VALE OF WHITE HORSE DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2011/12

Explanatory foreword to the 2011/12 statement of accounts

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. This foreword includes an explanation of the purpose of each statement and does not form part of the actual statement. Whilst this foreword may refer to the policies and strategies of the council, its purpose is not to comment on them.

The foreword contains a summary of the council's financial outturn (service expenditure, interest payable and other operating costs and income from grants, local taxpayer and other sources) for the year compared to the budget.

To assist the reader, a glossary of financial terms is provided on pages 82 to 87.

The council's accounts

The council's Statement of Accounts (SoA) is prepared in accordance with the Chartered Institute of Public Finance and Accountancy / Local Authority (Scotland) Accounts Advisory Committee (CIPFA/LASAAC) code of practice on local authority accounting in Great Britain ("the code"). The code requires that the accounts contain the following statements listed below. The accounts have been compiled under International Financial Reporting Standards (IFRS).

Statement of responsibilities for the statement of accounts (page 13)

This statement sets out the respective responsibilities of the authority and the chief financial officer.

The primary accounting statements

a) The **Movement in Reserves Statement (MiRS)** (page 17) shows the movement in the year on the different reserves held by the authority, analysed into 'useable reserves' (ie: those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the council's services, more details of which are shown in the comprehensive income and expenditure statement. These are different from the statutory amounts required to be charged to the general fund balance for council tax setting 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.

b) The **Comprehensive Income and Expenditure Statement (CIES)** (page 18) 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 MiRS.

The revenue expenditure section of this explanatory foreword, which follows below, provides an analysis of the council's budgeted and outturn expenditure as funded by local taxation, in a format consistent with the council's revenue budget for the year. The direct service expenditure is then reconciled to the cost of services line of the CIES.

c) The **Balance Sheet (BS)** (page 19) shows the value (as at the balance sheet date) of the assets and liabilities recognised by the council. The net assets of the council (being assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie: those that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (eg: the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains and losses (eg: 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 MiRS line 'adjustments between accounting basis and funding basis under regulations'.

d) The **Cash Flow Statement (CFS)** (page 20) shows the changes in cash and cash equivalents of the council 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 council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (eg: borrowing) to the council.

Statement of accounting policies (pages 21-37)

These show the accounting policies adopted in compiling the council's accounting statements and also explain the basis on which the figures in the accounts have been prepared.

Notes to the core financial statements

The core accounting statements are supported by comprehensive notes to the accounts, which are found on pages 21-78.

The 2011/12 statement of accounts excludes the note for capitalisation of borrowing costs as the authority has not capitalised borrowing costs. The council has no employees in defined contribution pension schemes and therefore the note for pensions schemes accounted for as defined contribution schemes has been removed.

Supplementary financial statements

a) **The collection fund** (pages 79-81). As an authority that issues council tax and business rates bills we maintain a separate income and expenditure account, the collection fund, showing transactions in relation to this income and how the demands on the fund from Oxfordshire County Council, Thames Valley Police Authority and town and parish councils have been satisfied.

Annual governance statement

This statement sets out the purpose and nature of the council's governance framework. It also provides a review of the effectiveness of the governance framework, and highlights any significant governance issues. The annual governance statement is published as a separate document and is available on the council's website.

Economic climate

The council, like all other organisations has not been immune to the current economic downturn. A large proportion of the council's gross revenues are derived from the supply of services to customers (eg: car parks, planning fees) and as such over the past few years the council has experienced a reduction in these income levels; these are not expected to return to pre-downturn levels in the immediate future. Similarly, the austerity measures outlined in the comprehensive spending review by central government have manifested themselves in the council in reduced in levels of grant funding. In order to minimise the effect on the local taxpayers of these reductions in revenues, council tax precepts have been kept as low as possible; however this has meant a major reduction in the level of the council's expenditure (both in-year and also in future planned budgets) – wherever possible these reductions are being made without cutting frontline services. Further notes on the council's prospects for its future budgets and levels of reserves are at the end of this foreword.

Financial performance 2011/12

The council's original budgeted medium term plan to 2015/16 provided for gradually reducing net budget requirements funded by stable, annual council tax increases that offset the expected reduction in government funding, with prudent use of funds and balances to help smooth out the cycle. Overall these trends will maintain the council's financial base. The net budget requirement is however principally dependent upon achievement of the council's ambitious programme of cost cutting measures and being able to retain a sustainable level of reserves.

Major items of income and expenditure

During the financial year the council made the following material items of expenditure:

	£000
Housing and council tax benefits	30,271
Direct staff costs	6,865
Waste management	4,572
Joint working with South Oxfordshire DC	2,792
Financial services	1,956

and received the following material income amounts:

	£000
Housing and council tax benefits	(30,405)
Property and investment income	(2,108)
Waste management	(1,635)
Joint working with South Oxfordshire DC	(1,330)
Planning fees	(696)
Car park income	(619)

The council also incurred material expenditure on the following capital projects / works:

	£000
Grant to Abingdon Town Council	1,200
Renovation grants – Disabled facilities grants	891

The following material capital receipts and contributions were received in the financial year:

	£000
Disabled facilities grant	(548)

Significant provisions or contingencies and material write-offs (including impairments)

There were no significant provisions or contingencies made during the past year and there were no material write-offs or impairments.

Revenue outturn 2011/12

At the beginning of the year the council's budget requirement was £11.4 million, after accounting for the use of reserves and investment income. The working budget requirement was flexed to £11.9 million during the year. Net revenue spend (after accounting for carry forwards) for the year was £0.5 million under spent against budget as shown in the table below, which is in a format consistent with the council's budget book.

