WEST OXFORDSHIRE
DISTRICT COUNCIL

Financial Statements 2011/2012

CONTENTS

EXPLANATORY FOREWORD

1. Introduction

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts and an explanation in overall terms of the Council's financial position. The foreword includes an explanation of the purpose of each statement.

2. The Council's Accounts

The accounts contain the following statements for the year 2011/12:

Statement of Accounting Policies

This explains the basis on which the figures in the accounts have been prepared.

The Statement of Accounts

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

Cash Flow Statement

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

Supplementary Financial Statements

The Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

3. Summary Revenue Expenditure

At the beginning of the year the Council set a Net Expenditure Budget of £9.479million. This budget was revised during the year to £9.545 million. The increase of 66k is in respect of the use of Improvement and Change Reserve previously approved.
The table below shows how the actual revenue expenditure for 2011/12 compared with the Revised Budget. It is a management report at the end of the financial year before accounting treatment:

	Budget £	Actual £	(Underspend) / Overspend £
Net Expenditure General Fund			
Environmental Services	3,649,400	3,319,954	(329,446)
Planning, Leisure and Housing Services	3,759,600	3,348,378	(411,222)
Resources	2,440,900	2,389,475	(51,425)
Chief Executives	1,961,200	1,759,499	(201,701)
Cost of Services	**11,811,100**	**10,817,306**	**(993,795)**
Direct Service Org. (Deficit) / Surplus	(88,900)	0	88,900
Interest payable and similar charges	10,000	2,490	(7,510)
Capital Charges	(1,752,000)	(1,751,824)	176
New Homes Bonus	(350,000)	(342,343)	7,657
Council Tax Freeze Grant	(85,403)	(86,158)	(755)
Net Operating Expenditure	**9,544,797**	**8,639,471**	**(905,326)**
Financed By			
Investment Income	(593,000)	(420,145)	172,855
Investment Interest Smoothing Reserve	(400,000)	0	400,000
Improvement & Change Management Reserve	(66,000)	(65,887)	113
	(106,471)	(106,472)	(1)
Deficit / (Surplus)from the Collection Fund			
Revenue Support Grant	(1,103,725)	(1,103,725)	0
Non-Domestic Rates	(3,570,735)	(3,570,735)	0
Council Tax	(3,446,337)	(3,446,337)	0
(Use of) / Contribution to the Council's Reserves	(258,529)	73,830	332,359
Total Financing	**(9,544,797)**	**(8,639,471)**	**905,326**

The Council no longer operates a DSO for it grounds and maintenance and cleaning operations as a stand alone trading account, but incorporated it into the revenue account. Previously, any surplus or deficits on these functions were balanced from an earmarked reserve within the Council's accounts. As the function is now part of overall revenue account this reserve transferred into the General Fund Balance.

4. Major Variations in expenditure

Key Underspends

Central Support Services £211,000

Administration is underspent within employee costs £54,000 due to vacant posts and reduced hours of some staff, whilst supplies and services are also under by £44,000. Legal is also underspent on employee costs £36,000 and the use of external legal services £39,000. Part of the Administration budget is being utilised in 2012/13 to cover additional election costs whilst Legal services now has shared arrangements with Cotswold, and the underspend partly reflects moving to this lower operating cost and the budget has been reduced in 2012/13.

Corporate Policy Making £103,000

There was a vacant Strategic Director's post in this service for a significant portion of the year which accounted for £59,000 of the underspend and the remaining balance was a reduced support service recharge from Administrative Services of £39,000. This reduced charge was due to vacant posts being held and reduced spend within supplies and services.

Council Tax, Business Rates and Council Tax Benefit £186,000

Council Tax is an accumulation of smaller underspends such as employee costs £12,000; supplies and services £24,000; support services recharge £26,000 plus additional court cost fees £8,000. The Council Tax Benefit underspend is primarily additional subsidy and administration grant.

Licensing £53,400

The substantial element of the underspend is from license fees being £45,000 above budget and the main area of increased income is from taxi/private hire and premises licenses.

Planning Development Control Applications £190,500

This is primarily additional fee income. The total fees were £160,000 above budget, this was significantly due to two large applications in respect of West Witney and Carterton that accounted for £143,000 plus pre application advice fees, which were new charges that achieved just under £32,000. Pre application fees are now included in the 2012/13 budget at £25,000.

Support to Elected Members £50,600

The take up of Members Allowances was underspent by £24,000 and the balance was from reduced spend with regard to travel, telephones and general expenses.

Town Centre Properties and Miscellaneous Properties £236,700

Town Centre Properties achieved additional income from the new purchase of the Market Square, Witney property of £21,000 plus £75,000 and £61,000 from the Woolgate and Marriotts developments respectively. The additional income from Miscellaneous Properties was primarily the rent due from the purchase of Galley's Island, Essex £38,000 and Alvescot Rd, Carterton £27,000.

Key Overspends

Green Waste £58,300

This overspend reflects an adjustment in the charge from the Council's waste contractor for additional properties using this service. The budget for 2012/13 received growth of £58,000 to allow for the ongoing situation for this budget.

Rent Allowances £159,700

The overspend represents the net sum of a number of factors. The level of expenditure for benefit payments was £21.9m which accrued subsidy of £21.744m, a shortfall of £163,000. This sum was offset by income raised for benefit overpayments of £281,000 giving an approximate underspend of £118,000. Other grant income and accumulated underspends meant the whole account was underspent by £195,000. In recent years the Council has made no bad debt provision for benefit overpayments as any write offs or adjustments were dealt with in the current year. However, it is felt appropriate to make a provision of £354,500 against the current level of benefit overpayment debtors as a prudent preparation for any future risk once the universal credit system is phased into operation.

Witney Industrial Estate £106,700

The void at the Ambic building accounts for £80,000 of this overspend.

Investment Interest £172,800

Fundamentally, the economy and investment market has been depressed throughout the year which has impacted significantly on the Council's external fund manager's performance especially within corporate bonds. The overall performance showed a shortfall against budget of £323,000 but this was partially offset when the Council received substantial repayment of its Icelandic investments that had accrued £150,000 of interest, reducing the deficit to £173,000.

5. Capital

Capital expenditure during the year totalled £6.554 million; within this sum £4.043 million was spent on acquiring three investment properties and £625,000 was spent on Disabled Facilities Grants. Other significant items included £259,000 on the Equity Loan Scheme, £246,000 on the Burford VIC Relocation, £188,000 on Vehicle Renewal and £212,000 on Flood Prevention Works.

The capital programme was financed by capital receipts of £5,587 million, Government grants totalling £435,000 with the balance of funding from developers under S.106 agreements and other contributions.

An improvement in the Capital reserves position will also be felt by the reversal of the capitalisation approved for the Icelandic deposits impairment.

As at 31st March 2012, the Council has capital receipts of £10.057 million plus a further £1.607 million in grants and contributions.

6. Pension Liability (IAS 19 Disclosure)

The estimated future costs of paying pensions to Council employees are shown in the Balance Sheet. This is based on actuarial advice. Although the charge is significant, it is offset by a reserve. The balance on the reserve at 31 March 2012 is £24.486 million. It should be noted that compliance with this financial reporting standard has no impact on the amount of council tax that needs to be levied.

7. Collection Fund

The Council is legally obliged to maintain this fund separately from all other funds and accounts. It shows the transactions that have arisen because West Oxfordshire is a billing authority responsible for collecting non-domestic rates and council tax on behalf of the precepting authorities – Oxfordshire County Council, Thames Valley Police Authority and Parish Councils, as well as for West Oxfordshire District Council. The Collection Fund records the income received from local tax payers and the money that is distributed as precepts. In West Oxfordshire, the Council Tax for a band D property was £81.63 in 2011/12 – the second lowest for a shire District Council in the country. This was held at the same level as the previous year.

8. Changes in Accounting Policies

The Council has adopted FRS30 Heritage Assets in accordance with the 'Code'. This results in a change of accounting policy and requires additional disclosures in the Council's accounts. These are shown in the Balance Sheet and in the notes to the accounts.

STATEMENT OF RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Strategic Director;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts

Statement of Accounts approved at Audit and General Purposes Committee meeting 27 September 2012

Alvin Adams
Chairman

The Responsibilities of the Chief Financial Officer:

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

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

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code

The Chief Financial Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify the Statement of Accounts gives a true and fair view of the financial position of the authority at 31 March 2012 and of its income and expenditure for the year ended 31 March 2012.

Frank Wilson
Strategic Director

THE STATEMENT OF ACCOUNTS

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement 2011/12

2011/12	General Fund Balance £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2011	8,896	2,372	1,123	11,524	23,915	55,957	79,872
Surplus/(deficit) on provision of services (accounting basis)	5,580				5,580	0	5,580
Other Comprehensive Income and Expenditure					0	(9,607)	(9,607)
Total Comprehensive Income & Expenditure	5,580	0	0	0	5,580	(9,607)	(4,027)
Adjustments between accounting basis & funding basis under regulations (note 7)	(38)		484	(5,607)	(5,161)	5,161	0
Other movements in reserves	(4,144)			4,144	0	0	0
Net Increase / Decrease before Transfers to Earmarked Reserves	1,398	0	484	(1,463)	419	(4,446)	(4,027)
Transfers to / (from) Earmarked Reserves (note 8)	404	(404)			0	0	0
Increase / Decrease in Year	1,802	(404)	484	(1,463)	419	(4,446)	(4,027)
Balance at 31 March 2012	10,699	1,968	1,607	10,061	24,335	51,511	75,846

Movement in Reserves Statement 2010/11

2010/11	General Fund Balance £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	10,430	2,898	1,734	18,118	33,181	30,680	63,861
Surplus/(deficit) on provision of services (accounting basis)	(448)				(448)	0	(448)
Other Comprehensive Income and Expenditure					0	17,094	17,094
Total Comprehensive Income & Expenditure	(448)	0	0	0	(448)	17,094	16,646
Adjustments between accounting basis & funding basis under regulations (note 7)	(944)		(612)	(6,594)	(8,149)	8,183	34
Other movements in reserves	(669)				(669)	0	(669)
Net Increase / Decrease before Transfers to Earmarked Reserves	(2,061)	0	(612)	(6,594)	(9,267)	25,277	16,011
Transfers to / (from) Earmarked Reserves (note 8)	526	(526)			0	0	0
Increase / Decrease in Year	(1,535)	(526)	(612)	(6,594)	(9,267)	25,277	16,011
Balance at 31 March 2011	8,896	2,372	1,123	11,524	23,915	55,957	79,872

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2010/11 Net Expenditure £000		Note	2011/12 Gross Expenditure £000	2011/12 Income £000	2011/12 Net Expenditure £000
2,252	Cultural and Related Services		2,292	(273)	2,019
4,722	Environmental and Regulatory Services		8,034	(3,229)	4,805
1,958	Planning Services		2,970	(1,761)	1,208
2,471	Highways and Transport Services		607	(339)	268
920	Housing Services		24,719	(22,493)	2,226
2,722	Corporate and Democratic Core		2,808	(487)	2,321
69	Non Distributed Costs		420	-	420
950	Central Services to the Public		11,055	(10,248)	808
16,065	**Cost of Services - continuing operations**		**52,905**	**(38,830)**	**14,074**
2,640	Other Operating Expenditure	9	2,451	(482)	1,969
(23)	Financing and Investment Income and Expenditure	10	3,068	(12,202)	(9,134)
-	Surplus or Deficit of Discontinued Operations				
(13,296)	Taxation and Non-Specific Grant Income	11	-	(12,490)	(12,490)
(4,938)	Pension valuation change to CPI basis - Past service benefit cost		-		-
448	**(Surplus) / Deficit on Provision of Services**				**(5,580)**
(3,155)	(Surplus) or deficit on revaluation of non current assets				(95)
	Impairment losses on non-current assets charged to the Revaluation Reserve				
-	(Surplus) or deficit on revaluation of available for sale financial assets				-
(13,939)	Actuarial (gains) / losses on pension assets and liabilities				9,702
	Other (gains) and losses				
(17,094)	**Other Comprehensive Income and Expenditure**				**9,607**
(16,646)	**Total Comprehensive Income and Expenditure**				**4,027**

