0	0	0	0	0	0	0
2003/04	0	0	0	0	0	0	0
<b>Valued below minimis level:</b>	de-						
	0	78	0	6	53	424	561
<b>Total</b>	<b>573,364</b>	<b>94,015</b>	<b>4,564</b>	<b>173</b>	<b>3,615</b>	<b>84,030</b>	<b>759,760</b>

## 6.21 Depreciation

Depreciation is the measure of the cost or re-valued amount of economic benefit of the tangible fixed assets that have been consumed during the year. The Authority is required to depreciate all assets with a determinable finite useful life, which can be determined at the time of acquisition or revaluation.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer.
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet:
- infrastructure – straight-line allocation over a period determined for each class of asset:
- Freehold land is not subject to depreciation.

## 6.22 Intangible Fixed Assets

In 2008/09 the Council had no intangible fixed assets such as software and licenses as these are all charged to revenue, in full, in the year of acquisition.

## 6.23 Analysis of net assets employed

	2008/09 £000s	2007/08 £000s
General Fund	(161,410)	(72,495)
Housing Revenue	829,852	806,358
<b>Total</b>	<b>668,441</b>	<b>733,863</b>

## 6.24 Operational Assets – Useful life

The majority of Council Dwellings have a useful life of 40-60 years. Although the range for Other Buildings and Infrastructure is large, the majority of assets have a useful life of 40-60 years, with all land having a life of 100 years. Plant, Vehicles and Equipment have a slightly shorter useful life at only 3-20 years.

	<b>Council Dwellings Years</b>	<b>Other Buildings Years</b>	<b>Plant &amp; Equipment Years</b>	<b>Vehicles Years</b>	<b>Infrastructure Assets Years</b>	<b>Community Assets Years</b>
Useful Life	40 - 60	10 - 80	3 - 20	3 - 10	40	10 - 100

As an example: Public Toilets have an average life of 10 years whereas the Town Hall currently has a life of 80 years. Within Community Assets, all land has a default life of 100 years whereas the pavilion on that land would only have an average life of 10 years.

## 6.25 Fixed Assets by Number

Detail of fixed assets held by the Council are set out below:

	<b>Total Number 2008/09</b>	<b>Total Number 2007/08</b>		<b>Total Number 2008/09</b>	<b>Total Number 2007/08</b>
<b>Operational Properties</b>			<b>Investments</b>		
Car Parks	19	19	Agricultural Property	24	24
Community Centres	22	22	Car Parks	5	5
Council Dwellings	7878	7876	Land Awaiting Development	15	16
Depots & Workshops	10	10	Misc. Land	42	42
Garages	2392	2333	Misc. Property	17	16
Hostels	4	4	Offices	16	16
Housing Estate Shops	68	68	Other Commercial Property	42	42
Misc.Social Partnership	38	38	Public Houses	10	11
Other	2	2	Restaurants & Cafes	10	10
Museums & Galleries	1	2	Shopping Centres	3	3
Offices	14	14	Shops	69	69
Other Dwellings	35	35	Theatres & Cinemas	2	2
Park & Cemetery Buildings	21	21	Utility Property & Sites	100	100
Public Toilets	19	19	<b>Total Investment Properties</b>	<b>355</b>	<b>356</b>
Sports Centres & Pools	13	13			
<b>Total Operational Properties</b>	<b>10,536</b>	<b>10,476</b>	<b>Infrastructure</b>		
			Bridges	4	4
<b>Community Assets</b>			Footpaths & Unadopted Roads	13	13
Allotments	31	31	<b>Total Infrastructure</b>	<b>17</b>	<b>17</b>
Civic Regalia	235	235			
Historic Buildings	8	6	<b>Plant &amp; Equipment</b>		
Misc. Amenity Land	102	103	Office equipment	10	10
Parks & Open Spaces	117	117	Vehicles and Plant	276	215
<b>Total Community Assets</b>	<b>493</b>	<b>492</b>	<b>Total Plant and Equipment</b>	<b>286</b>	<b>225</b>
			<b>Total Assets</b>	<b>11,687</b>	<b>11,566</b>

## 6.26 Impairment

All assets have been reviewed in detail for impairment in 2008/09, and adjustments made for those assets whose value has reduced either as a result of general movement in market prices or due to their condition and usage.

The major impairments in 2008/09 were

• Council Dwellings	£33.4m
• Horspath Road Works Depot	£0.95m
• Marsh Road Works Depot	£0.95m
• Ramsay House Offices	£0.75m
• Westgate Shopping Centre	£2.50m
• Queen Street – BHS	£2.15m
• 64/65 Cornmarket Street	£1.12m
• 24/26 Gloucester Street	£1.03m
• Alibion Street Car Park	£0.90m
• 9/13 George Street	£0.90m
• 15/19 George Street	£0.85m
• Cowley Community Centre	£0.77m

## 6.27 Deferred Capital Receipts

Deferred capital receipts are amounts derived from sales of assets which will be received in instalments over agreed periods of time, and from mortgages on sales of council houses. The value of deferred capital receipts, and for the sale of fixed assets where part of the proceeds are due to be received after the end of the financial year, for 2008/09 is £5,192k (£10,913k in 2007/08).

## 6.28 Government Grants Deferred

The balance on this account represents the amounts of government grants and other contributions towards the cost of fixed assets. They are accumulated as grants and contributions are used to finance expenditure, and written down in line with depreciation and disposals. This balance forms part of the Council's Capital Financing Requirement and is not available for further expenditure

	2008/09 £000	2007/08 £000
<b>Government Grants Deferred</b>		
Grants applied to capital investment	(2,429)	(2,869)
Amounts written down to service revenue account	3,252	5,878
Adjustment made in year	3	
	<hr/>	<hr/>
Net movement for the year	826	3,008
Add balance at 1st April	(4,356)	(7,365)
	<hr/> <b>(3,530)</b>	<hr/> <b>(4,356)</b>

## 6.29 Long Term Borrowing

	Outstanding at 31 March 2009 £000's	Outstanding at 31 March 2008 £000's
<b>Analysis of loans by lender</b>		
Public Works Loans Board - fixed rate	5,232	7,371
Local Bonds	4	4
<b>Total</b>	<b>5,236</b>	<b>7,375</b>
<b>Analysis of loans by maturity</b>		
Between 1 and 2 years	683	2,128
Between 2 and 5 years	2,465	2,234
Between 5 and 10 years	1,912	2,822
<b>Total</b>	<b>5,060</b>	<b>7,184</b>

Analysis of loans by lender includes a figure of £176k which is the accrued interest on the outstanding balance. It is not a requirement to show this under analysis of loans by maturity.

Long term loans with less than 12 months until maturity have been classified as short-term loans within creditors. As at 31<sup>st</sup> March 2009 they totalled £2,124k.

## 6.30 Long Term Investments

	Cost 2008/09 £000's	Nominal Value 2008/09 £000's	Market Value 2008/09 £000's	Cost 2007/08 £000's
2.5% Consolidated Stock	28	39	21	28
3.5% War Stock	4	4	3	4
<b>Long Term Investments</b>	0	0	0	2,000
<b>Total</b>	<b>32</b>	<b>43</b>	<b>24</b>	<b>2,032</b>

## 6.31 Deferred Liabilities

The total value of deferred liabilities in 2008/09 was £7,316k (£7,355k in 2007/08). This consists of a liability to South Oxfordshire District Council for debt outstanding on assets transferred to Oxford City Council at the 1991 boundary change. Another is for developer contributions earmarked for future capital schemes, revenue maintenance, and unapplied contributions.

	2008/09 £000s	2007/08 £000s
South Oxfordshire District Council	(2,020)	(2,122)
Developer Contributions	(2,885)	(3,744)
Developer Revenue Maintenance	(609)	(712)
Other Capital Contributions	(2,239)	(778)
<b>Total</b>	<b>(7,753)</b>	<b>(7,355)</b>

### 6.32 Long Term Assets

	2008/09 £000's	2007/08 £000's
Rent to Mortgage Loans	4,244	4,751
Key Worker Housing Loans	338	338
Council House Mortgages	103	117
St. Margarets Institute Long Term Debt	0	30
Oxford Women's Training Scheme	19	19
Blackbird Leys Community Centre Loan	0	5
Creation Theatre Debt	24	0
<b>Total</b>	<b>4,728</b>	<b>5,260</b>

### 6.33 Stock

	2008/09 £000's	2007/08 £000's
Building Works	375	335
City Works	190	141
Engineering Services	80	57
Goods for Resale	32	53
<b>Total</b>	<b>677</b>	<b>586</b>

### 6.34 Work in Progress

The South Oxfordshire Housing Authority contract finished on the 31 March 2008. As all work has now been completed and invoiced, there is a reduction in work in progress.