Service expenditure	Working Budget £000	Actual £000	Variance £000
Corporate management team	834	632	(202)
Corporate strategy	4,459	4,385	(74)
Economy leisure and property	1,582	1,419	(163)
Finance	1,894	1,974	80
Housing and health	1,321	1,138	(183)
HR,IT and customer services	2,041	2,076	35
Legal and democratic services	979	791	(188)
Planning	815	413	(402)
Net cost of services	**13,925**	**12,828**	**(1,097)**
Investment income	(372)	(413)	(41)
Property income	(1,561)	(1,491)	70
Other revenue grants	(142)	(141)	1
Net expenditure	**11,850**	**10,783**	**(1,067)**
Transfer to/(from) earmarked reserves other than general fund balances	0	(91)	(91)
Amount to be financed	**11,850**	**10,692**	**(1,158)**
Contribution to/(from) balances	0	701	701
Budget requirement	**11,850**	**11,393**	**(457)**
Parish precepts	2,929	2,929	
Total funding requirement	**14,779**	**14,322**	**(457)**
Funds from council tax	(8,724)	(8,724)	
General government grant	(1,322)	(1,322)	
National non-domestic rates	(4,276)	(4,276)	
Total funding streams	**(14,322)**	**(14,322)**	

The major variations in outturn are detailed below:

	Gross income variance (over)/under £000	Gross employee expenditure variance over/(under) £000	Other gross expenditure variance over/(under) £000	Total net variance £000
Corporate management	(2)	0	(200)	(202)
Corporate strategy	(266)	23	169	(74)
Economy, leisure & property	(125)	(3)	(36)	(164)
Finance	(1,135)	(110)	1,324	79
Health & housing	(87)	(1)	(95)	(183)
HR, IT & customer	11	125	(100)	36
Legal & democratic services	(110)	(93)	16	(187)
Planning	(157)	(128)	(117)	(402)
Net cost of services before c/fwd	**(1,871)**	**(187)**	**961**	**(1,097)**
	(41)	0	0	(41)
Investment income	(130)	0	200	70
Property trading	1	0	0	1
Council tax freeze grant*				
Net expenditure	**(2,041)**	**(187)**	**1,161**	**(1,067)**

* Applied directly to general fund balances.

The major variations in respect of gross income and other gross expenditure variances in net cost of service are detailed in the table below:

	£000
Analysis of gross income variances (over)/under £50,000	
Housing and council tax benefit subsidy (received from central govt)	(1,130)
Increased income on waste contract, due to increased levels of recycling credits and demand for garden waste recycling scheme	(236)
Higher than budgeted Planning fee income, due to a major new housing development in year	(150)
Increased fee income and service charges receivable from non-investment properties	(133)
Increased local land charge search volumes	(71)
Lower than budgeted income generated from car park operations	69
	(1,651)
Net balance of gross income variances less than £50,000	(220)
Total gross income variance	**(1,871)**
Analysis of other gross expenditure variances over/(under) £50,000	
Increased costs of waste contract due to increased levels of recycling and demand for garden waste recycling scheme	417
Savings on cessation of community newsletter and reductions in external printing and discretionary advertising	(64)
Greater than budgeted costs of Housing and Council Tax Benefits made to claimants	1,045
Greater than budgeted payment to contractor owing to their achievement of agreed performance monitoring criteria	191
Savings arising from delay in work on core Planning strategy	(71)
	1,518
Approved carry forward of unspent budget to 2012/13	(333)
Net balance of other gross expenditure variances less than £50,000	(224)
Total other gross expenditure variance	**961**

Capital outturn 2011/12

Capital expenditure totalled £2.9 million in 2011/12 and involved 25 projects. Spend for the year was £1.0 million below budget. Details of the expenditure and its funding are shown in the notes to the Balance Sheet on page 68. The main source of funding for the programme was from the Council's own reserves of capital receipts, with the balance made up by grants from Government departments and contributions from developers.

The Council has capital receipts unapplied at 31 March 2012 of £5.6 million after financing capital expenditure as above and taking into account receipts during the year.

Further details on both revenue and capital expenditure for 2011/12 will be provided in an outturn report to be presented to cabinet during October 2012.

Treasury management 2011/12

In accordance with the Treasury Management strategy, by actively managing its investments, the council earned interest and investment income of £415,008 against a budget of £371,800. The average rate earned on cash investments for the year was 1.39 per cent. In accordance with the council's medium term financial plan (MTFP) income from interest and investments is applied in year to support the revenue account. There were no capital gains on the council's investments.

Further details on revenue and capital expenditure, and treasury management for 2011/12 will be provided in an outturn report to be presented to both cabinet and audit and governance committee during September 2012.

Comprehensive income and expenditure statement

The CIES shows the true cost of the council's services as defined by accounting standards. It shows that council spent £57.9 million on the provision of services less income from fees and charges, sales, rents and contributions, resulting in a net cost of services of £19.7 million. Other accounting adjustments, including adjustments for the council's fixed assets, such as depreciation, along with adjustments for interest income and notional charges for the council's pension fund liability (under IAS 19), mean that after the total financing from government grants and local taxpayers of £15.0 million, the council's deficit on provision of services was £7.9 million. This surplus is then adjusted further to produce the total comprehensive income for the year which is £16.8 million. This figure corresponds to the total movement on the balance sheet for the year.

The CIES contains an opening balance adjustment of £46,835 in respect of some non-current assets that, on review of the asset register, should have been written down in prior years but had not been. The amount is not considered sufficiently material to formally restate the previous year's accounts as a prior period adjustment.

The CIES presents the council's financial performance based on accounting standards, rather than as the council's performance against revenue budget, which is based on what can be charged to council tax payers. The table below reconciles the direct service expenditure for the year shown in the net revenue spend table on page 7 to the cost of services shown in the CIES, showing the adjusting transactions.