BALANCE SHEET

1st April 2010 £000	31st March 2011 £000		Note	31st March 2012 £000
38,677	42,017	Property, Plant & Equipment	12	41,579
54	109	Heritage Assets	13	99
30,209	30,149	Investment Property	14	35,723
73	55	Intangible Assets	15	100
7,854	1,862	Long Term Investments	16	2,320
120	239	Long Term Debtors	16	469
76,987	74,430	Long Term Assets		80,290
23,861	25,295	Short Term Investments	16	26,925
52	47	Inventories	17	54
4,130	4,855	Short Term Debtors	19	4,399
845	1,278	Cash and Cash Equivalents	20	1,664
	0	Assets held for sale		0
28,888	31,475	Current Assets		33,042
0	0	Bank Overdraft		0
(1,200)	0	Short Term Borrowing	16	0
(8,432)	(9,248)	Short Term Creditors	22	(10,792)
0	0	Liabilities in disposal groups		0
0	0	Provisions		0
(9,632)	(9,248)	Current Liabilities		(10,792)
0	0	Provisions		0
0	0	Long Term Borrowing	16	0
(32,375)	(16,586)	Other Long Term Liabilities	16	(26,418)
0	0	Donated Assets Account		0
(8)	(199)	Capital Grants Receipts in Advance	38	(274)
(32,383)	(16,785)	Long Term Liabilities		(26,692)
63,860	79,872	Net Assets		75,846
33,181	23,916	Usable reserves	24	24,335
30,679	55,956	Unusable Reserves	25	51,511
63,860	79,872	Total Reserves		75,846

CASHFLOW STATEMENT

31/03/2011 £000		Note	31/03/2012 £000
448	Net (surplus) or deficit on the provision of services		(5,580)
(1,217)	(A) Adjust net surplus or deficit on the provision of services for non-cash movements		2,942
1,206	(B) Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		1,156
908	(C) Reversal of operating activity items included in the net surplus or deficit on the provision of service that are shown separately in (D) below		110
(908)	(D) Cash flows from Operating Activities include the following items (required to be disclosed separately)	26	(110)
437	Net cash flows from Operating Activities		(1,482)
(1,575)	Investing Activities	27	170
705	Financing Activities	28	926
(433)	Net (increase) or decrease in cash and cash equivalents		(386)
845	Cash and cash equivalents opening balance		1,278
1,278	Cash and cash equivalents at closing balance		1,664
433	Movement in Cash (Decrease negative, Increase positive)		386

NOTES TO THE ACCOUNTS

1. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31st March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS).

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

The summary of significant accounting policies includes the following items where they have a significant effect on the amounts recognised in the financial statements:-

(b) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and interest payable on borrowings is accounted for respectively as income and expenditure 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 revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

(c) Acquisitions and Discontinued Operations

Acquisitions and discontinuation of operations are disclosed in the body of the statement, where material.

(d) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable, without penalty, on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value..
In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

(e) Exceptional Items

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

(f) Prior Period Adjustments, Changes in Accounting Polices and Estimates and Errors

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

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

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

(g) Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance - Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

(h) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

(i) Post Employment Benefits

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

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Oxfordshire County Council pension fund attributable to the Authority 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 future earnings for current employees.
- Liabilities are discounted to their value at current prices, based upon a discount rate derived from the yield on the iBoxx AA rated 15-year corporate bond index, as at the Balance Sheet date.
- The assets of the Oxfordshire County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate

    - unitised securities – current bid price
    - property – market value
- The change in the net pensions liability is analysed into seven components:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
    - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
    - gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve
    - contributions paid to the Oxfordshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

(j) Events After the Reporting Period

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

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

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

(k) Financial Instruments

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. However, the Authority has made a number of car loans to employees at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from employees, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. However, the loss attributable to a loan of less than £20,000 is not material and at the current date the Authority has no material loans.

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

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

(l) Foreign Currency Translation

The Authority had dealings in currencies other than pounds sterling from Icelandic deposit repayments. The Authority uses its own bank to accept all foreign exchange transactions. The transactions are converted into sterling at the exchange rate applicable on the date the transaction was effective. Amounts outstanding at the year end are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

(m) Government Grants and Contributions

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

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

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

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

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

(n) Heritage Assets

Heritage Assets are those assets which are held and maintained principally for their historical, cultural, artistic, or educational significance. The Authority's Heritage Assets are held as tangible assets, being public art in locations around the district. They are recognised and measured in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Authority's heritage assets are accounted for as follows.

- Art Collection – this consists of public art such as sculptures and statues, and is reported in the Balance Sheet at historic cost which is deemed to be a proxy for market value. The Authority considers that obtaining valuations for its public art would involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The assets are deemed to have indeterminate lives and a high residual value, hence the authority does not consider it to be appropriate to charge depreciation.
- Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuation provided by the external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Heritage Assets - General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note (u) in this summary of significant accounting policies.

The proceeds of any heritage asset disposal are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see notes (x) and (u) in this summary of significant accounting policies.

(o) Intangible Assets

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

Internally generated assets are not capitalised. Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

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

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

(p) Interests in Companies and Other Entities

The Authority is required to consider all its interests (including those in local authorities and similar bodies) and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The Council has no such interests.

(q) Inventories and Long Term Contracts

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

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

(r) Investment Property

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

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

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

(s) Leases

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

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

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

The Authority as Lessee

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

Lease payments are apportioned between:

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

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

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

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

The Authority as Lessor

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

Lease rentals receivable are apportioned between:

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

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

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

Operating leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The Council is also a lessee/lessor, renting in/out predominately industrial units at market rental value. Income and expenditure is taken to the Comprehensive Income and Expenditure Statement over the term of the lease.

(t) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

The basis of recharge is determined by the most appropriate cost for the service. For example, payroll and human resources (employee numbers) and office overheads (floor areas).

(u) Property, Plant and Equipment

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

Recognition

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

The Council's capitalisation de minimis is £10,000, except for where the sum of a number of similar assets is significant. Additionally, items below the de minimis limit may be capitalised and included on the asset register if, for example, they are deemed portable and attractive.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other classes of asset – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at year end, 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 Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

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

Depreciation

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

Depreciation is calculated on the following bases:

- All operational buildings – straight-line allocation over the life of the property as estimated by the Authority's valuers
- vehicles, plant, furniture and equipment – straight line allocation over the estimated useful life of the asset

Where an item of Property, Plant and Equipment asset has major components, whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Componentisation is not considered for assets valued at under £1m.

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.

Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Amounts received for disposal in excess of £10,000 are categorised as capital receipts. They are credited to the 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 General Fund Balance in the Movement in Reserves Statement.

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

(v) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

(w) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement & employee benefits and do not represent usable resources for the Authority – these reserves are grouped together on the balance sheet as 'unusable reserves' and are explained in the relevant policies.

(x) Revenue expenditure funded from capital under statute

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

(y) Value Added Tax

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

2. Accounting Standards that have been issued but have not yet been adopted

From 2011/12 the only accounting policy change that needs to be reported relates to amendment to IFRS 7 'Financial Instruments: Disclosures (transfers of financial assets)'. The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October) 2010 by the code will result in a change in accounting policy that requires disclosure.
The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1 July 2011 but we are not required by the Code to implement this amended disclosure requirement until 1 April 2012.
Following a review of the Authority's financial assets and liabilities at 31 March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the Council.

3. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31st March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Property Plant and Equipment – assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual charge for buildings would increase in these circumstances.

- Pension liability – the estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Barnett Waddingham, is engaged to provide the Council with expert advice about the assumptions to be applied.

During 2011/12 the Council's actuaries advised that the net pension liability had increased by £9.898m made up as follows:-

- £9.702m actuarial loss; and
- £196k loss arising from pension obligations (£1.551m) being greater than employer contributions (£1.355m)

5. Material items of income and expenditure

The Council has no material items of income or expenditure which have not been suitably disclosed in the Comprehensive Income & Expenditure Statement.

6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Strategic Director (Resources) on 19 September 2012. Events taking place after this date will not be reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between accounting basis and funding basis under regulations

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

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grant Unapplied Reserve

The Capital Grant Unapplied Reserve holds the grants and contributions that have yet to be used to finance capital expenditure. Amounts in this reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

2011/12 Adjustments between accounting and funding basis	General Fund Balance £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves[1] £000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(1,736)			(1,736)	1,736
Revaluation losses on Property, Plant & Equipment	0			0	0
Movements in the fair value of Investment Properties	1,530			1,530	(1,530)
Amortisation of intangible assets	(16)			(16)	16
Capital grants and contributions applied	1,156	(1,156)		0	0
Revenue expenditure funded from capital under statute	(1,429)			(1,429)	1,429
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(43)			(43)	43
Deferred credit - equity loan scheme	239			239	(239)
MRP	283			283	(283)
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	35	(35)		0	0
Application of grants to capital financing transferred to the Capital Adjustment Account		707		707	(707)
Adjustments primarily involving the Capital Receipts Reserve					
Use of the Capital Receipts Reserve to finance new capital expenditure			5,846	5,846	(5,846)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2)		2	0	0
Contribution from Deferred Capital Receipts Reserve upon receipt of cash	241		(241)	0	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 47)	(1,579)			(1,579)	1,579
Employer's pensions contributions and direct payments to pensioners payable in the year	1,383			1,383	(1,383)
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(30)			(30)	30
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	6			6	(6)
Total adjustments:	**38**	**(484)**	**5,607**	**5,161**	**(5,161)**

2010/11 Adjustments between accounting and funding basis	General Fund Balance £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(3,783)			(3,783)	3,783
Revaluation losses on Property, Plant & Equipment					
Movements in the fair value of Investment Properties	(156)			(156)	156
Amortisation of intangible assets	0				
Capital grants and contributions applied		1,112		1,112	(1,112)
Revenue expenditure funded from capital under statute	(6,587)			(6,587)	6,587
gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(85)			(85)	85
Deferred credit - equity loan scheme	144			144	(144)
MRP	130			130	(130)
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement					
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	1,206	(1,206)		0	0
Application of grants to capital financing transferred to the Capital Adjustment Account		706		706	(706)
Adjustments primarily involving Usable Capital Receipts					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to					
Unattached capital receipts	230		(230)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure			6,827	6,827	(6,827)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals					
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(11)		11	0	0
Contribution from Deferred Capital Receipts Reserve upon receipt of cash			(14)	(14)	14
Adjustments primarily involving the Deferred Capital Receipts Reserve					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement					
Account					
Impairment of Icelandic Loans	5,920			5,920	(5,920)
Adjustments primarily involving the pensions reserve					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 47)	2,423			2,423	(2,423)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,388			1,388	(1,388)
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	111			111	(111)
Adjustments primarily involving the primarily involving the Unequal Pay Back Pay Adjustment Account					
Amount by which amounts charges for Equal Pay claims to the Comprehensive Income & Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(18)			(18)	18
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	31			31	(31)
Total adjustments:	**944**	**612**	**6,594**	**8,149**	**(8,149)**

8. Transfer to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure 2011/12.

2011/12	Balance at 01/04/2011 £000	Transfers out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31/03/2012 £000
General Fund:				
Direct Service Organisations' Surplus	591	(591)	-	-
Improvement & Change Management Reserve	513	(66)	168	615
Investment Interest Smoothing Reserve	664	-	-	664
LABGI and Performance Reward Grant funding	63	(13)	-	50
Other	541	(55)	153	639
Total	2,372	(725)	321	1,968