	2008/09 £000's	2007/08 £000's
Building Works - South Oxfordshire Housing Association	0	284
<b>Total</b>	<b>0</b>	<b>284</b>

### 6.35 Debtors

This table shows amount that the Council was owed at 31 March by third parties, together with amounts paid by the Council in advance of receipts of goods or services.

	Total debt outstanding 2008/09 £000's	Provision for bad debts 2008/09 £000's	Net debtor 2008/09 £000's	Net debtor 2007/08 £000's
Government Departments	1,775	0	1,775	2,296
Other Local and Public Authorities	16	0	16	211
Tenants (Housing Revenue Account)	1,418	(603)	814	798
Sundry Debtors	7,378	(228)	7,150	5,693
TA Centre, Mascall Avenue		0	0	5,649
Housing Benefit Overpayments	3,417	(2,282)	1,135	765
Non Domestic Rate	2,752	(1,544)	1,208	603
Council Tax	5,612	(2,633)	2,978	2,850
<b>Total</b>	<b>22,367</b>	<b>(7,290)</b>	<b>15,076</b>	<b>18,864</b>



### 6.36 Creditors

The table below shows amount that the Council owed at 31 March to third parties, together with amounts received by the Council in advance of supply of goods or services.

	<b>2008/09</b> <b>£000's</b>	<b>2007/08</b> <b>£000's</b>
Receipts in advance	(5,914)	(4,728)
Grants		(1,501)
Government Departments including taxation	(898)	(923)
Pensions Contributions due to County Council	(745)	(670)
Sundry Creditors	(9,971)	(8,641)
<b>Sub Total</b>	<b>(17,528)</b>	<b>(16,463)</b>

### 6.37 Self Insurance

The Council maintains a self-insurance fund as an alternative to the insurance market. It is used to meet claims up to specified amounts, above which the Council insures through external insurers. The fund covers public liability claims (up to £50,000 each) and building claims (up to £100,000 each).

	<b>2008/09</b> <b>£000's</b>	<b>2007/08</b> <b>£000's</b>
Contributions to Fund	198	294
Claims	(47)	(180)
<b>Increase in Earmarked Reserve</b>	<b>151</b>	<b>114</b>

## 6.38 Provisions

As described in the Statement of Accounting Policies, provisions represent amounts set aside for liabilities that have definitely been incurred, but where the exact amount and date of payment is uncertain. The purpose of individual provisions is outlined below.

	Balance 1 April 2008	New in year	Used in Year	Returned to Revenue	Balance 31 March 2009
	£000	£000	£000	£000	£000
<b>Singletree R &amp; M Provision</b> To cover major work in respect of the properties owned by leaseholders. When the leasehold properties are resold a percentage of the resale value is paid into the provision.	(197)	(9)	0	0	(206)
<b>Abbey Place Sinking Fund</b> To cover major repair and maintenance work in respect of the properties owned by leaseholders. This provision will be released on disposal of Abbey Place.	(4)	0	0	0	(4)
<b>Capitalised Pension Cost Provision</b> To fund the 5 year effect of early retirement/capitalised cost. Funded by taking the whole of the capitalised cost (from the service department of the employee) in the year in which retirement took place and only releasing 1/5 of the fund each year when the amount is due to the Pension Fund	(34)	0	13	0	(21)
<b>Lease Agreement of Southfield Park</b> Required to cover increase in site rent due from 1 April 2004. Agreement on the size of the increase has not been reached and will now be referred to arbitration. An agreement is expected in 2009-10.	(445)	(510)	0	0	(955)
<b>Burial of the Dead Provision</b> Required to retain any assets (cash etc.) found with deceased persons belongings where no family members can be found to make arrangements for them. Assets are held on their behalf for a period of time until family connections are made.	(9)	(1)	0	0	(10)
<b>Lord Mayors Deposit Scheme Provision</b> A scheme established by the Lord Mayor of Oxford to help local, non statutory homeless individuals to access the private housing market.	(56)	(5)	15	0	(46)
<b>Oxfordshire Sports Partnership contingency</b> To meet costs arising from the procurement of employment	(40)	(26)	0	0	(66)
<b>Catacombs Youth Provision</b> Funding received to spend on Youth Provision in the West End area following release of a covenant.	0	(80)	0	0	(80)
<b>Choice Based Letting Provision</b> Funding received to spend on the Choice Based Letting scheme.	(101)	0		58	(43)
<b>Total</b>	<b>(887)</b>	<b>(631)</b>	<b>27</b>	<b>58</b>	<b>(1,433)</b>

### 6.39 Movement on Reserves

This note analyses the movement in each reserve, and the total gains and losses shown below equals the total shown in the Statement of Recognised Gains and Losses.

	Balance 1 April 2008 £000	Movement £000	Balance 31 March 2009 £000
<b>Capital Adjustment Account</b>			
Store of capital resources set aside to meet past expenditure and the closing balance of the Fixed Asset Restatement Account	-744,977	64,924	-680,054
<b>Revaluation Reserve Account</b>			
Store of gains on revaluation of fixed assets not yet realised through sales	-13,874	-51,802	-65,676
<b>Usable Capital Receipts</b>			
Proceeds of fixed asset sales available to meet future capital investment	-6,460	1,593	-4,867
<b>Deferred Capital Receipts</b>			
Money owed when the Council issues mortgages for Right to Buy sales of council houses	-10,913	6,228	-4,685
<b>Pensions Reserve</b>			
Balancing amount to allow inclusion of Pensions Liability in the Balance Sheet	60,046	42,944	102,990
<b>Major Repairs Reserves</b>			
Resources available to meet capital investment in council housing	-3	3	0
<b>General Fund</b>			
Resources available to meet future running costs for non-housing services	-6,976	2,634	-4,342
<b>Housing Revenue Account</b>			
Resources available to meet future running costs for council houses	-3,965	1,048	-2,917
<b>Collection Fund</b>			
This represents the Councils share of the Collection Fund (surplus) / deficit	45	-114	-69
<b>Earmarked Reserves</b>			
These are funds earmarked for a specific purposes	-6,787	-2,381	-9,168
<b>Financial Instruments Adjustment Account</b>			
Write off of Icelandic Bank Investment	0	853	853
<b>Total</b>	<b>-733,864</b>	<b>65,931</b>	<b>-667,933</b>

### 6.40 Capital Adjustment Account

This account includes provision for credit liabilities, reserved receipts and minimum revenue provisions. The account is matched by fixed assets within the Balance Sheet, and is not a resource available to the Authority.

	Capital Adjustment Account  2008/09 £'000
Opening balance	-744,977
Revenue financing	-1,070
UCR financing	-9,055
Reverse depreciation	14,938
Reverse deferred charges	2,214
Write off Government Grands Deferred	-3,252
MRA Applied	-5,197
Impairment	65,621
Disposals	981
Other	-258
Balance carried forward at 31st March 2009	<b>-680,054</b>

## 6.41 Revaluation Reserve

Revaluation reserve provides the matching entry when fixed assets are restated, upon revaluation or disposal. When assets are disposed of, they are re-valued for that purpose, and the valuation gain is written out against the reserve.

<b>Revaluation Reserve</b>	
	<b>2008/09</b>
	<b>£'000</b>
<b>Opening balance at 1st April 2008</b>	-13,874
<b>Revaluations for the year</b>	
(Gains)/Losses on revaluation on Council Dwellings	-51,448
(Gains)/Losses on revaluation on Other land & Buildings	-332
(Gains)/Losses on revaluation on Infrastructure	0
(Gains)/Losses on revaluation on Community Assets	-2
(Gains)/Losses on revaluation on Investments	-20
Disposals of fixed assets	0
<b>Net movement for the year</b>	<u>-51,802</u>
<b>Balance at 31 March 2009</b>	<u><b>-65,676</b></u>

## 6.42 Useable Capital Receipts

Receipts from the sale of fixed assets can only be used to finance new capital investment. They are initially credited to the reserve and then transferred to Capital Adjustment Account when they are used for financing.