2010/11 £000		2011/12 £000
14,346	**Direct service expenditure**	**12,828**
	Net capital transactions:	
981	Depreciation, impairments and revaluations	4,202
1,043	Revenue expenditure financed from capital under statute	1,897
0	Adjustment to opening balance (non current assets)	47
0	Net Loss on disposal of fixed assets	1,401
(5,992)	Pension adjustments required under IAS 19	(537)
0	Repairs and maintenance recharge	(66)
67	Short -term compensated absences accrual	(73)
10,445	**Cost of services**	**19,699**

Balance sheet

The reported net worth of the council reduced from £63.5 million to £46.7million at 31 March 2012, a reduction of £16.8 million. This movement, which is also detailed in the movement in reserves statement, is principally the result of the following:

a) **fixed assets.** The council owned £66.2 million of fixed assets at 31 March 2012, a net decrease of £5.0 million on the previous year. This decrease in value is principally the result of the disposal of some property assets and a revaluation downwards of some of the council's investment property.

b) **pension liability.** The statement of accounts identifies details of the council's future commitments with regard to pension provision for its current and former employees. The council's net pension liability increased by £10.7 million to £29.6 million, as illustrated in note 38.

At the balance sheet date the council had usable reserves of £10.8 million, made up of £4.0 million general fund balance, £1.1 million in earmarked revenue reserves, £5.6 million in capital receipts and £0.1 million in unapplied capital grants. The council has no long-term external borrowing and none is planned except for occasional short-term borrowing for temporary cash flow purposes.

The balance sheet does not reflect any assets or liabilities acquired during the year which are unusual in scale and which require specific reference.

Material events after the balance sheet date

The following material events occurred between the balance sheet date (31 March 2012) and the accounts being authorised for issue:

- On 8 April 2011, the Council provisionally entered into an agreement with Scottish Widows Investment Partnership (SWIP), the leaseholder of the Abingdon Shopping Complex (Bury Street), to redevelop the site. The effect of this would reduce the expected future income streams to the council and as such the Council's freehold interest in the value of the lease for the Abingdon Shopping complex would drop from £4.70 million to £2.75 million. This would reduce the value of the Council's investment properties in the Balance Sheet to £27.44 million.

Collection fund

Income of £122.6 million in 2011/12 from council tax payers and business ratepayers was distributed as precept/demands, and to the National Non-Domestic Rates Pool. The account is showing a net surplus of £1.7 million which will be re-distributed to all precepting authorities.

Future prospects

As part of the annual budget setting process for 2012/13, council agreed its medium term financial plan for 2012/13 to 2016/17. The medium term financial plan provides a forward budget model for the next five years, highlighting known estimated budget pressures for new responsibilities and changes in legislation, predicted investment and capital receipts.

Revenue

The medium term financial plan highlights significant pressure the council anticipates in setting its revenue budget during the period covered. These pressures include the following:

- increased pension costs following the 2010 actuarial review
- reduced investment income.

Shown below are the ongoing savings that are required to be found in the forthcoming financial years to enable a budget to be set in accordance with the parameters stipulated in the medium term financial plan:

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Ongoing savings required	210	119	0	0

It should be stressed that these savings are cumulative – to balance the 2012/13 budget £0.2 million of ongoing savings are required, then for 2013/14 a further £0.2 million of ongoing savings are required.

Officers consider that the pressures highlighted are manageable in this period, in light of the reserves and balances available to the council. The council has already made considerable revenue savings in recent years by:

- merging its management team with South Oxfordshire District Council
- undertaking joint procurement with South Oxfordshire District Council on major contracts, including financial services and waste
- introducing “lean” business processes to save officer time.

Continuation of these initiatives is expected to help meet the financial challenges facing the council.

Capital

As part of budget setting for 2012/13, cabinet agreed to a capital programme to 2016/17 costing £11.3 million. The agreed financing of this programme is as follows:

- £8.4 million - council resources
- £2.9 million - other contributions.

Council resources

Based on the council's budget proposals for revenue and capital, it is forecast that by 31 March 2017 the council will hold £10.7 million in usable reserves, made up of £1.0 million general fund balance, £4.9 million in earmarked revenue reserves, and £4.8 million in capital receipts.

Steve Bishop
Strategic director and chief finance officer
27 June 2012

Statement of responsibilities for the statement of accounts

1. The authority's responsibilities

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those arrangements. In this council, that officer is the strategic director and chief finance officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

The statement of accounts was considered and approved at the audit and governance committee meeting on 26 September 2012.

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Chairman of audit and governance committee 26 September 2012

2. Responsibilities of the strategic director and chief finance officer

The strategic director and chief finance officer's responsibilities include the preparation of the council's statement of accounts, which, in terms of the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom (the Code) is required to present a true and fair view of the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March 2012.

In preparing this statement of accounts, the strategic director and chief finance 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 strategic director and chief finance officer has also:

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

I certify that this statement of accounts presents a true and fair view of the financial position of the authority at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

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Steve Bishop CPFA
Strategic director and chief finance officer 26 September 2012

Independent auditor's report to the members of Vale of White Horse District Council

Opinion on the authority financial statements

I have audited the financial statements of Vale of White Horse 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 Vale of White Horse 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 and auditor

As explained more fully in the statement of the chief finance officer's responsibilities, the strategic director 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 chief finance officer; 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 Vale of White Horse 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. The paragraph on future prospects on page 11 of the statements is excluded from my opinion as it relates to future accounting periods.

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, Vale of White Horse 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.