2010/11	Balance at 01/04/2010 £000	Transfers out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31/03/2011 £000
General Fund:				
Direct Service Organisations' Surplus	685	(94)	-	591
Improvement & Change Management Reserve	566	(53)	-	513
Investment Interest Smoothing Reserve	1,164	(500)		664
LABGI and Performance Reward Grant funding	63			63
Other	420	(3)	124	541
Total	2,898	(650)	124	2,372

9. Other operating expenditure

The Other Operating Expenditure line on the Comprehensive Income and Expenditure account can be broken down as follows:

2010/11 Net Expenditure £000		2011/12 Net Expenditure £000
2,363	Parish Council precepts	2,406
11	Payments to the Government Housing Capital Receipts Pool	2
85	(Gains)/losses on the disposal of non-current assets	43
(144)	Deferred credit - equity loan scheme	(242)
95	Trading activities - DSOs	-
476	DSO revaluation loss to CI&E	-
(15)	Trading activities - Markets & Fairs	-
(230)	Other income - Unattached receipts	(240)
2,640	Total	1,969

10. Financing and investment income and expenditure

The 'Financing and investment income and expenditure' line on the Comprehensive Income and Expenditure account can be broken down as follows:

2010/11 Net Expenditure £000		2011/12 Net Expenditure £000
51	Interest payable and similar charges	94
1,600	Loan Impairment (Icelandic deposits)	(5,283)
(578)	Interest and similar income	(420)
(2,028)	Income and expenditure in relation to investment properties and changes in their fair value	(3,841)
	Trading activites - Markets & Fairs	(39)
932	Pension interest cost and expected return on pensions assets	355
(23)	Total	(9,134)

11. Taxation and non-specific grant income

The 'Taxation and non-specific grant income' line on the Comprehensive Income and Expenditure account can be broken down as follows:

2010/11 £000		2011/12 £000
(5,895)	Council tax income	(5,959)
(1,206)	Capital grant and contributions	(1,156)
(860)	Non-ringfenced government grants	(1,805)
(5,335)	Non-domestic rates	(3,570)
(13,296)	Total	(12,490)

12. Property, Plant and Equipment

Movement on balances:

2011/12	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Total PPE £000
Cost or valuation						
Opening balance at 1st April 2011	36,201	8,495	1,522	744	-	46,962
Additions	473	704		26		1,203
Revaluation increases/(decreases):						-
In the Revaluation Reserve	95					95
In the Surplus/Deficit on Provision of Services						-
Derecognition - disposals of assets						-
Transfers to 'assets held for sale'						-
Other reclassifications						-
Other movements						-
Closing balance	36,769	9,199	1,522	770	-	48,260
Accumulated Depreciation and Impairment						
Opening balance at 1st April 2011	(1,275)	(3,671)	-	-	-	(4,946)
Depreciation charge for the year	(736)	(999)				(1,735)
Impairment losses (reversals):						
In the Revaluation Reserve						-
In the Surplus/Deficit on Provision of Services						-
Derecognition - disposals of assets						-
Other movements						-
Closing balance	(2,011)	(4,670)	-	-	-	(6,681)
Net Book Value of assets:						
at 31st March 2012	34,758	4,529	1,522	770	-	41,579

2010/11 comparators	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Total PPE £000
Cost or valuation						-
Opening balance at 1st April 2010	35,422	4,672	1,607	726		42,427
Additions	194	3,823		18		4,035
Revaluation increases/(decreases):						
In the Revaluation Reserve	3,156					3,156
In the Surplus/Deficit on Provision of Services	(2,571)					(2,571)
Derecognition - disposals of assets			(85)			(85)
Transfers to 'assets held for sale'						-
Other reclassifications						-
Other movements						-
Closing balance	36,201	8,495	1,522	744	-	46,962
Accumulated Depreciation and Impairment						
Opening balance at 1st April 2010	(536)	(3,214)	-	-	-	(3,750)
Dereciation charge for the year	(739)	(457)				(1,196)
Impairment losses (reversals):						-
In the Revaluation Reserve						-
In the Surplus/Deficit on Provision of Services						-
Derecognition - disposals of assets						-
Other movements						-
Closing balance	(1,275)	(3,671)	-	-	-	(4,946)
Net Book Value of assets:						
at 31st March 2011	34,926	4,824	1,522	744	-	42,017

Depreciation:

The following useful lives and depreciation rates have been used in the calculation of depreciation charges:

- Land assets are generally not depreciated
- Operational buildings are typically depreciated over 30 to 60 year useful lives, depending upon the particular asset
- Vehicles, Plant and Equipment are depreciated over 5 years
- Infrastructure, Heritage and Community Assets are not depreciated

Capital Commitments:

The Council has £766,400 slippage under capital contracts as at 31st March 2012 plus other capital commitments £3.04 million from the 2012/13 Capital Programme. The existing capital contracts are in respect of Flooding Prevention Works, Council Buildings Maintenance Programme, Leisure Equipment and the acquisition of investment property.

Revaluations:

The authority carries out revaluations on all Land and Property to ensure assets are measured at fair value, at least every five years. All valuations are carried out by external valuers, Lambert Smith Hampton. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. A full revaluation exercise was carried out as at 1st April 2010.

In estimating fair values it has been assumed that:

- The capacity of utility services [electricity, gas, water, mains drainage] are adequate for the future use of the properties
- All assets have planning consent for their existing uses
- Tenancies are not subject to any unusual or onerous restrictions
- No contamination exists in relation to property assets [land and buildings] sufficient enough to affect value.

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Total PPE £000
Carried at historical cost	32,529	1,636	1,420	28	4,592	40,205
valued at fair value as at:						
31 March 2012	36,769	9,199	1,522	770		48,260
31 March 2011	36,201	8,495	1,522	744		46,962
31 March 2010	35,425	4,672	1,607	780		42,484
31 March 2009	35,912	4,344	1,420	613		42,289

13. Heritage Assets

2011/12	Ceramics £000	Art Collection £000	Pottery Machinery £000	Total Assets £000
Cost or valuation				
1st April 2011		109		109
Additions		33		33
Disposals		(43)		(43)
Revaluations				-
Impairment Losses / (reversals) recognised in the Revaluation Reserve				-
Impairment Losses / (reversals) recognised in the Surplus or Deficit on the Provision of Services				-
Depreciation				-
31st March 2012	-	99	-	99

2010/11	£000	£000	£000	£000
Cost or valuation				
1st April 2010		54		54
Additions		55		55
Disposals				-
Revaluations				-
Impairment Losses / (reversals) recognised in the Revaluation Reserve				-
Impairment Losses / (reversals) recognised in the Surplus or Deficit on the Provision of Services				-
Depreciation				-
31st March 2011	-	109	-	109

14. Investment Properties

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

	2010/11 £'000	2011/12 £'000
Rental Income from Investment Property	(2,453)	(2,635)
Direct Operating expenses arising from investment property	269	324
Net (gain)/loss	(2,184)	(2,311)

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

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

	2010/11 £'000	2011/12 £'000
Opening balance - 1st April	30,209	30,149
Additions		
Purchases		4,043
Construction	95	1
Subsequent expenditure		
Disposals		
Net gain/(loss) from fair value adjustments (valuations)	(155)	1,530
Transfers to/from Property, Plant and Equipment		
Other changes		-
Balance at 31st March	30,149	35,723

15. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system. Items of IT hardware are accounted for as equipment within the Property, Plant and Equipment category. The intangible assets include purchased licenses and other software. The Council has no internally generated software.

All intangible assets are amortised on a straight-line basis over a 5 year period. This represents the period over which the software is expected to be of use to the Council.

Amortisation of intangible assets is charged within the Comprehensive Income & Expenditure Account, Net Expenditure to Services. For specific systems, amortisation is charged direct to the service using the asset. For corporate systems amortisation is allocated across all services benefitting from the asset.

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

	2010/11 £000	2011/12 £000
Balance at the start of the year:		
Gross value [purchase cost]	104	105
Accumulated amortisation	(31)	(50)
Net carrying amount at the start of the year	73	55
Movements in the year:		
Purchases	1	61
Amortisation	(19)	(16)
Other movements		
Net carrying amount at the end of the year	55	100
Comprising:		
Gross carrying amount	105	166
Accumulated depreciation	(50)	(66)
	55	100

16. Financial Instruments

(a) Financial Instruments - Classifications

The accounting standards in respect of financial instruments were incorporated into the Local Authority SORP in 2007. The 2011/12 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2007 SORP remain.

The definition of 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 entity'.

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing, service concession arrangements (PFI and finance leases), and investment transactions are classified as financial instruments.

Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council has no outstanding borrowing as at 31st March 2012.

Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

The three classifications for financial assets under the Code of Practice are:

- Loans and Receivables;
- Available for Sale; and
- Fair Value through Profit and Loss.

The Council's portfolio of investments consists of fixed term deposits, money market funds, and call/notice accounts. Term deposits and call accounts are classed as 'Loans and Receivables' and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment. Trade Receivables (Debtors) are classified as Loans and Receivables. These have been measured at cost on the Balance Sheet. Money Market Funds are classified as Available for Sale.

Balances in call accounts at 31st March 2012 are shown under 'cash and cash equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

The Council does have investments required to be measured at Fair Value through Profit or Loss.

Transaction Costs

Measurement at amortised cost permits transaction costs relating to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council has adopted this latter approach in 2011/12.

(b) Financial Instruments – Balances

The financial assets and liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Instruments balances	Long - term 31/03/2011 £000	Long - term 31/03/2012 £000	Current 31/03/2011 £000	Current 31/03/2012 £000
Investments:				
Loans and receivables	1,862	2,320	2,702	4,192
Available-for-sale financial assets		-		-
Unquoted equity investment at cost		-		-
Financial assets at fair value through profit & loss		-	22,593	22,733
Total investments	1,862	2,320	25,295	26,925
Debtors:				
Loans and receivables	239	469	4,855	4,399
Financial assets carried at contract amounts		-		-
Total Debtors	239	469	4,855	4,399
Borrowings:				
Financial liabilities at amortised cost		-	-	-
Financial liabilities at fair value throught profit & loss		-	-	-
Total borrowings	-	-	-	-
Other Long Term Liabilities:				
Finance Leases	(1,998)	(1,932)		
Liability related to defined benefit pension scheme	(14,588)	(24,486)		
Total other long term liabilities	(16,586)	(26,418)	-	-
Creditors:				
Financial liabilities at amortised cost		-	(9,248)	(10,792)
Financial liabilities carried at contract amount		-	-	-
Total creditors	-	-	(9,248)	(10,792)

Soft Loans - Balances

Where loans are advanced at below market rates they are classed as 'Soft Loans'. The 2011-12 Code of Practice sets out specific accounting and disclosure requirements for soft loans.
The Authority makes loans at less than market rates (soft loans) for car purchase to its employees. These loans are included within debtors and are detailed in the table below:

	Long - term 31/03/2011 £000	Long - term 31/03/2012 £000	Current 31/03/2011 £000	Current 31/03/2012 £000
Car loans to employees	92	81	53	63

(c) Financial Instruments – Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consists of the following items:

Financial Instruments Income, Expense, Gains and Losses	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
2011/12	£000	£000	£000	£000	£000
Interest expense					-
Losses on derecognition					-
Reductions in fair value					-
Impairment losses					-
Fee expense					-
Total expense in Surplus or Deficit on the Provison of Services	-	-	-	-	-
Interest income		130			130
Interest income accrued on impaired financial assets		150			150
Increases in fair value		140			140
Gains on derecognition					-
Fee income					-
Total income in Surpluse or Deficit on the Provision of Services	-	420	-	-	420
Gains on revaluation					-
Losses on revaluation					-
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment		5,282			5,282
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure					-
Net gain/(loss) for the year	-	5,702	-	-	5,702

Financial Instruments Income, Expense, Gains and Losses	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
2010/11	£000	£000	£000	£000	£000
Interest expense					-
Losses on derecognition					-
Reductions in fair value					-
Impairment losses		(1,776)			(1,776)
Fee expense					-
Total expense in Surplus or Deficit on the Provison of Services	-	(1,776)	-	-	(1,776)
Interest income		209			209
Interest income accrued on impaired financial assets		151			151
Increases in fair value		218			218
Gains on derecognition					-
Fee income					-
Total income in Surpluse or Deficit on the Provision of Services	-	578	-	-	578
Gains on revaluation					-
Losses on revaluation					-
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment		176			176
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure					-
Net gain/(loss) for the year	-	(1,022)	-	-	(1,022)

(d) Financial Instruments - Fair Values

For each class of financial assets and financial liabilities, an authority is required to disclose the fair value of that class of assets and liabilities in such a way that a comparison with the carrying amount is possible.