<b>Useable Capital Receipts</b>	
	<b>2008/09</b>
	<b>£'000</b>
<b>Balance brought forward at 1st April 2008</b>	-6,460
Capital Receipts from sale of fixed assets	-7,640
Amount applied to finance new capital investment in 08/09	9,052
Payment to Capital receipt pool	823
Adjustments to capital receipts used in previous years	-641
Net movement for the year	1,593
<b>Balance at 31 March 2009</b>	<u><b>-4,867</b></u>

## 6.43 Other Reserves

	<b>Opening Balance as at 1st April 2008 £000's</b>	<b>Movement £000's</b>	<b>Closing Balance as at 31st March 2009 £000's</b>
Deferred Capital Receipts	(10,913)	6,228	(4,685)
Pensions Reserve	60,046	42,944	102,990
Major Repairs Reserve	(3)	3	0
Housing Revenue Account	(3,965)	1,048	(2,917)
General Fund	(6,976)	2,634	(4,342)
Collection Fund	45	(114)	(69)
	<u><b>38,234</b></u>	<u><b>52,743</b></u>	<u><b>90,977</b></u>

## 6.44 Earmarked Reserves

Earmarked reserves are amounts set aside by the Council from General Fund balance to meet identified future liabilities. The purposes of the main reserves are set below.

	Balance 1st April 2008 £000's	Receipts £000's	Payments £000's	Balance 31st March 2009 £000's
<b>St Margarets Institute</b> Set aside to meet loan given for charitable organisation.	(30)	0	30	0
<b>Cemetery Maintenance</b> Created to meet future maintenance liabilities	(19)	0	0	(19)
<b>Taxis</b> Reserve from increased taxi licensing fees and additional licensing numbers	(44)	(75)	0	(119)
<b>Investment Income Reserve</b>	0	(1)	0	(1)
<b>IT Equipment Reserve (HRA)</b> This reserve has been created to fund future purchases of IT equipment	(358)	0	41	(318)
<b>Town Hall Equipment Reserve</b> This reserve is to fund future replacement of Town Hall equipment	(32)	(9)	0	(41)
<b>Work Of Art Reserve</b> A reserve to fund future purchases of works of art for the Civic Collection	(5)	0	0	(5)
<b>Shopmobility Equipment Reserve</b> A reserve to fund future purchases of motorised wheelchairs	(20)	(1)	0	(22)
<b>Job Evaluation Reserve</b> To cover incidental costs of single status implementation	(1,367)	(616)	983	(1,000)
<b>Customer Services Server Replacement</b> This reserve is to fund future purchase of computer equipment in this service	(72)	0	0	(72)
<b>S&amp;R Oxford Business Contributions</b> To be used for future partnership projects	(52)	0	20	(32)
<b>Performance Reward Grant</b> Earmarked for investment in performance improvements	(101)	0	101	(0)
<b>Giro Payments Control Account Reserve</b> No longer required	(53)	0	53	0
<b>SALIX Energy Projects</b> Balance of funding from Carbon Trust and Renewable Energy bids. Fund to be used for future energy saving projects. All future expenditure spent on projects will be matched by further SALIX funding.	(193)	0	93	(100)
<b>Non SALIX Energy Projects</b> A reserve to be used for energy projects not matched by Salix funding	(12)	0	0	(12)
<b>Decent Homes Capital Reserve</b> A reserve created from revenue to contribute to the funding of the Decent Homes Capital Programme	(2,497)	(628)	0	(3,125)
<b>IT Infrastructure Reserve</b> A reserve to fund IT infrastructure, system upgrades and replacement.	(250)	0	150	(100)
<b>Repairs &amp; Maintenance Reserve</b> A reserve to be used to tackle the repairs & maintenance backlog	(375)	(300)	0	(675)
<b>Restructuring Reserve</b> A reserve used for costs associated with service restructures	(375)	(347)	722	0
<b>Reserve for Land Charges</b> A reserve to fund IT software in relation to Land Charges	0	(7)	0	(7)
<b>Leisure Repairs &amp; Maintenance</b> A reserve to fund Repairs & Maintenance in respect of the Leisure Centres	0	(218)	0	(218)
<b>Invest to Save Projects</b> A reserve to fund initiatives that will deliver savings and payback the original cost	0	(106)	0	(106)
<b>Self Insurance Fund</b> Created as a self-insurance fund	(930)	(205)	54	(1,081)
<b>Business Transformation Projects</b> A reserve to fund Transformational projects that deliver improved working and future year savings	0	(1,465)	0	(1,465)
<b>Icelandic Banking Provision</b> A reserve established during 2008-9 to contribute towards the anticipated Icelandic Banking loss	0	(350)	0	(350)
<b>Recession Led Pressures Provision</b> A reserve set up in 2008-9 to fund any losses in 2009-10 as a result of the recession	0	(300)	0	(300)
<b>Total</b>	<b>(6,787)</b>	<b>(4,629)</b>	<b>2,248</b>	<b>(9,168)</b>

## 6.45 Financial Instruments Adjustment account

### Disclosure Note

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £4,500k deposited across 2 of these institutions, with varying maturity dates and interest rates as follows:

Counterparty	£	%	Maturity Date
Glitnir	1,500,000	5.51%	28/01/2009
Heritable	1,000,000	6.04%	05/01/2009
Heritable	1,000,000	6.18%	30/04/2009
Heritable	1,000,000	5.83%	09/12/2008

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators/receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

### Heritable Bank

Heritable Bank is a UK registered bank under Scots law. The company was placed in administration on 7<sup>th</sup> October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17<sup>th</sup> April 2009 outlined that the return to creditors was projected to be 80p in the £ by end 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. The Council has therefore decided to recognise an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore in calculating the impairment the Council has made the following assumptions re timing of recoveries:

July 2009 – 15%  
July 2010 – 30%  
July 2011 – 15%  
July 2012 – 10%  
July 2013 – 10%

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest up to 6<sup>th</sup> October 2008.

### Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law. Old Glitnir's latest public presentation of its affairs was made to creditors on 6 February 2009 and can be viewed on its website. This indicates that full recovery of the principal and interest to 14 November 2008 is likely to be achieved. Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Iceland courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be dominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Glitnir to enjoy rights in New Glitnir.

The Council has therefore decided to recognise an impairment based on it recovering the full amount of principal and interest up to 14 November 2008 in the future. The impairment therefore reflects the loss of interest to the Council until the funds are repaid.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to 40% of its liabilities, assuming that the Bond remains at its current estimated value. Therefore if preferential creditor status is not achieved the recoverable amount may only be 40p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Since the value of deposits is small compared to the total asset value of the bank, in calculating the impairment the Council has therefore made an assumption that the repayment of priority deposits will be made by 31<sup>st</sup> March 2010.

Recoveries are expressed as a percentage of the Council's claim in the administration, which it is expected may validly include interest accrued up to 14<sup>th</sup> November 2008.

The impairment loss recognised in the Income and Expenditure Account in 2008/09, £220k, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Council has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £853k has been transferred to the Financial Instruments Adjustments Account. The balance of £220k relates to interest which has been borne in full by the General Fund.

Discussions are ongoing with DCLG to amend Regulations to allow the Council to charge the relevant proportion of the impairment loss, including lost interest, to the Housing Revenue Account and Pension Fund.

The recoverable amount of the investment is £3,647k, which is £1,072k less than the carrying amount of the investment. An impairment of £1,072k has been recognised in the Income and Expenditure Account in 2008/09.

The amortised cost method requires that interest continue to be credited to the Income & Expenditure account until the financial instrument has been derecognised. This will be the point at which the final payment in respect of the investment is received. Interest will continue to be credited to the Income & Expenditure account in 2009/10 and until the instrument has been derecognised.

#### Financial Instruments Adjustment Account

	<b>2008/09</b>
	<b>£'000</b>
<b>Balance brought forward at 1st april 2008</b>	0
Glitnir	20
Heritable	833
Net movement for the year	<u>853</u>
<b>Balance at 31 March</b>	<u><u>853</u></u>

#### 6.46 Contingent Assets

The Council runs a Home Choice deposit scheme as a scheme to prevent Homeless presentations. The scheme offers assistance to clients to access the private sector housing market by providing deposits to landlords or fees to agencies. Since the scheme started in 2003, approximately £300k per annum has been spent by the Council. Some of the deposits have been used to cover rent arrears or dilapidations, some deposits have been returned to the Council and some of the deposits are still in circulation. Those deposits still in circulation are an asset to the Council and should be recognised as such in the Council's accounts. Work is ongoing to identify the level of this asset. Officers believe it could be in the region of £600k.