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

September 2012

Movement in reserves statement

For the year ended 31 March 2012

	General fund balance £000	Earmarked general fund reserves £000	Capital receipts reserve £000	Capital grants unapplied £000	Total usable reserves £000	Unusable reserves £000	Total authority reserves £000
Balance - 31 Mar 2011	**(3,326)**	**(751)**	**(7,662)**	**(162)**	**(11,901)**	**(51,560)**	**(63,461)**
Movement in reserves during 2011/12							
(Surplus)/deficit on provision of services	7,888	0	0	0	**7,888**	0	**7,888**
Other comprehensive income and expenditure	0	0	0	0	**0**	8,871	**8,871**
Total comprehensive income and expenditure	**7,888**	**0**	**0**	**0**	**7,888**	**8,871**	**16,759**
Adjustments between accounting basis and funding basis under regulations (note 7)	(8,946)	0	2,101	24	**(6,821)**	6,821	**0**
Net increase/decrease before transfers to earmarked reserves	**(1,058)**	**0**	**2,101**	**24**	**1,067**	**15,692**	**16,759**
Transfers to/from earmarked reserves	357	(340)	0	0	**17**	(17)	**0**
Increase/decrease (movement) in year	**(701)**	**(340)**	**2,101**	**24**	**1,084**	**15,675**	**16,759**
Balance - 31 Mar 2012	**(4,027)**	**(1,091)**	**(5,561)**	**(138)**	**(10,817)**	**(35,885)**	**(46,702)**

For the year ended 31 March 2011

	General fund balance £000	Earmarked general fund reserves £000	Capital receipts reserve £000	Capital grants unapplied £000	Total usable reserves £000	Unusable reserves £000	Total authority reserves £000
Balance - 31 Mar 2010	**(2,163)**	**(1,000)**	**(9,776)**	**(134)**	**(13,073)**	**(24,107)**	**(37,180)**
Movement in reserves during 2010/11							
(Surplus)/deficit on provision of services	(5,353)	0	0	0	**(5,353)**	**0**	**(5,353)**
Other comprehensive income and expenditure						**(209)**	**(209)**
Total comprehensive income and expenditure	**(5,353)**	**0**	**0**	**0**	**(5,353)**	**(209)**	**(5,562)**
Adjustments between accounting basis and funding basis under regulations (note 7)	4,512	0	2,114	(28)	**6,598**	**(27,754)**	**(21,156)**
Net increase/decrease before transfers to earmarked reserves	**(841)**	**0**	**2,114**	**(28)**	**1,245**	**(27,963)**	**(26,718)**
Transfers to/from earmarked reserves	(322)	249	0	0	**(73)**	**510**	**437**
Increase/decrease (movement) in year	**(1,163)**	**249**	**2,114**	**(28)**	**1,172**	**(27,453)**	**(26,281)**
Balance - 31 Mar 2011	**(3,326)**	**(751)**	**(7,662)**	**(162)**	**(11,901)**	**(51,560)**	**(63,461)**

Comprehensive income and expenditure statement

2010/11				2011/12			
Exp £000	**Inc £000**	**Net £000**		**Exp £000**	**Inc £000**	**Net £000**	**Note**
8,520	(6,974)	1,546	Central services to the public	9,639	(7,033)	2,606	
4441	(1,013)	3,428	Cultural and related services	7,588	(798)	6,790	
7919	(2,229)	5,690	Environmental and regulatory services	7,800	(2,156)	5,644	
2,714	(1,143)	1,571	Planning services	2,430	(1,177)	1,253	
1,777	(1,213)	564	Highways and transport services	879	(688)	191	
26,034	(24,004)	2,030	Other housing services	27,657	(26,105)	1,552	
1854	(429)	1,425	Corporate and democratic core	1,599	(222)	1,377	
170	0	170	Non distributed costs	239	0	239	
(5,979)	0	(5,979)	Exceptional pension valuation adjustment	0	0	0	
			Opening balance adjustment (non-current assets)	47	0	47	p.10
47,450	**(37,005)**	**10,445**	**Cost of services**	**57,878**	**(38,179)**	**19,699**	
3,159	(296)	2,863	Other operating expenditure	3,250	0	3,250	9
3,857	(6,705)	(2,848)	Financing and investment income and expenditure	4,799	(4,890)	(91)	10
0	(15,813)	(15,813)	Taxation and non-specific grant income	0	(14,970)	(14,970)	11
54,466	**(59,819)**	**(5,353)**	**(Surplus) / deficit on provision of services**	**65,927**	**(58,039)**	**7,888**	
0	(209)	(209)	(Surplus) / deficit on revaluation of property, plant and equipment assets	0	(1,829)	(1,829)	
0	(20,719)	(20,719)	Actuarial (gains) / losses on pension assets / liabilities	10,700	0	10,700	
0	**(20,928)**	**(20,928)**	**Other comprehensive income and expenditure**	**10,700**	**(1,829)**	**8,871**	
54,466	**(80,747)**	**(26,281)**	**Total comprehensive income and expenditure**	**76,627**	**(59,868)**	**16,759**	

Balance sheet

31 March 2011 £000		31 March 2012 £000	31 March 2012 £000	Notes
38,252	Property, plant & equipment	34,678		12a
30,652	Investment property	29,395		14b
86	Intangible assets	176		15
547	Long term investments	467		16a
1,623	Long term debtors	1,498		18a
71,160	**Long term assets**		**66,214**	
0	Short term investments	6,588		16b
3	Inventories	3		17
3,225	Short term debtors	3,461		18b
16,038	Cash and cash equivalents	12,063		19
273	Assets held for sale	0		20
19,539	**Current assets**		**22,115**	
(1,500)	Short term borrowing	(3,000)		16a
(4,741)	Short term creditors	(6,364)		21
(144)	Provisions	(71)		22
(568)	Receipts in advance	(585)		
(364)	Defined benefit obligation	(357)		
(7,317)	**Current liabilities**		**(10,377)**	
(18,889)	Net pension liability	(29,579)		38d
(1,032)	Capital grants receipts in advance	(1,671)		
(19,921)	**Long term liabilities**		**(31,250)**	
63,461	**Net assets**		**46,702**	
(3,326)	Non-earmarked revenue reserves	(4,027)		8
(751)	Earmarked revenue reserves	(1,091)		8
(7,662)	Usable capital receipts reserve	(5,561)		
(162)	Capital grants unapplied	(138)		
(11,901)	**Usable reserves**		**(10,817)**	p.17
(51,257)	Adjustment accounts	(33,758)		
(303)	Revaluation reserve	(2,127)		
(51,560)	**Unusable reserves**		**(35,885)**	24
(63,461)	**Total reserves**		**(46,702)**	

The unaudited accounts were approved for audit by the Chief Finance Officer on 28 June 2012 and the audited accounts were authorised for issue on 26 September 2012.