Investments consist of loan and receivables, available for sale and fair value through profit and loss investments. Loans and receivables are carried on the Balance Sheet at amortised cost, whereas the other two categories of investment are carried at fair value. The portion of debt and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under short term liabilities or short term investments. This also includes accrued interest for long term investments and borrowings, as well as accrued interest for cash and cash equivalents.

The 2011-12 Code of Practice requires the fair values of these assets and liabilities to be disclosed for comparison purposes. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. The fair value of a financial instrument on initial recognition is generally the transaction price.

The Council's investment portfolio at the Balance Sheet date consisted almost entirely of fixed term deposits and Certificate of Deposits with Banks and Building Societies. The maturity dates of these investments were all within 12 months of the Balance Sheet date. None of the investments were impaired (i.e. at risk of default).

In the case of short term instruments and deferred liabilities (i.e. finance leases) the authority deems the carrying amount to be a reasonable approximation of the fair value.

	31/03/2011		31/03/2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Fund Manager - Tradition UK	749	749	0	0
Fund Manager - Investec Asset Manager	22,593	22,593	22,733	22,733
In - House Investment	3,815	3,815	3,725	3,725
Iceland Deposit	2,554	2,554	2,787	2,787
	29,711	29,711	29,245	29,245

<u>Financial Assets</u>

The fair value for long term investments at the Balance Sheet date is higher than the carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

17. <u>Inventories</u>

The Authority holds a small balance of inventories. These are primarily internal consumables and small items for resale. The value of these is as follows:

	2010/11	2011/12
	£000	£000
Balance at 1st April	52	47
Movement in inventories	(5)	7
Closing balance at 31st March	47	54

18. <u>Construction Contracts</u>

At 31st March 2012 the Authority had no major construction contracts in progress.

19. <u>Debtors</u>

The Authority's debtors (net of the provision for bad and doubtful debts) are as follows:

	31/03/2011	31/03/2012
	£000	£000
Central government bodies	1,335	859
Other local authorities	-	291
Public corporations and trading funds	-	-
Other entities and individuals	3,520	3,249
Net Debtors Total	**4,855**	**4,399**

20. Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash will also include bank overdrafts that are repayable on demand and that are integral to the authority's cash management.

Balances classified as 'Cash Equivalents' fit the definition of being short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The net balance of Cash and Cash Equivalents is made up of the following elements at the Balance Sheet date:

31/03/2011 £000		31/03/2012 £000
5	Cash held by the Authority	5
(307)	Bank current accounts	213
1,580	Money Market Fund / Call Account	1,446
-	Short-term deposits with building societies	-
1,278		1,664

21. Assets held for sale

At 31st March 2012 the Authority had no assets held for sale.

22. Creditors

	31/03/2011 £000	31/03/2012 £000
Central government bodies	(2,173)	(4,022)
Other local authorities	(1,780)	(1,556)
Public corporations and trading funds		
Other entities and individuals	(5,295)	(5,213)
Total	(9,248)	(10,792)

23. Provisions

At 31st March 2012 the Authority had no provisions other than provisions for bad debts which have been disclosed under the Debtors note to the accounts.

24. Usable Reserves

Movement in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

31/03/2011 £000		31/03/2012 £000
2,373	Earmarked reserves	1,968
8,896	General fund	10,699
1,125	Capital Grants Unapplied	1,607
11,524	Capital Receipts	10,061
23,916	Total Usable Reserves	24,335

25. Unusable Reserves

31/03/2011 £000		31/03/2012 £000
9,404	Revaluation Reserve	9,499
60,977	Capital Adjustment Account	66,119
148	Deferred Capital Receipts Reserve	387
(14,588)	Pension Reserve	(24,486)
109	Collection Fund Adjustment Account	79
(103)	Accumulated Absences Account	(97)
10	Unequal Pay Back Pay Account	10
55,956	Total Unusable Reserves	51,511

25a. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31/03/2011 £000	Revaluation Reserve		31/03/2012 £000
6,249	Balance at 1 April		9,404
4,729	Upward revaluation of assets	95	
(1,574)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		
3,155	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		95
0	Difference between fair value depreciation and historical cost depreciation		
0	Accumulated gains on assets sold or scrapped		
0	Amount written off to the Capital Adjustment Account		0
9,404	Balance at 31 March		9,499

25b. Capital Adjustment Account

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

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31/03/2011 £000	Capital Adjustment Account		31/03/2012 £000
62,816	**Balance at 1 April**		**60,977**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(1,195)	> Charges for depreciation and impairment of non-current assets	(1,736)	
(2,572)	> Revaluation losses on Property, Plant and Equipment	-	
(19)	> Amortisation of intangible assets	(16)	
(6,587)	> Revenue expenditure funded from capital under statute	(1,429)	
(85)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(43)	
(10,458)			(3,224)
	Adjusting amounts written out of the Revaluation Reserve		
(10,458)	Net Written out amount of the cost of non-current assets consumed in the year		(3,224)
	Capital financing applied in the year:		
6,827	> Use of the Capital Receipts Reserve to finance new capital expenditure	5,846	
	> Capital grants and contribution credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		
1,818	> Application of grants to capital financing from the Capital Grants Unapplied Account	707	
130	> Statutory provision for the financing of capital investment charged against the General Fund	283	
	> Capital expenditure charged against the General Fund		
8,775			6,836
(156)	Movement in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement		1,530
	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		
60,977	**Balance at 31 March**		**66,119**

25c. Financial Instruments Adjustment Account

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

31/03/2011 £000	Financial Instruments Adjustment Account	31/03/2012 £000
(5,919)	Balance at 1 April	-
	Transfer impairment charge to FIAA	
	Transfer interest receivable	
5,919	Transfer impairment loss to CI&E	
-	Balance at 31 March	-

25d. Pensions Reserve

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

31/03/2011 £000	Pensions Reserve	31/03/2012 £000
(32,375)	Balance at 1 April	(14,588)
13,939	Actuarial gains or (losses) on pensions assets and liabilities	(9,702)
2,460	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement	(1,579)
1,388	Employer's pensions contributions and direct payments to pensioners payable in the year	1,383
(14,588)	Balance at 31 March	(24,486)

25e. Deferred Capital Receipts Reserve

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

31/03/2011 £000	Deferred Capital Receipts Reserve	31/03/2012 £000
18	Balance at 1 April	148
144	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	242
(14)	Transfer to the Capital Receipts Reserve upon receipt of cash	(3)
148	Balance at 31 March	387

25f. Collection Fund Adjustment Account

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

31/03/2011 £000	Collection Fund Adjustment Account	31/03/2012 £000
(2)	Balance at 1 April	109
111	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(30)
109	Balance at 31 March	79

25h. Accumulated Absences Account

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

31/03/2011 £000	Accumulated Absences Account	31/03/2012 £000
(134)	Balance at 1 April	(103)
134	Settlement or cancellation of accrual made at the end of the preceding year	103
(103)	Amounts accrued at the end of the current year	(97)
31	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	6
(103)	Balance at 31 March	(97)

26. Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:-

31/03/2011 £000		31/03/2012 £000
(911)	Interest received	(112)
3	Interest paid	2
(908)		(110)

27. Cash Flow Statement – Investing activities

31/03/2011 £000		31/03/2012 £000
4,293	Purchase of property, plant and equipment, investment property and intangible assets	5,105
63,872	Purchase of short-term and long-term investments	22,900
	Other payments for investing activites	
	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	
(68,246)	Other receipts from investing activities	(26,401)
(783)	Capital Grants Received (Gov't)	(274)
(711)	Capital Grants Received (Non Gov't)	(1,160)
(1,575)	Net cash flows from investing activities	170

28. Cash Flow Statement – Financing activities

31/03/2011 £000		31/03/2012 £000
(243)	Cash receipts of short-and long-term borrowing	-
(1,136)	Other receipts from financing activities	
2,084	Payment of short and long term borrowing	
	Other payments for financing activities	926
705	Net cash flows from financing activities	926

29. Amounts reported for resource allocation decisions (Segmental Reporting)

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support service is budgeted for centrally and not charged to services

The income and expenditure of the Authority's principal service areas recorded in the budget reports for the year is as follows:

2011/12	Environmental Services £	Planning, Leisure & Housing £	Resources £	Chief Executives £	Total £
Fees, charges & other service income	(3,489,901)	(2,829,498)	(5,534,791)	(2,373,473)	(14,227,663)
Government Grants	(34,567)	(51,278)	(26,671,174)	(167,198)	(26,924,216)
Total income	(3,524,468)	(2,880,776)	(32,205,965)	(2,540,671)	(41,151,880)
Employee Expenses	2,527,813	2,174,785	3,582,354	1,064,053	9,349,005
Other service expenses	5,261,141	1,973,307	29,035,677	2,217,927	38,488,051
Support service recharges	799,193	946,422	1,368,325	1,018,190	4,132,130
Total expenditure	8,588,146	5,094,514	33,986,356	4,300,170	51,969,186
Net expenditure	**5,063,678**	**2,213,738**	**1,780,391**	**1,759,499**	**10,817,306**

2010/11	Environmental Services £	Planning, Leisure & Housing £	Resources £	Chief Executives £	Total £
Fees, charges & other service income	(3,869,543)	(2,591,409)	(5,465,817)	(2,469,604)	(14,396,373)
Government Grants	(122,341)	(197,074)	(25,855,697)	-	(26,175,112)
Total income	(3,991,884)	(2,788,484)	(31,321,513)	(2,469,604)	(40,571,486)
Employee Expenses	2,812,783	2,280,486	3,462,109	1,345,712	9,901,091
Other service expenses	5,172,927	2,037,550	28,729,300	2,063,748	38,003,525
Support service recharges	910,496	1,034,583	1,529,980	1,106,788	4,581,848
Total expenditure	8,896,206	5,352,619	33,721,390	4,516,249	52,486,463
Net expenditure	**4,904,322**	**2,564,135**	**2,399,876**	**2,046,644**	**11,914,978**

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

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

	2010/11 £	2011/12 £
Net expenditure in the Service Analysis [from above]	11,914,978	10,817,306
Annual Leave adjustment not included in the analysis	(30,805)	(5,853)
Net expenditure of services and support services not included in the analysis		
Add / (Deduct): IAS 19 adjustments	194,712	(155,435)
Decrease in non current assets valuation	2,096,027	
Removal of other trading activities & DSOs - not to be included in CI&E NCS	(78,958)	38,592
Removal of investment activities - not to be included in CI&E NCS	2,184,150	2,311,070
Revenue expenditure funded from capital under state - expenditure	6,587,463	1,429,483
Revenue expenditure funded from capital under state - funding	(6,587,463)	
Rent in advance & Rental deposit	(36,597)	14,731
Waste Contract credit to Services	(178,000)	(374,843)
	16,065,507	14,075,051
Net Cost of Services in CI&E Statement	**16,065,507**	**14,075,051**

Reconciliation to subjective analysis

This reconciliation aims to show how the figures presented in the analysis of service income and expenditure relates to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income & Expenditure Statement.