## **6.47 Contingent Liability**

There are a number of property transactions in the accounts relating to the Westgate Redevelopment. The Council has assumed the Westgate redevelopment will go ahead and has accounted on this basis.

The Council was given ownership of the new Albert House building in return for its agreement to transfer its Abbey Place properties to the developers as part of the Westgate redevelopment. However, the terms of the Westgate agreements place an obligation on the Council to pay to the developers the building costs of Albert House if the Westgate development does not go ahead. This obligation becomes effective one year after the "long-stop" date for the commencement of the agreement has passed, so if the Development Agreement never commences the earliest possible payment date is 31 December 2010. Although this is considered unlikely, in line with FRS 12 there is a need to recognise a contingent liability for the £2.5 million purchase price of Albert House.

Albert House is recognised in the accounts as an asset owned by the Council. Abbey Place is recognised in the accounts at nil value pending transfer to the developer. In the event that the Westgate development does not go ahead Abbey Place may then be recognised as an asset awaiting disposal or returned to use as Housing.

## **6.48 Financial Instruments**

### **Nature and extent of risks arising from financial instruments**

The Council's overall risk management programme focuses on minimising the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk, refinancing risk and market risk.

### **Credit Risk**

Credit risk arises from short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the Council's policy to place funds only with limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's Treasury Advisers and to restrict lending to a prudent maximum amount for each financial institution. The Council also maintains a formal counterparty policy in respect of those financial institutions and other bodies from which it may borrow, or with whom it may enter into other financing arrangements.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions. The historical experience of default has been taken from Fitch, a credit rating organisation used by the Council and, applies to the period 1990 – 2007 on investments out to 5 years.



	Amount at 31st March 2009 2008/09 £000's	Historical experience of default 2008/09 %	Adjustment for market conditions at 31st March 2009 2008/09 %	Estimated maximum exposure to default 2008/09 £000's
<b>Deposits with banks and financial institutions</b>				
AAA rated counterparties	3,140	0.000%	0.000%	0
AA rated counterparties	3,000	0.060%	0.060%	2
A rated counterparties	11,000	0.650%	0.650%	72
BBB rated counterparties	1,000	3.110%	3.110%	31
BB rated counterparties	0	9.340%	9.340%	0
B rated counterparties	0	9.870%	9.870%	0
CCC to C rated counterparties	0	42.670%	42.670%	0
Other counterparties	6,500	42.670%	42.670%	2,774
Bonds - AAA rates	0	0.001%	0.001%	0
<b>Sub Total</b>	<b>24,640</b>			<b>2,878</b>
<b>Debtors</b>				
Government Departments	1,775	0.000%	0.000%	0
Other Local and Public Authorities	16	0.000%	0.000%	0
Tenants (HRA)	1,418	42.525%	42.525%	603
Sundry Debtors	7,378	3.090%	3.090%	228
Housing Benefit Overpayments	3,417	66.784%	66.784%	2,282
<b>Sub Total</b>	<b>14,004</b>			<b>3,113</b>
<b>Total</b>	<b>38,644</b>			<b>5,991</b>

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £4.5m invested in this sector at that time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to the accounting requirements. The impact of the principal invested has been mitigated in the accounts according to government regulations, although all related investment income has been fully impaired.

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

The Council does not generally allow credit for its trade debtors. The past due amount can be analysed by age as follows:

	2008/09 £000's
Less than three months	11,020
Three to six months	802
Six months to one year	599
More than one year	1,532
<b>Total</b>	<b>13,953</b>

### Liquidity Risk

The Council has ready access to borrowings from the Public Works Loan Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council has specific various prudent percentage limits for debt maturing in different periods to ensure an excessive amount of loans do not fall due for repayment at the same time. This ensures prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

## Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures cover the short and medium term cash needs, the risk in the longer term relates to the danger of having to replace a maturing long term investment at a disadvantageous rates.

The approved prudential indicator limiting the amount of funds placed in investments for terms exceeding one year is a key factor limiting this risk, as is medium term financial policy on reducing the Council's reliance on interest earnings to fund its core activities.

The Council approved treasury and investment strategies addressing the main risks and the Council's treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt or ensuring sufficient funds to make repayments on due dates; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs, and the spread of longer-term investments providing stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	<b>2008/09</b> <b>£000's</b>
Less than one year	2,124
Between one and two years	683
Between two and five years	2,465
Between five and ten years	1,912
<b>Total</b>	<b>7,184</b>

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the fair value is assumed to be equal to the carrying amount.

The analysis of financial liabilities is included in the table below. The amortised cost is an accumulation of the principal and accrued interest. The fair value is as per the notification received from the PWLB. The fair value of the liabilities is higher than the amortised cost due to the premiums that would become payable if the loans were to be repaid. All of the debt is relating to the HRA and therefore we do not intend to reschedule or repay this debt at any time, therefore have included our debt at amortised cost.

## Analysis of financial liabilities

	08/09 £000s	07/08 £000s
Short Term Borrowing	2,124	567
Long Term Borrowing	5,059	7,184
	<b>7,183</b>	<b>7,751</b>
Interest	177	191
<b>Amortised Cost</b>	<b>7,360</b>	<b>7,942</b>
<b>Fair Value</b>	<b>9,412</b>	<b>9,880</b>

The analysis of financial assets is shown in the table below. The amortised cost is an accumulation of the principal and the accrued interest. All investments are at a fixed rate and for a fixed term therefore the accrued interest is based on the agreed rates at the inception date of the investment, and therefore a fair value has not been used as a comparable.

## Analysis of financial assets

	08/09 £000s	07/08 £000s
Short term investments	29,140	31,100
Long term investments	32	2,032
	<b>29,172</b>	<b>33,132</b>
Interest	381	824
<b>Amortised Cost</b>	<b>29,553</b>	<b>33,956</b>

All trade and other payables are due to be paid in less than one year and trade debtors of £22,317k are not shown in the table above.

## Market Risk

**Interest rate risk** – The Council is exposed to interest rate movement on its borrowings and 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:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure will rise
- Borrowings at fixed rates – the fair value of the borrowing liability will fall
- Investments at variable rates – the interest income credited to the Income and Expenditure will rise
- Investments as fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure account and effect the General Fund balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury options, 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 Council's 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.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

If all interest rates had been 1% higher will all other variable held constant the financial effect would be:

	<b>£000s</b>
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Impact on Income & Expenditure account	0
Increase in government grant receivable for financing costs	0
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investment assets	0
Impact on STRGL	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on I&E account of STRGL)	0

The approximate impact of 1% fall in interest rates would be as above with the movements reversed.

**Price Risk** – The Council, excluding the pension fund, does not generally invest in instruments with this type of risk.

**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.

### Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Short Term	
	31st March 2009 £000s	31st March 2008 £000s	31st March 2009 £000s	31st March 2008 £000s
Financial Liabilities (principal amount)	5,060	7,184	2,124	567
Plus accounting adjustments	124	176	52	14
Financial Liabilities at amortised cost	5,184	7,360	2,176	581
Financial Liabilities at fair value through the I&E	9,412	9,880		
<b>Total Borrowings</b>	<b>14,596</b>	<b>17,240</b>	<b>2,176</b>	<b>581</b>
Loans and receivables (principal amount)	0	2,000	29,140	31,100
Accounting adjustments	0	50	421	775
Loans and receivables at amortised cost	0	2,050	29,561	31,875
<b>Total investments</b>	<b>0</b>	<b>4,100</b>	<b>59,122</b>	<b>63,750</b>

## Financial Instruments Gains and Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

Financial Instruments Gains and Losses 2008/09		
	Liabilities measured at amortised cost £000s	Loans and receivables £000s
Interest expense	0	220
Losses on derecognition	0	0
Impairment losses	0	-1072
<b>Interest payable and similar charges</b>	<b>0</b>	<b>-852</b>
Interest income	0	0
Gains on derecognition	0	0
<b>Interest and investment income</b>	<b>0</b>	<b>0</b>
Gains on revaluation	0	0
Losses on revaluation	0	0
Amounts recycled to the I&E after impairment	0	0
<b>Surplus arising on revaluation of financial assets</b>	<b>0</b>	<b>0</b>
<b>Net gain/loss for the year</b>	<b>0</b>	<b>-852</b>

## Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31st March 2009		31st March 2008	
	Carrying amount £000s	Fair Value £000s	Carrying amount £000s	Fair Value £000s
PWLB Debt	7,180	9,412	7,746	9,880
Non - PWLB Debt	2,020	2,020	2,122	2,122
<b>Total Debt</b>	<b>9,200</b>	<b>11,432</b>	<b>9,868</b>	<b>12,002</b>
Trade creditors	9,971	9,971	8,643	8,643
<b>Total financial liabilities</b>	<b>19,171</b>	<b>21,403</b>	<b>18,511</b>	<b>20,645</b>
Money market loans < 1year	29,140	29,140	31,100	31,100
Money market loans > 1year	0	0	2,000	2,000
Bonds	0	0	0	0
Trade Debtors	7,378	7,378	5,822	5,822
<b>Total loans and receivables</b>	<b>36,518</b>	<b>36,518</b>	<b>38,922</b>	<b>38,922</b>

#### **6.49 Post Balance Sheet Events**

At the date that the Council has authorised these accounts for issue there were no post balance sheet events.