Cash flow statement

31 March 2011 £000		31 March 2012 £000	Note
5,353	**Net (surplus) / deficit on the provision of services**	**(7,888)**	
(2,426)	Adjust net surplus or deficit on the provision of services for non-cash movements	9,264	A
(2,753)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(706)	A
174	**Net cash flows from operating activities**	**670**	
598	Investing activities	(5,867)	26
(642)	Financing activities	1,222	27
130	**Net increase or (decrease) in cash and cash equivalents**	**(3,975)**	
15,908	Cash and cash equivalents at the beginning of the reporting period	16,038	
16,038	**Cash and cash equivalents at the end of the reporting period**	**12,063**	19

2010/11 £'000	**Note A - adjustment to surplus or deficit on the provision of services for non cash movements**		**2011/12 £'000**
5,353	**Net (surplus) or deficit on the provision of services**		**(7,888)**
	Adjust net surplus or deficit on the provision of services for non cash movements		
1,203	Depreciation	1,708	
755	Impairment and downward valuations	2,466	
54	Amortisation	28	
22	Material impairment losses on investments debited to surplus or deficit on the provision of services in year	(12)	
2	Adjustment for internal interest charged	0	
(413)	Increase/decrease in creditors	770	
(58)	Increase/decrease in interest and dividend debtors	35	
1,132	Increase/decrease in debtors	1,431	
17	Increase/decrease in inventories	0	
(5,055)	Pension liability	(3)	
326	Contributions to/(from) provisions	(63)	
3,608	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	1,601	
(1,518)	Issuing of council mortgages relating to deferred capital receipts	(102)	
229	Carrying amount of short and long term investments sold	71	
(2,730)	Movement in investment property values (revaluations)	1,334	
(2,426)			**9,264**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
(572)	Capital grants credited to surplus or deficit on the provision of services	(607)	
(171)	Proceeds from the sale of short and long term investments	2	
(2,010)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(101)	
(2,753)			**(706)**
174	**Net cash flows from operating activities**		**670**

Notes to the accounts 2011/12

1. Statement of accounting policies

(i) General principles

The statement of accounts summarises the council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The council is required to prepare an annual statement of accounts by 30 June 2012 and for the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Accounts and Audit Regulations 2003 Act.

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

(ii) 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 council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council;

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

- supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet;

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

- interest receivable on investments and 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; and

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

(iii) Acquisitions and discontinued operations

Acquired operations - there have been no acquired operations (or transferred operations under governmental re-organisation of local government) during the financial year.

Discontinued operations - there have been no discontinued operations (or transferred operations under governmental re-organisation of local government) during the financial year.

(iv) 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 defined as follows:

- cash and cash equivalents shall include bank overdrafts that are an integral part of the council's cash management;
- cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes;
- investments that can be liquidated or accessed within 30 days i.e. money market funds, call accounts and deposit accounts with a notice period of 30 days or less; and
- fixed term deposits with a maturity period of 30 days or less.

Equity investments are excluded from the definition.

(v) Exceptional items

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

(vi) Prior period adjustments, changes in accounting policies 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 council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

(vii) Charges to revenue for non-current assets

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

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

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing required. As at 31 March 2012 this council has no borrowing requirement, so this contribution is not required. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement.

(viii) 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 for current employees. They are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements and additional hours earned by employees but not taken as time off 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. The council estimates the amount of this accrual based on a sample of ten per cent of the workforce, the results of which are extrapolated across all staff.

Termination benefits

Termination benefits are amounts payable either as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Such benefits are charged on an accruals basis to the non distributed costs line in the CIES when the council is demonstrably committed to the termination of the employment of an officer or group of officers or to 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 council 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.

The Local Government Pension Scheme (LGPS)

The LGPS is accounted for as a defined benefits scheme:

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

- Liabilities are discounted to their value at current prices, using a discount rate of 4.6 per cent (based on the yield on the iBoxx AA rated over 15 years corporate bond index);

- The assets of Oxfordshire County Council pension fund attributable to the council 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 CIES 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 CIES 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 CIES.
    - expected return on assets - the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return - credited to the financing and investment income and expenditure line in the CIES.
    - gains or losses on settlements and curtailments - the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the surplus or deficit on the provision of services in the CIES as part of non distributed costs.
    - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the pensions reserves.

- 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 council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement this means that there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid a 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 council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the LGPS.

(ix) Events after the balance sheet date

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

- Those that provide evidence of conditions that existed at the end of the reporting period - the statement of accounts is adjusted to reflect such events; and

- Those that are indicative of conditions that arose after the reporting period - the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

(x) Financial instruments

Financial liabilities

Financial liabilities are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.
Annual charges to the income and expenditure account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The only financial liabilities the council has are trade creditors.

The council currently has only short term borrowing to cover cashflow and no long term borrowing. No bonds have been issued to bond holders.

Financial assets

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market; and

- available for sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, if the council has made loans to voluntary organisations at less than market rates (soft loans), then a loss is recorded in the CIES (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 CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, 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 - however, the loss attributable to a loan of less than £20,000 is considered to not be material and at the current date the council 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 CIES. 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. This figure is shown in the accounts for trade debtors as a provision for bad and doubtful debts. This provision is recalculated annually by applying an estimate of the proportion of debt in each category that is unlikely to be collectable based on past experience. Debts which are known to be un-collectable are written off.