2011/12 Reconciliation to subjective analysis of total income & expenditure	Service Analysis £	Services not in Analysis £	Not reported to mgt £	Not to be in NCS £	Net Cost of Services £	Corporate Amounts £	Total £
Fees, charges & other service income	(11,592,965)			79,034	(11,513,931)	(560,516)	(12,074,447)
Interest and investment income	(2,634,698)			2,634,698	-	(3,054,844)	(3,054,844)
Income from council tax					-	(5,957,809)	(5,957,809)
Government grants and contributions	(26,924,216)				(26,924,216)	(6,531,777)	(33,455,993)
Total Income	(41,151,880)	-	-	2,713,732	(38,438,148)	(16,104,946)	(54,543,093)
Employee expenses	9,349,005		(161,288)		9,187,717	355,000	9,542,717
Other service expenses	36,736,227		1,069,371	(331,241)	37,474,358	331,241	37,805,598
Support Service recharges	4,132,130			(30,431)	4,101,699	30,431	4,132,130
Depreciation, amortisation and impairment	1,751,824			(2,400)	1,749,424	(6,769,198)	(5,019,774)
Interest Payments	-				-	94,342	94,342
Precepts & Levies					-	2,406,552	2,406,552
Payments to Housing Capital Receipts Pool	-				-	2,010	2,010
(Gain)/Loss on disposal of Non-Current Assets	-				-		-
Total Expenditure	51,969,186	-	908,083	(364,072)	52,513,197	(3,549,623)	48,963,575
(Surplus) / deficit on the provision of services	10,817,306	-	908,083	2,349,661	14,075,050	(19,654,569)	(5,579,519)

2010/11 Reconciliation to subjective analysis of total income & expenditure	Service Analysis	Services not in Analysis	Not reported to mgt	Not to be in NCS	Net Cost of Services	Corporate Amounts	Total
	£	£	£	£	£	£	£
Fees, charges & other service income	(11,943,468)				(11,943,468)		(11,943,468)
Interest and investment income	(2,452,905)			2,452,905	-	(2,761,685)	(2,761,685)
Income from council tax					-	(5,894,840)	(5,894,840)
Government grants and contributions	(26,175,112)				(26,175,112)	(7,401,271)	(33,576,383)
Total Income	**(40,571,486)**	**-**	**-**	**2,452,905**	**(38,118,580)**	**(16,057,796)**	**(54,176,376)**
Employee expenses	9,901,091		163,150		10,064,241	(4,006,000)	6,058,241
Other service expenses	36,791,917		(215,935)	(347,714)	36,228,268	(294,454)	35,933,814
Support Service recharges	4,581,848				4,581,848		4,581,848
Depreciation, amortisation and impairment	1,211,608		2,096,027		3,307,635	2,231,525	5,539,160
Interest Payments					-	51,582	51,582
Precepts & Levies					-	2,363,498	2,363,498
Payments to Housing Capital Receipts Pool					-	10,586	10,586
(Gain)/Loss on disposal of Non-Current Assets					-	85,047	85,047
Total Expenditure	**52,486,463**	**-**	**2,043,242**	**(347,714)**	**54,181,991**	**441,785**	**54,623,777**
(Surplus) / deficit on the provision of services	**11,914,977**	**-**	**2,043,242**	**2,105,191**	**16,063,411**	**(15,616,011)**	**447,400**

30. Acquired and Discontinued Operations

The Authority has no acquired operations in 2011/12. Operations that discontinued in 2011/12 related to Concessionary Fares and S38 which both transferred to Oxfordshire County Council.

31. Trading Operations

The Authority lets 18 units in industrial estates located in Witney. As part of the Council's economic development strategy, rents can be set at less than the market rate to support small businesses.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The net surplus on trading operations is charged as Financing and Investment Income.

32. Agency Services

The collection of National Non-Domestic Rates (NNDR) is administered under an agency agreement. Cash collected by the Council [as billing authority] is collected on behalf of the Government and does not belong to the Council. At 31st March 2012 any amount collected, but not yet paid to the Government is included on the Balance Sheet as a creditor balance, with any amounts owed to the Council as a debtor balance. At 31st March 2012 the Council owed the Government £938,925 in relation to NNDR collection (In 2011/10 the Government owed the Council £992,282).

33. Woodstock & District Swimming Pool (Registered Charity No. 304394)

The leasehold title for the Woodstock & District Swimming Pool is vested in the Official Custodian for Charities. Under the terms of a scheme dated November 1977, the District Council has acted as Trustee of the Charity and accordingly is required to account separately for income and expenditure relating to the Woodstock & District Swimming Pool.

The management of Woodstock & District Swimming Pool transferred to Wycombe Leisure Ltd on 5 April, 2002. Wycombe Leisure Ltd changed their name on 25th March 2008 to Nexus Community. A merger with Greenwich Leisure Ltd took place on 1 January 2011 and the company was renamed GLL Nexus. GLL Nexus is a non-profit distributing organisation, which is contracted to manage the Council's leisure facilities until 2016.

Under the terms of the contract the Council paid Nexus Community £45,862 to manage Woodstock & District Swimming Pool. Additionally, the Council incurred £15,179 of expenditure, including depreciation charges, in respect of the Swimming Pool.

The direct income and expenditure for the year ended 31st March 2012 incurred by GLL Nexus in managing Woodstock & District Swimming Pool, excluding the management fee paid by the Council, is as follows:

2010/2011 £'000	Woodstock & District Swimming Pool	2011/2012 £'000
	Expenditure	
36	Employees	42
32	Premises Related Expenditure	27
10	Supplies & Services	7
(1)	Capital Charges	-
76		75
	Income	
(53)	Fees and charges for services	(53)
(53)		(53)
23	Net (surplus)/deficit	22

34. Pooled Budgets

The Authority has no pooled budgets arrangement with third parties.

35. Members Allowances

The Authority paid the following amounts to members of the council during the year.

	2010/11 £	2011/12 £
Basic Allowances	208,416	208,983
Responsibility Allowances	125,869	116,833
Expenses	25,031	7,860
Total	359,316	333,676

36. Officer Remuneration

2011/12

Position	Salary, Fee and Allowances	Supplements	Honorarium	Benefit in Kind	Compensation for lost office	Pension Contribution	Total Remuneration (£)
Chief Executive and Clerk of the Council	101,691		15,000	5,348		16,859	138,898
Strategic Director (Development)	73,812		9,398	5,277		12,042	100,528
Strategic Director (Environment) - (Left)	18,953		1,260			2,870	23,084
Strategic Director (Environment)	12,302	908	808	67		1,897	15,982
Strategic Director (Resources)	73,812	1,578	8,857	2,888		11,904	99,040
Head of Legal and Democratic Services	50,496	1,215	3,074	2,213		7,714	64,711

2010/11

Position	Basic Salary	Supplements	Honorarium	Benefit in Kind	Compensation for loss of Office	Pension Contribution	Total Remuneration
	£	£	£	£	£	£	£
Chief Executive	101,691		15,000	4,220		24,833	145,744
Strategic Director (Development)	73,812		4,843	4,279		17,526	100,460
Strategic Director (Environment)	73,812	5,447	4,843	326	110,000	16,817	211,245
Strategic Director (Resources)	73,812	6,083	8,857			16,744	105,496
Head of Legal and Democratic Services	50,496	1,215	3,073	2,554		11,357	68,695

The Chief Executive and Strategic Director (Resources) provide services for both the West Oxfordshire and Cotswold District Council. They are formally employed by West Oxfordshire and 50% of their salaries and other remunerations are recharged to Cotswold District Council. The Strategic Director (Environment) is an employee of Cotswold District Council. He is seconded for 50% of his time to West Oxfordshire District Council. The figure included in above table have been obtained from Cotswold District Council and represent the full salary, allowances and Pension Cost incurred by Cotswold District Council (as the employer).

The Authority's total employees receiving more than £50,000 remuneration for the year, excluding those in note 36 above) were as follows:

Remuneration band	2010/11 Number of employees	2011/12 Number of employees
£50,000 - £54,999	1	3
£55,000 - £59,999	3	4
£60,000 - £64,999	3	2
£65,000 - £69,999		
£70,000 - £74,999		
£75,000 - £79,999		
£80,000 - £84,999		
£85,000 - £89,999		
£90,000 - £94,999		
£95,000 - £99,999		
£100,000 - £104,999		
£105,000 - £109,999		
£110,000 - £114,999		
£115,000 - £119,999		

The numbers of exit package with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost bank (including special payments)	No of compulsory redundancies		No of other departures agreed		Total No of exit package by cost band		Total cost of exit packages in each band (£)	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
0-20,000	1				1	2	7,284	28,440
20,001-40,000	2	3			2	1	60,281	23,458
40,001-60,000								
60,001-80,000								
80,001-100,000								
100,001-150,000	1				1		110,000	
Total	4	3	0	0	4	3	177,565	51,898

37. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections, and to non-audit services provided by the Authority's external auditors (the Audit Commission):-

External audit costs	2010/11 £000	2011/12 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	100	93
Fees payable in respect of statutory inspections	0	0
Fees payable for the certification of grant claims and returns for the year	27	29
Fees payable in respect of other service provided during the year	9	0
Total	136	122

38. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

Miscellaneous government grants	2010/11 £000	2011/12 £000
Credited to taxation and non-specific grant income		
Demand on the Collection Fund	(5,895)	(5,959)
Capital Grants received	(1,206)	(1,156)
General Government Grants	(860)	(1,805)
Non Domestic Rates Redistribution	(5,335)	(3,570)
Total	(13,296)	(12,490)
Credited to services	(28,314)	(27,274)
Total	(28,314)	(27,274)

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

Capital grants receipts in advance	2010/11 £000	2011/12 £000
Environment Agency - land drainage grant	(199)	(274)
Total	(199)	(274)

39. Related Parties

The Authority is required to disclose material transactions with related parties – i.e. 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 Authority.

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Authority has with other parties (eg Council Tax bills, Housing Benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2012, are shown in Note 38.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 35. All elected Members are required to complete a questionnaire detailing any areas where potential conflicts of interest may occur between their private interests and their position as the elected representatives of the Council. Details are recorded in the register of members' interest, open to public inspection at the Council Offices during office hours. There are no significant related party transactions to report.

Officers

West Oxfordshire District Council is sharing its Chief Executive and a Strategic Director with Cotswold District Council. Both officers are employed by this Council with an agreement that Cotswold District Council contribute 50% of the officers' costs. Although both officers are in positions of influence, decisions on overall policy and the strategic direction are still set by Cabinet and Council.

There are also some other management posts which this Council shares with Cotswold District Council in a bid to boost efficiency and reduce costs.

Other Public Bodies

The Council collects precepts on behalf of Oxfordshire County Council, Thames Valley Police Authority and the Town and Parish Councils within the Council area. Precepts for the County

Council and Police Authority are shown in the Collection Fund. Town and Parish precepts are shown in the Income and Expenditure Account.

The Council provides retirement benefit to its employees. The Local Government Pension Scheme is administered by Oxfordshire County Council.

Entities Controlled or Significantly Influenced by the Authority

There are no entities controlled or significantly influenced by the Authority.

40. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance lease), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/11 £000	2011/12 £000
Opening Capital Financing Requirement	(48)	1,951
Capital investment:		
Property, Plant and Equipment	4,036	1,203
Heritage Assets	55	33
Investment Properties	95	4,044
Intangible Assets	1	61
Revenue Expenditure Funded from Capital under Statute	6,587	1,429
Total Capital Expenditure	10,774	6,770
Sources of finance		
Capital receipts	(6,827)	(5,855)
Government grants and other contributions	(1,818)	(707)
Sums set aside from revenue:		
Direct revenue contributions		
MRP/Loans fund principal	(130)	(283)
Total Capital Fund	(8,775)	(6,845)
Closing Capital Financing Requirement	1,951	1,876
Explanation of movements in year		
Increase in underlying need to borrow (supported by government financial assistance)		
Increase in underlying need to borrow (unsupported by government financial assistance)	(130)	(283)
Assets acquired under finance leases (Waste Contract)	2,129	213
Increase/(decrease) in Capital financing requirement	1,999	(70)

41. Leases

Authority as Lessee

Finance Leases

The Authority entered into a 7 year contract for waste collection and recycling with effect from 1st October 2010. This arrangement has been determined to be an embedded finance lease for the vehicles utilised in performing the service, and the payment due under the contract includes vehicles utilised in performing the service. The assets acquired under this lease are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31/03/2011 £000	31/03/2012 £000
Other Land and Buildings		
Vehicles, Plant, Furniture and Equipment	2,129	2,042
	2,129	2,042

The Authority is committed to making minimum payments under this lease comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years, while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31/03/2011 £000	31/03/2012 £000
Finance lease liabilities (net present value of minimum lease payments) on non-current assets	1,998	1,896
plus		
Finance Costs payable in future years	320	265
Minimum lease payments	2,318	2,161

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/2011 £000	31/03/2012 £000	31/03/2011 £000	31/03/2012 £000
Not later than one year	356	392	270	309
Later than one year and not later than five years	1,427	1,572	1,213	1,394
Later that five years	535	197	515	193
	2,318	2,161	1,998	1,896

Operating Leases

The Authority leases several vehicles, printer/copiers and a number of premises in the local area. Minimum lease payments due under non-cancellable leases in future years are as below,

	31/03/2011 £000	31/03/2012 £000
Not later than one year	158	159
Later than one year and not later than five years	656	482
Later than five years	1,400	1,266

The expenditure charged to the cost of services is as follows,

	31/03/2011 £000	31/03/2012 £000
Minimum lease payments	158	159
Sublease payment receivable	(105)	(127)

Authority as Lessor

Finance Leases

The Authority has no finance lease arrangements within its property portfolio.

Operating Leases

The Authority leases out property under operating leases for several vehicles, printer/copiers and a number of premises within the local area. The future minimum lease payment receivable under non – cancellable leases in future years are:

	31/03/2011 £000	31/03/2012 £000
Not later than one year	2,258	2,514
Later than one year and not later than five years	10,615	8,912
Later than five years	40,211	39,641

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

42. Private Finance Initiatives and Similar Contracts

The Council has no Private Finance Initiatives or similar Contracts.

43. Impairment Losses

On 28 October 2011 the Icelandic Supreme Court ruled that UK Local Authorises' claims in the administration of Glitnir and Landsbanki qualified as priority claims under Icelandic bankruptcy legislation. This means that the value of local authorities' claims in Icelandic administration qualifying for priority settlement are now final and will, at the very least, be equal to the value of the original deposit plus interest accrued to 22 April 2009. At the 31 March 2012 the Council had received £6.2m from Icelandic Banks. The Council has adopted latest (May 2012) CIPFA LAAP bulletin 82 guidance and reduced its estimated impairment loss by £5.8m, reversed out last year's capitalisation expenditure and replenished Capital Receipt Reserves by £4.1m. The changes in the June 2012 CIPFA LAAP bulletin 82 were not material and are not reflected in the accounts. The Council also set up a new escrow deposit account to record outstanding payments held in Icelandic Krona, as this cannot currently be converted into GBP due to currency controls in Iceland. The value of the escrow deposit is recorded on the balance sheet at fair value at 31 March 2012.

44. Capitalisation of Borrowing Costs

The Council retains debt free status and there is no capitalisation of borrowing costs.

45. Termination Benefits

The Authority terminated three employees' contracts in 2011/12, incurring liabilities of £45k. See Note 36 for the number of exit packages and total cost per band.

46. Pension Schemes accounted for as defined contribution schemes

The defined contribution scheme is not applicable to the Authority.

47. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time the employees earn their future entitlement.

The Authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Oxfordshire County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by the employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Defined Benefit Pension Schemes	Local Government Pension Scheme 2010/11 £000	Local Government Pension Scheme 2011/12 £000	Discretionary Benefits Arrangements 2010/11 £000	Discretionary Benefits Arrangements 2011/12 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
>current service cost	1,583	1,224	-	-
>past service costs	(4,804)	-	(134)	
>settlements and curtailments				
Financing and Investment Income and Expenditure				
>interest cost	2,957	2,576	39	34
>expected return on scheme assets	(2,064)	(2,255)	-	-
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(2,328)	1,545	(95)	34
Other PostEmployment Benefit Charged to the Comprehensive Income and Expenditure Statement				
>actuarial (gains) and losses	(13,992)	9,654	53	48
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(16,320)	11,199	(42)	82
Movement in Reserves Statement				
>reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	2,328	(1,545)	95	(34)
Actual amount charged against the General Fund Balance for pensions in the year:				
>employers' contributions payable to scheme	1,350	1,345		
>retirement benefits payable to pensioners			38	38

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pension assets and liabilities line was at 31 March 2012 a loss of £9.702m and at 31 March 2011 was a gain of £13.939m.

Assets and Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Reconciliation of PV of the scheme liabilities	Funded liabilities: Local Government Pension Scheme 2010/11 £000	Funded liabilities: Local Government Pension Scheme 2011/12 £000	Unfunded liabilities: Discretionary Benefits 2010/11 £000	Unfunded liabilities: Discretionary Benefits 2011/12 £000
Opening balance at 1 April	61,814	46,850	725	645
Current service cost	1,583	1,224		
Interest cost	2,957	2,576	39	34
Contrubutions by scheme participants	425	407		
Acturarial gains and losses	(13,237)	7,793	53	48
Benefits paid	(1,888)	(1,663)	(38)	(38)
Past service costs	(4,804)	-		
Curtailments		10		
Settlements			(134)	
Closing balance at 31 March	**46,850**	**57,197**	**645**	**689**

Reconciliation of fair value of the scheme (plan) assets:

Reconciliation of fair value of the scheme assets:	Local Government Pension Scheme	
	2010/11	2011/12
	£000	£000
Opening balance at 1 April	30,164	32,907
Expected rate of return	2,064	2,255
Actuarial gains and losses	755	(1,861)
Employer contributions	1,387	1,355
Contributions by scheme participants	425	407
Benefits paid	(1,888)	(1,663)
Entity combinations		
Settlements		
Closing balance at 31 March	**32,907**	**33,400**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £394k (In 2010/11: £2.548 m).

Scheme History

Scheme History	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme	(41,550)	(45,080)	(62,539)	(47,495)	(57,886)
Discretionary Benefits					
Fair value of assets in the Local Government Pension Scheme	28,970	22,180	30,164	32,907	33,400
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme					
Discretionary Benefits					
Total	(12,580)	(22,900)	(32,375)	(14,588)	(24,486)

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £57.886m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £24.486m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2013 is £1.327m.

Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2013 are nil.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Council being based on the latest full valuation of the scheme as at 31st March 2010.

The principal assumptions used by the actuary have been:

Basis for Estimating Assets and Liabilities	Local Government Pension Scheme		Discretionary Benefits	
	2010/11	2011/12	2010/11	2011/12
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.4%	6.3%		
Gilts	4.4%	3.3%		
Other Bonds	5.5%	4.6%		
Property	6.4%	5.3%		
Cash	3.0%	3.0%		
Alternative Assets	7.4%	6.3%		
Total	6.8%	5.7%		
Mortality assumptions:				
Longevity at 65 for current pensioners:				
>Men	21.5	19	21.5	19
>Women	24.1	23.1	24.1	23.1
Longevity at 65 for future pensioners:				
>Men	23.4	21	23.4	21
>Women	25.9	25	25.9	25
Rate of inflation	2.7%	2.5%	2.7%	2.5%
Rate of increase in salaries	5.0%	4.7%	5.0%	4.7%
Rate of increase in pensions	2.7%	2.5%	2.7%	2.5%
Rate for discounting scheme liabilities	5.5%	4.6%	5.5%	4.6%
Take up of option to convert annual pension into retirement lump sum	50.0%	50.0%		

The Discretionary Benefits arrangements have no assets to cover its liabilities.

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31/03/2011 %	31/03/2012 %
Equity investments	72	70
Debt Instruments	14	16
Other assets	14	14
	100	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2011:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	(8.5)	(40.0)	22.4	2.3	(5.6)
Experience gains and losses on liabilities	(2.4)	0.4	0.0	10.5	0.0

48. Contingent Liabilities

The Authority has no contingent liabilities.

49. Contingent Assets

The Authority has no contingent assets.

50. Nature and extent of risks arising from financial instruments

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

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

Overall Procedures for Managing Risk

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

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

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

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

The Authority has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Authority approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the CLG's Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Authority's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

These policies are implemented by a central treasury team. The Authority maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices.

Credit Risk

Loans and Receivables

The Authority manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated money market funds and Banks and Building Societies of sufficiently high credit quality as set out in the Treasury Management Strategy. A limit of £5m of the total portfolio is placed on the amount of money that can be invested with a single counterparty. The Authority also sets a total group investment limit for institutions that are part of the same banking group. No more than £7.5m in total can be invested for a period longer than one year.

It must also be noted that although credit ratings remain a key source of information, the Authority recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Authority's Treasury Management Strategy Statement for 2011/12, approved by Full Council in February 2011. The 2011/12Treasury Strategy can be found via the following web link: www.westoxon.gov.uk

As conditions in the financial sector had begun to show signs of improvement, albeit with substantial intervention by government authorities, the Authority decided it would be appropriate to diversify the counterparty list in 2011/12, through the inclusion of comparable non-UK Banks for investments. The sovereign states whose banks were included were Australia, Canada, Finland, France, Germany, Netherlands, Switzerland and the US. These countries, and the Banks within them, were selected after analysis and careful monitoring of:

- Credit Ratings (minimum long-term A+)
- Credit Default Swaps
- GDP; Net Debt as a Percentage of GDP
- Sovereign Support Mechanisms / potential support from a well-resourced parent institution
- Share Price

Throughout 2011/12 the ***minimum*** criteria for new investments has been a long term rating of A+/A1/A+ (Fitch/Moody's/S&P) and a short term rating of F1/P-1/A-1 (Fitch/Moody's/S&P).

The table below summarises the nominal value of the Authority's investment portfolio at 31st March 2012, and confirms that all investments were made in line with the Authority's approved credit rating criteria at the time of placing the investment:

Counterparty	Credit Rating Criteria met when investment placed?	Credit Rating Criteria met on 31.03.2012?	Up to 1 month	> 1 month and < 3 months	> 9 months and < 12 months	Total
	YES / NO	YES / NO	£000	£000	£000	£000
Santander UK	YES	YES	700			700
Lloyds TSB	YES	YES		2,000	1,000	3,000
Total			**700**	**2,000**	**1,000**	**3,700**

The above analysis shows that all deposits outstanding as at 31st March 2012 met the Authority's credit rating criteria on the 31st March 2012.

The above analysis excludes the estimated carrying value after impairment of the Authority's Icelandic Bank investment of £2.786m.