#### **6.50 Authorisation of Accounts**

The Statement of Accounts are authorised for issue on 26<sup>th</sup> June 2009 by the Council's Section 151 officer. Events after the balance sheet date have been considered up to this time.

## Cash Flow

### 6.51 Reconciliation of Income and Expenditure to Movement in Cash Flow

Reconciliation of Income & Expenditure to movement in cash	2008/09 £000
<b>Income and Expenditure Account deficit/(surplus) for the year</b>	<b>76,117</b>
Collection Fund Surplus/Deficit	(362 )
Adjust for items outside Revenue Activities Net Cash Flow	
Interest and Investment Income Received	2,281
Contribution of Housing Capital Receipts to Govt Pool	(823 )
Interest Payable	(1,022 )
Gain/(Loss) on Disposal of Fixed Assets/Long Term Investments	889
<b>Net Adjustments</b>	<b>77,080</b>
Adjust for items on accruals basis	
Stock and WIP Increase/(Decrease)	(192 )
Revenue Debtors Increase/(Decrease)	1,885
Revenue Creditors(Increase)/Decrease	(1,601 )
<b>Total Accruals Basis Adjustment</b>	<b>92</b>
Adjust for Non-Cash transactions	
Provisions (Increase)/Decrease	(546 )
Non Cash items from SMGFB	(82,111 )
Capital -Revenue Recharges	(4,807 )
Financial Instruments Adjustments	(852 )
<b>Total Non-Cash Transaction Adjustment</b>	<b>(88,316 )</b>
Adjust for Cash Transactions not included in I & E per SMGF	
Employers contribution to pension fund	6,590
<b>Total Cash transaction adjustment</b>	<b>6,590</b>
<b>Revenue Activities Net Cash Flow</b>	<b>(4,554 )</b>

### 6.52 Reconciliation of Movement in Cash to Net Debt

	As at 31st March 2009 £'000s	Movement £'000s	As at 1st April 2008 £'000s
Cash in Hand	(90 )	163	73
Cash Overdrawn	(144 )	(717 )	(860 )
Total	<u>(234 )</u>	<u>(554 )</u>	<u>(788 )</u>

### 6.53 Government Grants

The Council received £16,300k in Revenue Support Grant and £58,455k from Department Works and Pension for benefit payments. Other grants are analysed in the following table:

	<b>2008/09</b>	<b>2007/08</b>	<b>2006/07</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Concessionary Bus Fares	(827)	(90)	0
Local Authority Business Growth Incentive	(1,104)	(185)	(653)
New Growth Points	(208)	(307)	
Performance Reward		(202)	0
Planning Delivery	(447)	(485)	(402)
<b>Total Government Grants</b>	<b>(2,586)</b>	<b>(1,269)</b>	<b>(1,055)</b>



## 7 SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

### 7.1 Housing Revenue Account Income and Expenditure Account

	2008/09 £000's	2007/08 £000's
<b>Income</b>		
Dwelling Rents (Gross)	(30,232)	(29,196)
Non Dwelling Rents (Gross)	(1,321)	(1,357)
Charges for Services & Facilities	(1,249)	(1,173)
<b>Sub Total</b>	<b>(32,802)</b>	<b>(31,725)</b>
<b>Expenditure</b>		
Repairs & Maintenance	8,678	7,648
Supervision & Management	6,437	7,003
Rents, Rates, Taxes & Other Charges	618	196
Contribution to Bad and Doubtful Debts	129	168
Subsidy Payable	10,521	7,127
Depreciation	10,017	10,030
Impairment	37,224	12,313
Deferred Contributions Depreciation	0	(8)
<b>Sub Total</b>	<b>73,624</b>	<b>44,477</b>
<b>Net Cost of Services Per Inc &amp; Exp</b>	<b>40,822</b>	<b>12,751</b>
HRA Share of CDC	288	182
<b>Net Cost of HRA Services</b>	<b>41,110</b>	<b>12,933</b>
(Gain) or Loss on Sale of HRA Fixed Assets		
Interest Payable and Similar Charges	1,200	1,244
Amortisation of premiums and discounts		0
Investment Income & Mortgage Interest	(285)	(270)
<b>(Surplus) or deficit for the year on HRA Services</b>	<b>42,025</b>	<b>13,907</b>

## 7.2 Statement of Movement on the HRA Balance

	2008/09 £000's	2007/08 £000's
<b>Statement of Movement on the HRA Balance</b>		
(Surplus) or deficit for the year on the HRA Income And Expenditure Account	42,025	13,907
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
Impairment	(37,225)	(12,313)
Other Appropriations - Contributions to/ from reserves	347	2,957
Deferred Contributions	0	8
Net charges made for retirement benefits in accordance with FRS 17	652	161
<b>Sub Total</b>	<b>(36,227)</b>	<b>(9,188)</b>
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		
Transfer to (from) MRR	(4,823)	(4,836)
Employer's contribution to Pension Fund	72	71
Revenue contributions to Capital Expenditure	0	50
<b>Sub Total</b>	<b>(4,751)</b>	<b>(4,715)</b>
<b>(Increase) or decrease in the Housing Revenue Account Balance</b>	<b>1,048</b>	<b>4</b>
Housing Revenue Account surplus brought forward	(3,965)	(3,969)
<b>Housing Revenue Account surplus carried forward</b>	<b>(2,917)</b>	<b>(3,966)</b>

**Notes to the Supplementary Financial Statements**  
**Housing Revenue Account**

**7.3 Stock Analysis**

**Dwellings**

	<b>As at 31-Mar-09</b>	<b>As at 31-Mar-08</b>
<b>Houses</b>		
1 bedroom	279	273
2 bedroom	850	858
3 bedroom	2,917	2,925
more than 3 bedroom	275	264
<b>Flats</b>		
1 bedroom	1,647	1,645
2 bedroom	1,756	1,744
3 bedroom	154	155
more than 3 bedroom	4	4
<b>Non Dwelling Properties</b>		22
<b>Hostels</b>	8	8
<b>Overall Total</b>	<u><u>7,890</u></u>	<u><u>7,898</u></u>

	<b>As at 31-Mar-09</b>	<b>As at 31-Mar-08</b>
<b>Summary of changes in Stock</b>		
Stock at 1st April 2008	7,898	7,967
Less Sales	(4)	(24)
Other Disposals	(19)	(45)
Additions	15	
<b>Stock at 31st March 2008</b>	<u><u>7,890</u></u>	<u><u>7,898</u></u>

**Garages and Parking Spaces**

	<b>As at 31-Mar-09</b>	<b>As at 31-Mar-08</b>
Garages In Block	2,302	2,294
Garges Within Curtilage	277	16
Parking Spaces	50	39
<b>Overall Total</b>	<u><u>2,629</u></u>	<u><u>2,349</u></u>

	As at 31-Mar-09	As at 31-Mar-08
<b>Summary of changes in Garages &amp; Parking Spaces</b>		
Stock at 1st April 2007	2,349	2,742
Overstated demolished from prior year	374	
Demolished/ Disposed	(94)	(393)
<b>Stock at 31st March 2008</b>	<b>2,629</b>	<b>2,349</b>

#### 7.4 Stock Valuation

A valuation of the stock was carried out by Knight Frank at 31<sup>st</sup> March 2009. The vacant possession value of dwellings at that date was estimated to be £1.26 billion. This is an indication of the open market value that might be obtained if the Council were in a position to dispose of the properties in that way. The Council is required to show in its balance sheet, the housing stock value on the existing use basis for social housing.