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 CIES.

Available-for-sale assets

Available-for-sale assets are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the CIES when it becomes receivable by the council.

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices - the market price;
- other instruments with fixed and determinable payments - discounted cash flow analysis; and
- equity shares with no quoted market prices - independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the available-for-sale reserve and the gain/loss is recognised in the surplus or deficit on revaluation of available-for-sale financial assets. The exception is where impairment losses have been incurred - these are debited to the financing and investment income and expenditure line in the CIES, along with any net gain or loss for the asset accumulated in the available-for-sale financial instrument reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the financing and investment income and expenditure line in the CIES. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the financing and investment income and expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the available-for-sale reserve.

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

Instruments entered into before 1 April 2006

The council has not entered into any financial guarantees that are not required to be accounted for as financial instruments (i.e. before 1 April 2006).

(xi) Foreign currency translation

The council makes a number of small purchases in foreign currency. However the transaction is made at the current prevailing exchange rate, the goods or services are received immediately and, therefore, there are no gains or losses as a result of variances in the exchange rate, required to be recorded.

(xii) Government grants and contributions

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

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

Amounts recognised as due to the council are not credited to the CIES until any conditions, attached to the grant or the contribution, have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified. If this is not the case then 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 CIES.

Where capital grants are credited to the CIES, 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. When 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.

(xiii) Heritage Assets

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets).

Heritage assets are a separate class of asset and represent assets held principally for their contribution to knowledge or culture. Heritage assets will be carried at valuation or, in certain circumstances, cost. The nature of the assets concerned will determine the most suitable basis for initial measurement and the depreciation basis to adopt.

The carrying amounts of heritage assets will be reviewed where there is evidence of impairment and any impairment recognised and measured in accordance with the Council's general policies on impairment. Disposals will be accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds will be disclosed separately in the notes to the financial statements and accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Note 13 details the steps taken to identify heritage assets held by the Council. Following this review it was concluded that the Council does not hold any heritage assets of material significance meriting separate disclosure.

(xiv) Intangible assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the council'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 council can be determined by reference to an active market. In practice, no intangible asset held by the council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the CIES.

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 the capital receipts reserve.

(xv) Interests in companies and other entities – jointly controlled operations and jointly controlled assets

The council has no material interests in other companies or entities that have the nature of subsidiaries, associates or jointly controlled entities and there is therefore no requirement to prepare group accounts.

Jointly controlled operations are classified as activities undertaken by the council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. They are items of property, plant or equipment that are jointly controlled by the council and other venturers, with the assets being used to obtain benefits for the venturers. Whilst the council has entered into joint arrangements on the provision of services with Vale of White Horse District Council, none of the assets of that council can be said to be under joint control of the two councils.

(xvi) 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 CIES with the value of works and services received under the contract during the financial year.

(xvii) 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 CIES. 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 the capital receipts reserve.

(xviii) Leases

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

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

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

In 2009/10 the council adopted the requirements of the IFRS Interpretations Committee Update 12 (IFRIC 12), which concerns "service concession arrangements". Under the requirements of IFRIC 12, it is possible that the assets of contractors providing services on behalf of councils may need to be brought onto the balance sheets of councils where those assets are used primarily or solely on activities on behalf of those councils as, in accounting terms, those councils are effectively leasing the assets from the contractor. A review of this council's contracts has determined that no assets need to be brought on to the balance sheet.

The council as lessee

Finance leases

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

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

The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

Operating leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment.

The council as lessor

Finance leases

Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the council's net investment in the lease, is credited to the same line in the CIES 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 CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the general fund balance and is posted out of the general fund balance to the capital receipts reserve in the movement in reserves statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the general fund balance to the deferred capital receipts reserve in the movement in reserves statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the general fund balance in the movement in reserves statement.

Operating leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is a creditor to the other operating expenditure line in the CIES.

(xix) 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. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and democratic core - costs relating to the council's status as a multi-functional, democratic organisation;

- Non distributed costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

These two cost categories are defined in the service reporting code of practice 2011/12 and accounted for as separate headings in the CIES as part of net expenditure on continuing services.

(xx) 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 council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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 council would not capitalise borrowing costs if required to be incurred for assets under construction.

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

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 CIES, 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 CIES, 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 assets - fair value, determined as the amount that would be paid for the asset in its existing use.

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

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

Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES 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 gains);

- where the balance on the revaluation reserve is less than the decrease in value the carrying amount of the asset is written down firstly against the balance on the revaluation reserve and the remaining balance against the relevant service line(s) in the CIES;

- where there is no balance in the revaluation reserve the carrying amount of the asset is written down straight to the relevant service line(s) in the CIES.

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 the balance on the revaluation reserve is less than the impairment the carrying amount of the asset is written down firstly against the balance on the revaluation reserve and the remaining balance against the relevant service line(s) in the CIES;

- Where there is no balance in the revaluation reserve the carrying amount of the asset is written down straight to the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, 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 (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- Buildings and infrastructure assets – straight line allocation over the useful life of the property as estimated by the valuer;

- Vehicles, plant, furniture and equipment – on a straight line basis, generally over five years.

More detail on depreciation rates for asset categories is included in note 12 to the accounts.

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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 CIES. Gains in fair value are recognised only up to the amount of any previous loss 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 CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal are categorised as capital receipts. Receipts are appropriated to the reserve from the general fund balance in the movement in reserves statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the general fund balance in the movement in reserves statement.

(xxi) Private Finance Initiative (PFI) and similar contracts

The council has no PFI or other similar contracts.

(xxii) Provisions, contingent liabilities and contingent assets

Provisions

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

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

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

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

Contingent liabilities

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

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

Contingent assets

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

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

(xxiii) Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the general fund balance in the movement in reserves statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the CIES. The reserve is then appropriated back into the general fund balance in the movement in reserves statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the council - these reserves are explained in the relevant policies.