The Authority does not generally allow extended credit for customers, but some of the current balance is pas its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31/03/2011	31/03/2012
	£000	£000
Less than three months	518	574
Three to six months	52	24
Six months to one year	35	23
More than one year	134	109
	739	730

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has access to borrowing facilities via the Public Works Loan Board, commercial banks, bond issues, medium term notes, tax increment financing, the European Investment Bank, and other local authorities. There is no perceived risk that the Authority will be unable to raise finance to meet its commitments.

The Authority also has to manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates. The Authority would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities. The Authority has no outstanding borrowing as at 31st March 2012.

Market Risk

- *Interest Rate Risk:* The Authority is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 100% on external debt that can be subject to variable interest rates.

  Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

  If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	Increase In Interest 1% Higher
Increase in interest receivalbe on variable rate investments	227
Impact on Surpluse or deficit on the Provision of Services	227
Decrease in fair value of fixed rate investment assets	(37)
Impact on Other Comprehensive Income and Expenditure	(37)

  The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the 'Fair Value' disclosure note.

- *Price Risk:* The Authority does not invest in equity shares and therefore is not subject to any price risk (i.e. the risk that the Authority will suffer loss as a result of adverse movements in the price of financial instruments).

- *Foreign Exchange Risk:* The Authority holds some deposits in currencies other than sterling from Icelandic deposit repayment. The amounts of deposit outstanding are reconverted at the spot exchange rate at 31 March. Resulting gains and losses are recognised in the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

51. Heritage Assets: Five-Year Summary of Transactions

Heritage Assets: Five-Year Summary of Transactions	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Cost of Acquisitions of Heritage Assets					
Art Collection	-	15	39	55	33
Total cost of Purchases	-	15	39	55	33
Value of Heritage Assets Acquired by Donation					
Art Collection	-	-	-	-	-
Total Donations	-	-	-	-	-
Disposals of Art Collection Assets					
Carrying Value	-	-	-	-	43
Proceeds	-	-	-	-	-
	-	-	-	-	43
Impairment recognised in the period					
Art Collection	-	-	-	-	(43)

52. Heritage Assets: Change in Accounting Policy required by the Code of Practice for Local Authority Accounting in the United Kingdom

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in our summary of significant accounting polices, the Authority now requires heritage assets to be carried in the Balance Sheet at valuation.

Heritage Assets

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the Authority were held at valuation as a proxy for historical cost. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the summary of significant accounting policies (see item (n) under note 1).

In applying the new accounting policy, the Authority has identified that the assets that were previously held as community assets within property, plant and equipment at £109k should now be recognised as heritage assets and measured at £109k, with no corresponding increase in the Revaluation Reserve. These assets relate to statues and sculptures in respect of public art, which was previously recognised in the community asset classification of property, plant and equipment.
The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation (using historic cost as a proxy) at £54k. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £54k. There is no change in the revaluation reserve as a result of this.
- The fully restated 1 April 2010 Balance Sheet is provided on page 12. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2010

Effect on Opening Balance Sheet 1 April 2010	Opening Balances as at 1 April 2010	Restatement	Restatement required to opening balances as at 1 April 2010
	£000	£000	£000
Property, Plant & Equipment	38,731	(54)	38,677
Heritage Assets	-	54	54
Long-term Assets	**38,731**	**-**	**38,731**

Comprehensive Income and Expenditure Statement

There has been no restatement of any lines of the Comprehensive Income and Expenditure Statement.

Movement in Reserves Statement – Unusable Reserves 2010/11

There has been no restatement of any lines of the Movement in Reserves Statement.

The resulting restated Balance Sheet for 31 March 2011 is provided on page 12. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Balance Sheet 31 March 2011

Effect on Balance Sheet 31 March 2011	As Previously Stated 31 March 2011	As Restated 31 March 2011	Restatement 2011
	£000	£000	£000
Property, Plant & Equipment	42,126	(109)	42,017
Heritage Assets	-	109	109
Long-term Assets	**42,126**	**-**	**42,126**

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £109k on the Balance Sheet, with property, plant and equipment being restated by the amount of heritage assets previously recognised at cost in community assets (a sub-classification of property, plant and equipment) of £109k. There has been no change to the revaluation reserve.

THE COLLECTION FUND

Revenue Account

2010/11 £'000		2011/12 £'000 Business Rates	£'000 Council Tax	£'000 Total	Note
	Income				
(57,302)	Income from Council Tax		(57,503)	(57,503)	
	Transfers from General Fund			-	
(4,820)	- Council Tax Benefits		(4,752)	(4,752)	
(1)	- Transitional Relief		(1)	(1)	
(62,123)		-	(62,256)	(62,256)	
(27,894)	Income collectable - Business Ratepayers	(28,762)		(28,762)	
(90,017)		**(28,762)**	**(62,256)**	**(91,018)**	
	Expenditure				
60,933	Precepts & demands on the Collection Fund		61,414	61,414	3
-	National Non Domestic Rates			-	
27,605	- Payment to National Pool	28,659		28,659	
164	- Costs of Collection	164		164	
345	Change in provision bad/doubtful debts - Council Tax	94	78	172	
(181)	Bad debts written off	(155)	(44)	(199)	
88,866		**28,762**	**61,448**	**90,210**	
(1,151)	**(Surplus) / Deficit for the year**	**-**	**(808)**	**(808)**	

Appropriation Accounts

2010/11 Total £'000		2011/12 Business Rates £'000	Council Tax £'000	Total £'000	Note
16	Balance brought forward available for distribution	-	(1,147)	(1,147)	
	add				
	Distribution of Council Tax				
	Collection Fund deficit				
(10)	- Oxfordshire County Council		896	896	
(1)	- Thames Valley Police Authority		119	119	
(1)	- West Oxfordshire District Council		106	106	
	add				
-	Transfer to General Fund			-	
(1,151)	(Surplus)/Deficit for the year		(808)	(808)	
(1,147)	**Balance carried forward**	**-**	**(834)**	**(834)**	4

NOTES TO THE COLLECTION FUND

Note C1 Business Rate (National Non-Domestic Rates)

Business Rates (Non-Domestic Rates) are based on the rateable value for each property multiplied by a nationally determined uniform rate (multiplier). The total amount collected by the Council (subject to certain adjustments) is paid into the National Pool managed by Central Government and redistributed to each local authority based on a standard amount per head of population.

From the 1st April 2005 a new rating list took effect. Two separate rate multipliers were set, the lower of which is a rate multiplier for those businesses qualifying for small business relief.

2010/2011		2011/2012
£77,234,552	Non-domestic rating value	£77,416,676
40.7p	Small business non-domestic rating multiplier	42.6p
41.4p	Non-domestic rating multiplier	43.3p

Note C2 Council Tax

Council Tax income is derived from charges according to the value of residential properties. Properties are classified into 9 valuation bands (A*-H). The Council as billing authority calculates its tax base in accordance with Government Regulations. The number of dwellings is modified to take account of various discounts and exemptions allowed and an index is then used to calculate the equivalent number of Band D dwellings. The tax base calculation for 2011/12 is shown below:

Valuation Band	Total Dwellings in Band	Total Discounts, Exemption & Second Homes	Total Chargeable Dwellings	Weight [in 9ths]	Equivalent No of Band D Dwellings
A*	0	0.75	0.75	5	0.42
A	1,313	-167.45	1,145.55	6	763.70
B	4,243	-529.7	3,713.30	7	2,888.12
C	15,175	-1,307.70	13,867.30	8	12,326.49
D	9,641	-391.26	9,249.74	9	9,249.74
E	6,654	-386.75	6,267.25	11	7,659.97
F	3,593	-156.5	3,436.50	13	4,963.83
G	2,337	-102.7	2,234.30	15	3,723.83
H	322	-29.7	292.30	18	584.60
Total	43,278	-3,071	40,206.99		42,160.71
Collection rate %					98.00%
Plus Contribution in Lieu (MOD)					901.50
Tax base for 2011/12					42,219.00

The estimated collection rate for 2011/12 was 98%, giving a Council Tax Base of 42,219 (41,906.20 2010/11).

Note C3 Precepts and Demands Made on the Collection Fund

2010/11 £'000		2011/12 £'000
48,683	Oxfordshire County Council	49,046
6,466	Thames Valley Police Authority	6,514
	West Oxfordshire District Council:	
2,363	Parishes	2,406
3,421	District	3,446
60,933		61,412

Note C4 Surplus / Deficit on the Collection Fund

The estimated surplus or deficit in respect of Council Tax at the end of each year is required to be distributed to or financed by the District Council, Oxfordshire County Council and the Thames Valley Police Authority in the following financial year in accordance with the relative amounts of precepts and demands on the Collection Fund. Community charge surpluses or deficits are dealt with purely by the District Council. The distribution of the estimated deficit at 31 March 2012 is shown in the Collection Fund Appropriations Account.

Annual Governance Statement

Scope of Responsibility

West Oxfordshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. West Oxfordshire District Council 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, West Oxfordshire District Council is also responsible for proper arrangements for the governance of its affairs, which facilitates the effective exercise of functions and which includes arrangements for the management of risk.

The Accounts and Audit Regulations 2011 Regulation 4 (3) formally requires local authorities to prepare an Annual Governance Statement.

The Purpose of the Governance Framework

The governance statement covers all significant corporate systems, processes and controls, spanning the range of an authority's activities, including in particular those to ensure that:

- The authority's policies are implemented;
- High-quality services are delivered efficiently and effectively;
- The authority's values and ethical standards are met;
- Laws and regulations are complied with;
- Required processes are adhered to;
- Financial statements and other published performance information are accurate and reliable; and
- Human, financial, environmental and other resources are managed efficiently and effectively.

The governance statement includes all components in the system of internal control. The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies aims and objectives; it 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 West Oxfordshire District 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 Corporate Management Team (including the S151 Officer), the Monitoring Officer and all operational Heads of Service have each signed an assurance statement that adequate controls are in place for 2011-12.

An adequate system of internal control has been in place at West Oxfordshire District Council for the year ending 31 March 2012.

Governance and the Internal Control Environment

A requirement of the system of internal control is the need for sound systems of financial management, internal control and risk management. The Accounts and Audit Regulations confirm that the Council is responsible for putting these in place and making sure they are effective.

The Council's Local Code of Corporate Governance has been revised in accordance with the 2007 CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* and embraces the definition of corporate governance. The local code details the six core principles of the Good Governance Standard for Public Services against which the authority will measure its performance. The Local Code of Corporate Governance was approved by Cabinet in May 2008 and has been revised in April 2011 and presented to the Audit and General Purposes Committee.

The Council maintains an adequate and effective Internal Audit service. The agreed audit plan for 2011 – 12 has been duly completed and the reports issued. The Internal Audit Annual Report which contains an overall assurance of the adequacy of internal control has been published. The Audit Commission were able to formally place reliance on the work of the Internal Auditors during 2011-12. During the year the Council's internal audit service has been delivered through a partnership arrangement with Cheltenham and Cotswold Councils known as Audit Cotswolds.

The Council is subject to external review; the external auditor is the Audit Commission who provided an annual audit and inspection letter presenting its findings.

There is an effective financial management system in place, the accounts are published annually, reviewed and signed off by the Audit Commission.

The Council maintains an ongoing active approach to risk management, maintaining a Risk Register and linking risks to actions in service plans and managing them effectively. Corporate risks are frequently reviewed by the Management Team and Cabinet and reported via the Audit & General Purposes Committee. The embedding of risk management throughout the organisation is a continuous improvement process. All Risk Registers are now available online on the Council's intranet to facilitate dynamic update by Services.

The Council has adopted the Leader and Cabinet model for decision making with a Leader, Executive Members and three Overview and Scrutiny Committees.