	2008/09 £000's	2007/08 £000's
<b>Asset Values by Asset Type</b>		
Council Dwellings	573,364	557,496
Other Land & Buildings	15,789	18,832
Vehicles & Plant	4	8
Furniture & Equipment	0	0
Infrastructure	0	0
Community Assets	58	78
Investment Properties	(46)	1,589
<b>Total Value</b>	<b>589,168</b>	<b>578,002</b>

#### 7.5 Major Repairs Reserve

	2008/09 £000's	2007/08 £000's
<b>Opening Balance</b>	<b>(3)</b>	<b>0</b>
Transfer from Capital Financing Reserve	(10,017)	(10,030)
Excess of Depreciation on dwellings over Major Repairs Allowance	4,823	4,836
Financing of Capital Expenditure (MRA Applied)	5,197	5,190
<b>Closing Balance</b>	<b>0</b>	<b>(3)</b>

## 7.6 Capital Spending

	2008/09 £000's	2007/08 £000's
Buildings	11,198	9,428
Other assets	(14)	3,063
<b>Total Spend</b>	<b>11,184</b>	<b>12,491</b>
<b>Sources of Finance</b>		
Supported Borrowing	546	546
Government Grants & Other Contributions		0
Major Repairs Allowance	5,197	5,191
Capital Receipts	5,441	6,754
Revenue Contributions		0
<b>Total Spend</b>	<b>11,184</b>	<b>12,491</b>

## 7.7 Capital Receipts

Receipts received from the sale of HRA assets were as follows:

	2008/09 £000's	2007/08 £000's
Buildings	(6,736)	(9,754)
Less: administrative costs	9	115
<b>Total</b>	<b>(6,727)</b>	<b>(9,639)</b>

## 7.8 Depreciation

Depreciation is charged on the balance sheet value of assets, based on the estimated useful life. The main charge is for council dwellings that have an estimated useful life of 50 years. So that the charge does not impact upon the deficit or surplus for the year, an adjustment is made by transfer to the Major Repairs Reserve and Housing Subsidy.

	2008/09 £000's	2007/08 £000's
Depreciation - council dwellings	9,561	9,630
Depreciation - other land & buildings	452	396
Depreciation - other assets	4	4
<b>Total</b>	<b>10,017</b>	<b>10,030</b>

## 7.9 Impairment

There has been considerable expenditure incurred in bringing properties up to the decent homes standard. The Council accounting policy on impairment stated that unless the amount spent on an individual asset equals more than 15% of the value of the property, then this expenditure is recorded as capital spend not enhancing the asset. This is accounting treatment that departs from the SORP. There is no impact on the accounts for 2008/09 as all dwellings were revalued as at 31 March 2009. The Council will review its policy to align with SORP in 2009/10.

A number of properties were also demolished during the year which is also recorded as impairment. So that the charge does not impact on the HRA deficit and balances, an adjustment is made in accordance with HRA statutory requirements.

The total value of impairment for 2008/09 was £37,225k (£12,313k in 2007/08).

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000's</b>	<b>£000's</b>
Impairment	37,225	12,313
<b>Total impairment of Fixed Assets</b>	<b>37,225</b>	<b>12,313</b>

## 7.10 Revenue Expenditure funded from Capital Under Statute

Revenue Expenditure funded from Capital Under Statute relates to capital expenditure which does not necessarily result in an asset. In 2008/09 and 2007/08 there were no such charges.

## 7.11 Housing Subsidy

Housing Revenue Account Subsidy represents the net amount paid by the Council to Central Government in respect of the surplus on the notional HRA.

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000's</b>	<b>£000's</b>
Management and maintenance	12,991	12,748
Major Repairs Allowance	5,194	5,194
Charges for capital	2,590	2,750
<b>Less:</b>		
Interest on receipts	(15)	(19)
Guideline rent income	(31,305)	(29,752)
Rent Constraint Allowance		1,390
<b>Housing Subsidy Payable</b>	<b>(10,544)</b>	<b>(7,689)</b>
Adjustment to subsidy for prior year	24	562
<b>Total</b>	<b>(10,521)</b>	<b>(7,127)</b>

## 7.12 Interest Received

The Housing Revenue Account is credited with interest on cash balances and interest on loans granted to enable tenants to purchase council dwellings.

	2008/09 £000's	2007/08 £000's
Interest on cash balances	273	253
Interest on loans to individuals	11	17
<b>Total</b>	<b>284</b>	<b>270</b>

## 7.13 Financial Reporting Standard (FRS) 17 – Pensions

Included within the net cost of services, is the HRA share of contributions from the Pension Reserve. The pension contributions have been calculated in accordance with FRS 17. An adjustment is made after Net Operating Expenditure, so that there is no effect on the HRA surplus for the year.

## 7.14 Rent Arrears

	2008/09 £000's	%	2007/08 £000's
<b>Arrears Details</b>			
Current Tenants	919	3.00	1,077
Past tenants	121	0.40	148
<b>Overall</b>	<b>1,040</b>	<b>3.40</b>	<b>1,225</b>
<b>Total Rents due in year</b>	<b>30,657</b>		<b>29,612</b>

## 7.15 Provision for Bad Debt

	2008/09 £000's	2007/08 £000's
Opening Balance	493	533
Write-offs in Year	(235)	(207)
Additional Provision	134	167
<b>Closing Balance</b>	<b>392</b>	<b>493</b>

In light of the current economic climate, this provision was reviewed, however, as the rent team have improved the collection rate during 2008/09. This provision will be sufficient.

## 7.16 HRA Trading

	Expenditure	Income	Net (Surplus) / Deficit	Net (Surplus) / Deficit
	2008/09 £000's	2008/09 £000's	2008/09 £000's	2007/08 £000's
SOHA	1	3	4	(1)
Estates	379	(368)	11	8
<b>Total trading operations</b>	<b>380</b>	<b>-365</b>	<b>15</b>	<b>7</b>

## 7.17 Capital Commitment

### Capital Contractual Commitments, HRA

		£'000
Kitchens	(Fergal)	489
Non Traditional	(SERS)	5
		<u>494</u>

### Approved Capital Programme, HRA

	2009/10 £'000		2010/11 £'000		2011/12 £'000
Decent Homes	10,297	Decent Homes	15,993	Decent Homes	7,792
Other	174	Other	200		
Total	<u>10,471</u>	Total	<u>16,193</u>		<u>7,792</u>



## 8. COLLECTION FUND ACCOUNT

### 8.1 Collection Fund

Is a separate statutory fund under the provision of Local Government Act 1988. Its assets and liabilities are included in the General Fund Balance sheet and its income and expenditure is shown below:

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000's</b>	<b>£000's</b>
<b>Income</b>		
Council Tax	(59,725)	(57,457)
Business ratepayers	(75,161)	(70,627)
<b>Transfers from General Fund</b>		
Council Tax benefits	(8,724)	(8,316)
Transitional relief	(9)	(3)
<b>Sub Total</b>	<b>(143,619)</b>	<b>(136,404)</b>
<b>Expenditure</b>		
Precepts	68,561	65,983
<b>Business rate</b>		
Payment to National Pool	74,943	70,403
Cost of Collection	227	228
<b>Bad and doubtful debts</b>		
Provisions	(68)	(3)
<b>Contributions</b>		
Towards previous year's estimated Collection Fund surplus	(407)	512
<b>Sub Total</b>	<b>143,257</b>	<b>137,123</b>
<b>Movement on fund balance</b>	<b>(362)</b>	<b>719</b>

### 8.2 Non-Domestic Rates

Under the arrangements for business rates, the Council collects non-domestic rates for its area, based on local rateable values, multiplied by a uniform business rate. The amount collectable, less a cost of collection allowance set by Department of Communities and Local Government, and provisions for doubtful debts, is paid into the national non-domestic rate pool. For each type of Authority (district, county, etc) a set amount per head is paid back.

The local rateable value as at 31st March 2009 was £203,105k (£201,381k at 31st March 2008). The multiplier for 2008/09 was set at 46.2 pence in the pound (44.4 pence for 2007/08).