(xxiv) 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 CIES in the year. Where the council 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 that there is no impact on the level of council tax.

(xxv) Value Added Tax (VAT)

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

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

The council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption of a new standard that has been issued, but is not yet required to be adopted by the council. There is one such change issued at 1 January 2012.

IFRS 7 – Financial Instruments disclosures.

The objective of this IFRS is to require entities to provide disclosures in their financial statements that enable users to evaluate:

- the significance of financial instruments for the entity's financial position and performance;

- the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks. The qualitative disclosures describe management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

Together, these disclosures provide an overview of the entity's use of financial instruments and the exposures to risks they create.

This change of accounting policy will be adopted from 1 April 2012; however it is expected that the change will not 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 future levels of funding for local government. However the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of the need to close facilities and reduce levels of service provision;
- In 2008 the council placed a deposit of £1,000,000 with Landsbanki. The winding up board announced in March 2012 that it is now considered likely that UK authorities will recover 100 per cent of their deposit, subject to exchange rate fluctuations. More details are contained in note 16.

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 council 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, the actual result could be materially different from the assumptions and estimates.

The items in the council's balance sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property plant and equipment	Assets are valued in the balance sheet at depreciated historic cost based on estimates of value and useful life.	The value of the assets in the balance sheet will change if the estimates of value and useful life are changed.
Investment properties	Investment properties are revalued annually according to market conditions at year end.	The value of investment property in the balance sheet will change depending on market conditions.
Pensions	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate 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 is engaged by Oxfordshire County Council pension fund to provide the council with expert advice about the assumptions to be applied.	Any change to any of the assumptions used by the actuary can significantly change the value of the net liability.

5. **Material items of income and expenditure**

Material items of income and expenditure were disclosed on pages 6 and 7 of the explanatory foreword.

6. **Events after the balance sheet date**

The statement of accounts was certified by the strategic director and chief finance officer on 28 June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 8 April 2011, the council provisionally entered into an agreement with Scottish Widows Investment Partnership (SWIP), the leaseholder of the Abbey Shopping Centre (Bury Street), to redevelop the site. The effect of this would reduce the expected future income streams to the council and as such the council's freehold interest in the value of the lease for the shopping complex would drop from £4,700,000 to £2,750,000. This would reduce the value of the Council's investment properties in the Balance Sheet to £27.44 million. The future value of the discounted cashflows under the lease arrangements would be about £6.6 million (discounted using the HM Treasury rate of 3.5 per cent)

On 30 May 2012 the Council received a second repayment of the funds deposited with the Icelandic bank Landsbanki hf. The impact on the accounts is not material and this is detailed further in note 16.

7. **Adjustments between accounting basis and funding basis under regulations**

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

31 March 2011					31 March 2012			
Usable reserves					Usable reserves			
Gen fund bal & earmarked rev reserves	Capital receipts reserve	Capital grants unapplied	Movement in unusable Reserves		Gen fund bal & earmarked rev reserves	Capital receipts reserve	Capital grants unapplied	Movement in unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
				Adjustments primarily involving the capital adjustment account:				
				Reversal of items debited or credited to the CIES:				
0	0	0	0	Adjustment to opening book values of non-current fixed assets	(47)	0	0	47
(981)	0	0	962	Charges for depreciation and impairment of non-current assets	(1,708)	0	0	1,708
0	0	0	(25,906)	Revaluation losses on property, plant and equipment	(2,466)	0	0	2,466
1,639	0	0	(1,639)	Movement in the fair value of investment properties	(1,334)	0	0	1,334
0	0	0	0	Amortisation of intangible assets	(28)	0	0	28
621	0	(28)	(593)	Capital grants and contributions applied	608	0	0	(608)
(1,622)	0	0	1,622	Revenue expenditure funded from capital under statute	(2,506)	0	0	2,506
(8)	(2,023)	0	2,031	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,601)	(101)	0	1,702
				Insertion of items not debited or credited to the CIES:				
116	0	0	0	Employers contributions to pension schemes	0	0	0	0
0	0	0	19	Adjustment between CAA and revaluation reserve for depreciation that is related to the revaluation balance rather than historic cost	0	0	0	0
				Adjustments primarily involving the capital receipts reserve:				
0	0	0	0	Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES	10	(10)	0	0
(189)	4,134	0	(4,134)	Use of capital receipts reserve to finance new capital expenditure	0	2,215	24	(2,239)
(3)	3	0	0	Contribution from capital receipts reserve to finance the payments to the government capital receipts pool	(1)	(3)	0	4
				Adjustments primarily involving the pensions reserve:				
4,939	0	0	(116)	Net retirement benefits per IAS19	0	0	0	0
				Adjustments primarily involving the collection fund adjustment account:				
0	0	0	0	Amount by which council tax income credited to the CIES differs from council tax income calculated for the year in accordance with statutory requirements	54	0	0	(54)
				Adjustment primarily involving the accumulated absences account:				
0	0	0	0	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	73	0	0	(73)
4,512	**2,114**	**(28)**	**(27,754)**	**Total adjustments**	**(8,946)**	**2,101**	**24**	**6,821**

8. Transfers to/from general fund balance and earmarked reserves

This note details all movements in the reserves that comprise the general fund balance and earmarked reserves.