The Constitution sets out how the Council is to be managed. This includes a set of financial and contract regulations and a "Scheme of Delegation" which details decisions Officers can make without needing Council approval, as well as the areas of responsibility and procedures for Overview and Scrutiny and Non Executive Committees appointed by the Council.

There are two Statutory Officers who have specific responsibilities; the S151 Officer (Strategic Director (Resources)) oversees the financial arrangements of the Council [ensuring compliance with the five key principles within the CIPFA statement on the role of the Chief Finance Officer in public service organisations] whilst the Monitoring Officer deals with legal issues and the proper conduct of business.

As required by the Local Government Act 2000 the Council has constituted a Standards Committee which fulfils its statutory duties in relation to the promotion of good conduct, assisting members to comply with the Council's Code of Conduct for Members and providing training. The Committee also monitors the outcome of complaints referred to the Local Government Ombudsman.

In compliance with guidance from CIPFA and the Audit Commission the Council has an independent audit committee (realigning the General Purposes Committee to be the Audit and General Purposes Committee), to provide independent assurance of the adequacy of the risk management framework and associated control environment, independent scrutiny of the authority's financial and non-financial performance and to oversee the financial reporting process. This Committee is also supported by the work of the Finance and Management Overview and Scrutiny Committee who provide a complimentary scrutiny role.

The Council's ten year medium term financial strategy sets out the resource constraints the Council needs to operate within to deliver strategic aims, whilst service plans have been developed to contribute to strategic outcomes and the performance management framework measures delivery progress.

The annual revenue budget is agreed after a series of consultations with each Overview and Scrutiny Committee and public consultation via an on-line web survey. The budget is finally agreed in February of each year to enable the level of Council Tax to be set after final grant figures are received from government. The revenue budget must fit within the broad context of the medium term financial strategy.

Ongoing budgetary control is delivered by the Corporate Finance team with reports delivered to Cabinet on a quarterly basis setting out expenditure against both Revenue and Capital budgets. Any significant budget variances receive detailed comment for Cabinet's attention and where appropriate mitigating or corrective action is recommended.

Capital expenditure receives particular attention given its scale and nature via the officer Capital Programme Working Group which meets to discuss progress on schemes and where necessary makes recommendation to Cabinet to re-phase the programme.

The Council continues to contribute to the National Fraud Initiative (NFI) reviewing government systems data which is matched by the Audit Commission (now on a website access) and investigating anomalies to prevent or detect fraud. An annual fraud survey was also undertaken on behalf of the Audit Commission. In addition data matching work has been carried out with Capita to validate single occupier discounts for Council Tax across the whole of Oxfordshire.

The Strategic Director (Resources) has overall responsibility for ensuring the Council has a safe and proper system of financial administration. The financial procedures within the Constitution set how we will manage our financial resources and secure sound financial administration. These include how budgets are prepared and funds are controlled and released. All transactions are transparent and significant items drawn to the attention of the Finance and Management Overview and Scrutiny Committee which meets regularly.

The Council's Business Continuity Plan (BCP) and emergency management plan for the community, is in place as compliant with the Civil Contingencies Act 2004, covering all of its operations, and has been reviewed by Internal Audit and has been the subject of desktop training exercises in liaison with the County Council Emergency Planning Team. The Emergency Plan has been refreshed during 2011-12.

The Council's Vision and Priorities developed in 2007 have been incorporated into a Council Plan and have been subject to annual refresh processes. These top level objectives are set out in the Delivery Plan with key milestones and performance measures attached which are subsequently reported to the Executive and Scrutiny Committees quarterly. New Priorities have been developed which reaffirms the Council's Vision.

'Shaping Futures' the Sustainable Community Strategy for the district sets out the delivery aspirations for local communities based upon a comprehensive evidence base and widespread consultation including with harder to reach groups, either directly e.g. young people, or through representative organisations e.g. Citizens Advice Bureau. The Delivery Plan for the Strategy is reviewed and updated annually. The Council Plan links into this strategy and its outcomes.

A new Corporate Improvement Programme is currently being developed and the Council continues to participate in the '*Even Better Place To Work'* scheme to assess and manage employee satisfaction and motivation levels.

The Council continues to pursue value for money in its procurement of goods and services, working closely with the Oxfordshire Districts Procurement Hub and its partners with the GO Shared Services partnership to deliver benefits of efficiency and effectiveness. The Council has also taken advantage of national framework agreements. The Council took the lead on undertaking a procurement process to provide reactive and planned maintenance services for all Councils across Oxfordshire and Cotswold DC.

Shared service arrangements with Cotswold District Council and other authorities have continued to be developed during 2011-12 both at Senior Management level and cascading down to operational Service levels with savings reaching the levels targeted in the original business case report. These included the GO Shared Service, Joint ICT, Joint Legal and Audit Cotswolds.

Review of Effectiveness

Council's are expected to test their structures against the six core principles and supporting principles by reviewing their existing governance arrangements against the framework, having developed and maintained an up to date Local Code of Corporate Governance, including arrangements for ensuring its ongoing application and effectiveness.

West Oxfordshire District Council has reviewed and revised its Local Code of Corporate Governance to adopt the CIPFA/SOLACE Framework 2007 definitions. The six core principles and supporting principles are adopted as the ongoing measure of effectiveness and the Council recognises that effective local government relies on establishing and maintaining the public's confidence in both elected members and officers and the credibility of the services provided.

Key Principle 1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

The Council determined to keep its Vision and Priorities statement and Council Plan broadly in line with previous years pending potential changes as the new governments Localism and Big Society agenda unfolded.

The suite of performance indicators linked to the Council key priorities continues to be monitored by the Cabinet on a quarterly basis to ensure that outcomes required as set out in the Council Plan are being delivered or action being taken to ensure they will be delivered. These were reviewed in 2011/12 as a response to Government's decision to drop a large number of national performance indicators.

The Council continues to set its objective to maintain Council Tax at a low level (currently second-lowest in the country) with its focus on operational efficiencies.

Key Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

The Council's Constitution sets out how the Council operates and how decisions are made. The Articles of the Constitution set out the detail of how key parts of the Council operate, also the composition of the Council, and the rights of the public. It details the composition and Members of the Council and its Code of Conduct, composition of committees, Council meetings and how decisions are made. In 2011/12 as a result of the newly formed GO Partnership arrangements the Councils Contract Procedure Rules and Financial Rules were revised to align them with the other partner organisations.

There are clear definitions of executive and non-executive functions and there is a separate scrutiny function which monitors the decisions of the executive and supports the Council as a whole.

Officers implement the Members' decisions, provide advice and manage the day to day delivery of services. The rights of the public in their dealings with the Council are detailed in the Constitution; the public has additional rights where using council services.

Key Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

The Council has a Standards Committee which oversees conduct and ethics and ensures high standards in the way that duties are performed although these arrangements are due to change in the near future due to legislative changes.

There is a Local Code of Conduct as originally required by the Local Government Act 2000, and during 2007 a statutory instrument was issued for local authorities to adopt a revised Model Code. The Standards Committee duly recommended adoption of the Code for the Council and training/briefing sessions were held. The Code was also adopted by Town and Parish Councils in West Oxfordshire.

The Constitution sets out full detailed Codes of Conduct and information on Members' Roles, and also an Officers Code of Conduct and relationships. There is a Gifts and Hospitality Register to safeguard the perception of probity of the Council.

The Standards Committee met regularly during 2011 and received the annual letter from the Local Government Ombudsman and reports from the Monitoring Officer. The Standards Hearing Panel hears allegations of breach of conduct under the Local Government Act 2000 and the Standards Committee (England) Regulations 2008.

Key Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

The Executive (Cabinet) is responsible for most day to day decisions which are in line with the Council's overall policies and budget; matters outside of this remit are referred to the whole Council.

There are three overview and scrutiny committees which monitor the decisions and support the Council as a whole. A review of Overview and Scrutiny arrangements completed during 2008-09 was duly implemented and all of these scrutiny committees have taken steps to increase the visibility and effectiveness of scrutiny outcomes.

The Council has an active risk management policy and strategy. Risk Registers are completed for all Services and have been reviewed and updated during 2011/12. There is a Risk Register for corporate risks incorporating key partnership projects and all service risks.

Corporate risks are reviewed by the Management Team and Cabinet on a quarterly basis and reported to Audit & General Purposes Committee. There is an active Risk Management Group which meets regularly, reviewing corporate, project and service based risks and updating the Risk Registers. A composite Risk Register has been developed on the intranet for visibility and on-line update throughout the organisation, and is currently being populated with all risks.

In 2011/12 the terms of reference for the Risk Management Group was expanded to incorporate corporate governance. This group has the responsibility for reviewing the Local Code of Corporate Governance and the preparation of the Annual Governance Statement.

Key Principle 5: Developing the capacity and capability of members and officers to be effective.

The Council operates a comprehensive internal training programme for officers and Members utilising both in-house and external resources.

The Council continues to develop and publish employment policies operating both effectively and legally.

The Council has recently recruited a number of apprentices, in areas such as ICT, Revenues and Benefits and Environmental and Commercial Services, using an approach that suits the Council's needs rather than the national scheme.

Shared senior officer and service arrangements have continued to be developed with Cotswold District Council with activity cascading down to operational service levels.

The Even Better change programme was established in 2011/12 and the projects that will sit within this are currently being developed along with the delivery and monitoring mechanisms.

Key Principle 6: Engaging with local people and other stakeholders to ensure robust accountability.

One of the key revised priorities of the Council is to 'work in partnership to sustain vibrant, healthy and economically prosperous towns and villages with full employment', and partnership activities detailed in the Council Plan work towards that goal, whilst engaging local people and local institutional stakeholders with accountability to the public.

The Council has approved a policy on partnership working and is committed to working in partnership to the benefit of the residents of the district and to provide high quality, value for money services. The Council has formed partnerships working at both strategic and operational level, to optimise opportunities to achieve its corporate priorities.

The West Oxfordshire Community Strategy sets out the community's aspirations and the Council Plan links directly into this and shares many of the strategic outcomes. In developing the Community Strategy the Council has undertaken extensive market research, consultation and community engagement with local communities and stakeholders to ensure the priorities meet local needs and aspirations.

The Local Development Framework sets out the Planning strategy, policies and proposals for the District. Following public consultation in 2009, 2010 and 2011 on the emerging Core Strategy, responses were assessed and further work progressed to test main strategic options for future development. Additional technical studies were published including on transport, landscape, flood risk, renewable energy and affordable housing viability. At the beginning of 2011 the Council's Draft Core Strategy was published for debate prior to it being finalised. Planning documents and consultation responses can be viewed on the Council's website. Work is ongoing following various significant changes which have delayed the finalisation of the Core Strategy in respect of which it is anticipated that further consultation will be carried out later in the year.

All of the project activities outlined in the Corporate Improvement Programme – 'Even Better' incorporated commitment and involvement from the staff of West Oxfordshire at all levels to jointly achieve the aims and objectives, and there have been regular communication and feedback sessions involving all staff to ensure open and comprehensive communications.

Significant Governance Issues

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Risk Management Group, and a plan to address any weaknesses and ensure continuous improvement of the system is in place.

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

Signature ______________________ Date 27 September 2012

David Neudegg
Chief Executive

Signature ______________________ Date 27 September 2012

Barry Norton
Leader of the Council

Independent Auditor's Report

Opinion on the Authority financial statements

I have audited the financial statements of West Oxfordshire District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of West Oxfordshire District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Strategic Director, Resources and auditor

As explained more fully in the Statement of the Strategic Director, Resources Responsibilities, the Strategic Director, Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director, Resources; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of West Oxfordshire District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, West Oxfordshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

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

Maria Grindley
District Auditor
Unit 5, Isis Business Centre,
Horspath Road
Cowley OX4 2RD

September 2012