### 8.3 Council Tax

The Council's tax base i.e. the number of chargeable dwellings which have been classified into eight valuation bands (A to H) estimating 1st April 1991 values. The Council Tax is set for band D properties and tax for the other bands is calculated as a proportion of band D.

For 2008/09 the Council Tax was set at £250.15 for a band D property (2007/08 £240.53)

The Council Tax base was calculated as follows:

Valuation Band	Total no. Dwellings on Valuation List	Total Equivalent Dwellings (after discounts, etc.)	Ratio to Band D	Band D Equivalents
A	2,443	1,714	6/9	1,143
B	8,748	6,687	7/9	5,201
C	18,585	15,459	8/9	13,741
D	15,583	12,434	1	12,434
E	6,441	5,096	11/9	6,228
F	2,707	2,290	13/9	3,308
G	3,146	2,667	15/9	4,444
H	564	309	18/9	617
	<b>58,217</b>	<b>46,656</b>		<b>47,116</b>
<b>Crown Properties</b>				6
<b>Allowance of 2% for non-collection</b>				(942)
<b>Total</b>				<b>46,180</b>

### 8.4 Council Tax Income

	2008/09 £000's	2007/08 £000's
Billed to Council Tax Payers	(59,726)	(57,457)
Council Tax Benefits	(8,724)	(8,316)
Transitional Relief	0	0
<b>Total</b>	<b>(68,449)</b>	<b>(65,773)</b>

### 8.5 Precepts

	2008/09 £000's	2007/08 £000's
Oxfordshire County Council	50,325	48,447
Oxford City Council	11,552	11,108
Thames Valley Police Authority	6,685	6,428
<b>Total</b>	<b>68,561</b>	<b>65,983</b>

## 9. Accounting for Pension Costs

### 9.1 Retirement Benefits

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits in accordance with statutory requirements. Although these retirement benefits will not actually be payable to employees until they retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension scheme for civilian employees, administered by Oxfordshire County Council. This is a defined benefit scheme, meaning that the Authority and employee pay contributions into a fund, calculated at a level to balance the pension liabilities with investment assets.

The Council has adopted the amendment to FRS 17 under the SORP 2008. The new provision prescribed for quoted securities held as assets in the defined benefit pension schemes to be valued at bid price rather than mid-market value. The financial implication is that the value of scheme assets as at 31 March 2009 has been restated from £130.14m to £129.85m resulting in an increase of the pension deficit of £0.29m 31 March 2008.

#### Transactions relating to Retirement Benefits

The costs of retirement benefits are recognised in the net cost of services at the time that they are earned by employees, rather than when benefits are eventually paid as pensions. However, the charge that is made against the Council Tax is based on the cash payable in the year, in terms of the employer's contribution and unfunded pensions based on years of service added in some cases upon retirement. The real cost of retirement benefits is shown in the Income and Expenditure Account, but is reversed out, and replaced by actual contributions and unfunded pensions, in the Statement of Movement on the General Fund Balance.

#### Income and Expenditure Account

	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>As restated £000</b>
<b>Net Cost of Services</b>		
Current Cost of Services	4,120	6,010
Past Service Cost	200	1,690
<b>Net Operating Expenditure</b>		
Interest Cost	12410	10,290
Expected Return on Assets	-9150	(9,620) 670
Net charge to the income and Expenditure account	7,580	8,370

#### Statement of Movement in the General Fund Balance

Reversal of net charges made for retirement benefits in accordance with FRS 17	(990)	(2,190)
<b>Employer's Contributions Payable to the Scheme</b>	<b>6,590</b>	<b>6,180</b>

### 9.2 Assets and Liabilities in Relation to Retirement Benefits

The latest actuarial valuation of the fund was carried out as at 31 March 2007, and has been updated by independent actuaries to Oxfordshire County Council Pension Fund to account for the requirements of FRS 17 in order to assess the liabilities of the Fund as at 31 March 2009.

In accordance with paragraph 77(0) of FRS 17 (as revised), the assets for the current period and previous two periods are measured at current bid price. Asset values previously measured at mid-market value for periods ending 2008 and 2007 have been re-measured for this purpose. Asset values for periods ending 2006 and 2005 are shown at mid-market value and have not been re-measured as permitted by FRS 17 (as revised).

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March are as follows:

	2008-09	2007-08 As restated	2007-08
	£000	£000	£000
<b><u>Pension Liability</u></b>			
Estimated Liabilities in Scheme	(195,890)	(182,480)	(192,670)
Estimated unfunded liabilities	0	0	0
Estimated Assets in Scheme	100,710	129,850	135,680
<b>Net Liability as reported by Actuary</b>	<b><u>(95,180)</u></b>	<b><u>(52,630)</u></b>	<b><u>(56,990)</u></b>

The net liability shows the underlying commitments that the Authority has in the long run to pay retirement benefits. The net liability of £95 million has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for the funding of the deficit, whereby the deficit will be made good by increased employer contributions over the remaining working life of the employees, as assessed by the scheme actuary, means that the financial position of the Council remains healthy.

### 9.3 Reconciliation of Present Value of the Scheme Liabilities

	2008-09	2007-08 As restated
	£000	£000
Opening balance - 1 April	(182,480)	(192,670)
Total cost of services - Current service provision cost	(4,120)	(6,010)
Interest on pension scheme liabilities	(12,410)	(10,290)
Participants contributions	(2,090)	(1,950)
Actuarial Gain/ (Loss)	(920)	24,840
Net benefits paid out	6,330	5,290
Non Distributed cost - FRS 17 past service cost	(200)	(1,690)
<b>Closing present value of liabilities</b>	<b><u>(195,890)</u></b>	<b><u>(182,480)</u></b>

### 9.4 Reconciliation of fair Value of the Scheme Assets

	2008-09	2007-08 As restated
	£000	£000
Opening balance - 1 April	129,850	135,680
Expected return on pensions assets	9,150	9,620
Actuarial Gain/ (Loss)	(40,640)	(18,290)
Contributions by employers	6,590	6,180
Contributions by scheme participants	2,090	1,950
Benefit paid	(6,330)	(5,290)
<b>Closing fair value of assets</b>	<b><u>100,710</u></b>	<b><u>129,850</u></b>

## 9.5 Oxford City Council Expected Contribution to be made in 2009/10

	<b>2009-10 Estimate £000</b>
OCC Expected Contributions	6,997
	<b><u>6,997</u></b>

## 9.6 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumption about mortality rates, salary levels, etc. Under this method, the current service cost will increase as members of the scheme approach retirement. The pension fund liabilities have been assessed by Hewitt Associate, an independent firm of actuaries.

The main assumptions used in their calculations are:

	<b>2008/09</b>	<b>2007/08</b>	<b>2006/07</b>
Rate of inflation	3.5%	3.7%	3.2%
Rate of increase in salaries	4.5%	5.2%	4.7%
Rate of increase in pensions	3.5%	3.7%	3.2%
Rate of increase to deferred pensions	3.5%	3.7%	3.2%
Rate for discounting scheme liabilities	6.6%	6.8%	5.3%

Assets in the Pension Fund are valued at fair value, principally market value for investments, totalling £100,710k for the Council's share of the fund as a whole at 31 March 2009 (£129,850k at 31 March 2008). The Fund assets consist of the following categories, by proportion of the total assets held by the Fund.

## 9.7 Expected Return on Assets

	<b>Long-term expected rate of return 2009 (% pa)</b>	<b>Asset split 2009</b>	<b>Long-term expected rate of return 2008 (% pa)</b>	<b>Asset split 2008</b>	<b>Long-term expected rate of return 2007 (% pa)</b>	<b>Asset split 2007</b>
Equity investments	7.0%	62.3%	7.6%	70.0%	7.7%	72.4%
Property	6.0%	4.5%	6.6%	6.2%	6.7%	7.1%
Government bonds	4.0%	14.0%	4.6%	10.7%	4.7%	9.6%
Corporate bonds	5.8%	7.9%	6.8%	6.2%	5.3%	5.4%
Other	1.6%	11.3%	6.0%	6.9%	5.6%	5.5%
<b>Total</b>	<b>5.8%</b>	<b>100.0%</b>	<b>7.1%</b>	<b>100.0%</b>	<b>7.1%</b>	<b>100.0%</b>

## 9.8 Actuarial Gains and Losses

The actuarial gains and losses identified as movement on the Pension Reserve in 2008/09 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2009

<b>History of Experience Gains and Losses</b>					
	2004/05	2005/06	2006/07	2007/08	2008/09
Difference Between the Expected and Actual Return on Assets	4,870	16,230	730	(18,290)	(40,640)
Value of Assets	97,420	123,744	135,990	129,850	100,710
Percentage of Assets	5.0%	13.1%	0.5%	-14.1%	-40.4%
Experience Gains / (Losses) on Liabilities	7,370	40	(460)	24,840	(920)
Total Present Value of Liabilities	163,720	188,580	200,630	182,480	195,890
Percentage of the Total Present Value of Liabilities	4.5%	0.0%	-0.2%	13.6%	-0.5%
Actuarial Gains / Losses Recognised in STRGL	5,270	2,460	1,360	6,550	(41,560)
Total Present Value of Liabilities	163,720	188,580	200,630	182,480	195,890
Percentage of the Total Present Value of Liabilities	3.2%	1.3%	0.68%	3.6%	-21.2%

In accordance with paragraph 79 of FRS 17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007.

### 9.9 Unfunded Benefits

In accordance with FRS 17 – Retirement Benefits disclosure of certain information concerning assets, liabilities, income and expenditure relating pension schemes is required.

The latest actuarial valuation of unfunded benefit scheme took place as at 31 March 2009. The principal assumptions used by the independent qualified actuaries in updating the latest valuation result.

#### Reconciliations of funded status to the balance sheet

	2008/09	2007/08
	£000	£000
Present value of liabilities	7810	7720
Net pension liability	-7810	-7720
<b>Analysis of amount charged to operating profit</b>		
	2008/09	2007/08
	£000	£000
Current Service Cost	0	0
Past Service Cost	0	0
Interest cost	510	410
Curtailments cost	0	0
Expense recognised	510	410
<b>Changes to the present value of unfunded liabilities</b>		
	2008/09	2007/08
	£000	£000
Opening balance	7720	7960
Current service cost		
Interest cost	510	410
Actuarial Gains / (Losses)	30	-210
Net benefits paid out	-450	-440
	7810	7720
<b>Analysis of Amount Recognised (STRGL)</b>		
	2008/09	2007/08
	£000	£000
Total Actuarial Gains / (Losses)	-30	210
Total Gains / (Losses) in STRGL	-30	210

In accordance with paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. This disclosure note present the history of liabilities, and

experience gain / loss on liabilities, for periods ending 2008 and 2009. For period ending 2007 and earlier unfunded liabilities are included in the disclosure note for funded benefits.

## **10. GROUP ACCOUNTS**

Under the terms of FRS9 the Council is required to publish a Group Account as part of the 2008/09 statement of Accounts. The Council has to consider all their interest and where material, in subsidiaries, associate, joint ventures, and joint arrangement which is not an entity (JANE). The Council has reviewed all such interest and has no material interest and therefore has no requirement to complete Group Accounts.



## 11. GLOSSARY

<b>Accounts</b>	A generic term for statements setting out details of income and expenditure or assets and liabilities or both, in a structured manner. Accounts may be categorised either by the type of transactions they record, e.g. revenue account, capital accounts or by the purpose they serve, e.g. management accounts, final accounts, balance sheets.
<b>Accruals</b>	Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payment has not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.
<b>Agency</b>	Agreement that the Council can perform highway repairs on behalf of the County Council in their areas.
<b>Audit</b>	An independent examination of an organisation's activities, either by internal audit or the organisation's external auditor.
<b>Audit Commission</b>	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.
<b>Capital Adjustment Account</b>	Reflects the timing difference between assets consumed and the capital financing set to pay for them.
<b>Capital Charge</b>	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.
<b>Capital Expenditure</b>	Expenditure on the provision of lasting assets, for example land, buildings, road, vehicles and equipment such as computers.
<b>Capital Financing</b>	The raising of money to pay capital expenditure. In the past the cost of capital assets was usually met by borrowing, but capital expenditure may also be financed by other means such as leasing, contributions from revenue accounts, the proceeds from the sale of capital assets, capital grants, and contributions from developers or others.
<b>Capital Receipts</b>	Proceeds from the sale of assets which have a long term value.
<b>Chartered Institute of Public Finance &amp; Accountancy (CIPFA)</b>	The professional accountancy body concerned with local authorities and the public sector.
<b>Collection Fund</b>	A statutory fund maintained by a billing Authority, which is used to record local rates and non domestic rates collected by the Authority, along with payments to precepting authorities and the national pool of non-domestic rates, as well as into its own general fund.
<b>Communities &amp; Local Government (CLG)</b>	CLG works to create a thriving, sustainable, vibrant community that improves everyone's life.
<b>Contingent Liability</b>	A condition which exists at balance sheet date, where the outcome will be confirmed only on the occurrence or non occurrence of one or more uncertain events.
<b>Council Tax</b>	The local tax that pays for a proportion of Council services. It replaced the poll tax in April 1993.
<b>Creditors</b>	Amounts owed by the Council for work done, goods received or services rendered within the financial year for which payment has not yet been made.
<b>Current Asset</b>	An asset which will be used up during the next accounting period e.g stocks.
<b>Current Expenditure</b>	The general term for running costs including employee costs and running expenses but not debt charges.
<b>Current Liabilities</b>	Amounts which will become due or could be called upon during the next accounting period.
<b>Debtors</b>	Amounts owed to the Council for services carried out during the financial year but not yet received.
<b>Deferred Liabilities</b>	This represents the liability for principal repayments on finance leases.

<b>Depreciation</b>	The theoretical losses in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.
<b>Financial Reporting Standards (FRS's)</b>	These are issued by the Accounting Standards Board and provide standards for the preparation of financial statements. The Council attempts to ensure that its accounts are prepared in accordance with FRS's (or SSAP's where these remain in force) where they apply to local authorities. Where this is not possible the reason is given in the Statement of Accounting Policies.
<b>Fixed Asset</b>	A tangible asset that yields benefit to the Council and the services it provides for a period of more than one year.
<b>General Fund (GF)</b>	The main revenue account of a local Authority from which revenue payments are made to meet the costs of providing services (such as wages, electricity, paper).
<b>Housing Benefit (HB)</b>	Payments to people on low incomes to assist them in meeting their housing costs.
<b>Housing Revenue Account (HRA)</b>	The separate account that local housing authorities must operate for the direct provision of housing.
<b>Impairment</b>	Impairment occurs where the recoverable amount of the fixed asset is lower than the carrying value amount.
<b>Intangible Assets</b>	Expenditure which has been capitalised but which does not always produce a fixed asset, e.g. renovation grants, software licences.
<b>Interest</b>	An amount received or paid for the use of a sum of money when it is invested or borrowed.
<b>Lease</b>	A method of financing capital expenditure where a rental charge is paid for an asset for a specified period of time.
<b>Minimum Revenue Provision</b>	The minimum amount which must be charged to an Authority's revenue accounts and set aside as a provision for credit liabilities. It is calculated by applying a prescribed percentage of outstanding debt.
<b>MRA</b>	Government Subsidy to the HRA to fund major repairs to the Council's housing stock.
<b>Non Domestic Rate</b>	A levy on businesses based on a national rate in the pound set by the government multiplied by the 'rateable value' of the premises they occupy.
<b>Operating Lease</b>	A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.
<b>Precept</b>	The levy made by precepting authorities (Oxfordshire County Council, Police) on billing authorities (the City Council) requiring the latter to collect income from council taxpayers on their behalf.
<b>Provision</b>	An amount of money put aside in the accounts for anticipated liabilities which cannot be accurately estimated eg provision for bad debts.
<b>Related Party Transactions</b>	Transactions where one of the parties involved has control or influence over the financial and operational policies of the other party.
<b>Reserves</b>	Amounts of money put aside to meet certain categories of expenditure in order to avoid fluctuations in the charge to the City Fund.
<b>Revaluation Reserve</b>	Records unrealised net gains from revaluations made after 1st April 2007.
<b>Revenue Expenditure</b>	The Council's day-to-day expenditure on items which include wages, stationery and interest charges.
<b>Revenue Support Grant (RSG)</b>	Government revenue grant paid by local authorities.
<b>S106 agreements</b>	Where a developer undertakes to provide community benefits (for example, a percentage of affordable housing).
<b>Stock</b>	Raw materials and stores which the Council has bought and holds in stock for use as required.
<b>Work in Progress</b>	The cost of work done on an uncompleted project at a specified date which has not been recharged to the appropriate account at that date.