31 March 2011					31 March 2012			
1 Apr 10 balance brought forward £000	**Transfers in £000**	**Transfers out £000**	**31 Mar 11 balance carried forward £000**		**1 Apr 11 balance brought forward £000**	**Transfers in £000**	**Transfers out £000**	**31 Mar 12 balance carried forward £000**
				General fund balance				
(2,163)	(8,478)	7,315	(3,326)	General fund balance	(3,326)	(9,691)	8,990	(4,027)
(2,163)	**(8,478)**	**7,315**	**(3,326)**	**Total general fund balance**	**(3,326)**	**(9,691)**	**8,990**	**(4,027)**
				Earmarked reserves				
(69)	(1)	35	(35)	Community grants (a)	(35)	0	7	(28)
(83)	(30)	30	(83)	Election equalisation (b)	(83)	(12)	95	0
(255)	0	20	(235)	Local development framework (c)	(235)	(85)	57	(263)
(128)	0	128	0	Planning delivery grant (d)	0	0	0	0
(131)	0	30	(101)	Reservoir (e)	(101)	0	91	(10)
26	(54)	0	(28)	Building regulations (f)	(28)	(41)	0	(69)
(0.6)	(0.3)	0	(1)	Besselsleigh Wood management (g)	(1)	0	0	(1)
(12)	0	0	(12)	Rent deposit guarantee (h)	(12)	0	0	(12)
(20)	0	20	0	Telfer House compensation (i)	0	0	0	0
(61)	0	61	0	Flood relief (j)	0	0	0	0
(50)	0	0	(50)	Cabinet grants (k)	(50)	0	0	(50)
0	0	0	0	Service & infrastructure grants (l)	0	(452)	0	(452)
(32)	(43)	26	(49)	Self insurance (m)	(49)	(23)	23	(49)
(184)	0	27	(157)	Performance reward grant (n)	(157)	0	0	(157)
(1000)	**(128)**	**377**	**(751)**	**Total earmarked reserves**	**(751)**	**(613)**	**273**	**(1,091)**

The purpose of each reserve is as follows:

(a) Grants awarded in previous years that have not yet been taken up
(b) District council elections are held every four years and this reserve is used to spread the cost so that all the costs are not met in one year
(c) To meet the cost of any inquiries that have to be set up as a result of the updating of the local development framework
(d) Government funding used to enhance delivery of the planning service
(e) To meet any costs associated with Thames Water's proposal for a new reservoir
(f) The building control trading account.
(g) To cover contributions to the management costs of Besselsleigh Wood
(h) To guarantee rent deposits for private tenants
(i) To cover compensation payable on surrender of lease for Telfer House, Witney
(j) Government funding used to support local flood groups
(k) To provide matched funding to organisations
(l) Fund to provide revenue support to service and infrastructure projects
(m) To cover the excess payable on insurance claims
(n) To hold performance reward grant income received

9. Other operating expenditure

2010/11 £000		2011/12 £000
2,864	Parish council precepts	2,929
(12)	Provision for bad debts - (decrease) / increase	119
3	Payments to the government housing capital receipts pool	1
(12)	Mortgage principal repayment	0
20	(Gain)/loss on the disposal of non-current assets	201
2,863	**Total**	**3,250**

10. Financing and investment income and expenditure

2010/11 £000		2011/12 £000
1,040	Pensions interest cost and expected return on pensions assets	495
(320)	Interest receivable and similar income	(473)
(1,520)	Income and expenditure in relation to investment properties	(1,435)
(1,639)	Changes in fair value of investment properties	1,334
0	(Gain)/loss on disposal of investment properties	0
22	Impairment of financial instruments	(12)
(431)	Transfer (from)/to reserves	0
(2,848)	**Total**	**(91)**

11. Taxation and non specific grant incomes

2010/11 £000		2011/12 £000
(11)	Recognised capital grants and contributions	0
(8,609)	Council tax income	(8,779)
(6,226)	Distributed non domestic rate income	(4,276)
(967)	Non-ringfenced government grants	(1,915)
(15,813)	**Total**	**(14,970)**

12. Property, plant and equipment

Table 12a Movements in property plant & equipment 2011/12

	Other land & buildings	Vehicles, plant & equip-ment	Infra-struc-ture assets	Comm-unity assets	Surplus assets	PP&E under const-ruction	Total PP&E
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2011	**39,561**	**4,933**	**140**	**1,514**	**30**	**0**	**46,178**
Revision to opening balance	9	(84)	8	0	0	0	**(67)**
Additions	70	149	0	0	0	0	**219**
Donations	0	0	0	0	0	0	**0**
Revaluation increases/(decreases) to RR	1,850	0	0	0	0	0	**1,850**
Revaluation increases/(decreases) to SDPS	(2,466)	0	0	0	0	0	**(2,466)**
Disposals	(1,731)	0	0	0	0	0	**(1,731)**
At 31 March 2012	**37,293**	**4,998**	**148**	**1,514**	**30**	**0**	**43,983**
Depreciation and impairments							
At 1 April 2011	**(6,674)**	**(1,175)**	**(77)**	**0**	**0**	**0**	**(7,926)**
Depreciation charge for 2011/12	(960)	(735)	(14)	0	0	**0**	**(1,709)**
Impairment losses/reversals to RR	0	0	0	0	0	**0**	**0**
Impairment losses/reversals to SDPS	0	0	0	0	0	**0**	**0**
Disposals	330	0	0	0	0	**0**	**330**
At 31 March 2012	**(7,304)**	**(1,910)**	**(91)**	**0**	**0**	**0**	**(9,305)**
Balance sheet amount at 31 March 2012	**29,989**	**3,088**	**57**	**1,514**	**30**	**0**	**34,678**
Balance sheet amount at 31 March 2011	**32,887**	**3,758**	**63**	**1,514**	**30**	**0**	**38,252**

RR= Revaluation reserve

SDPS=Surplus or deficit on the provision of services

Table 12b Movements in property plant & equipment 2010/11							
	Other land & buildings	**Vehicles, plant & equip-ment**	**Infra-struc-ture assets**	**Comm-unity assets**	**Surplus assets**	**PP&E under const-ruction**	**Total PP&E**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation							
At 1 April 2010	**40,023**	**2,266**	**140**	**1,504**	**0**	**0**	**43,933**
Additions	10	2,875	0	10	280	0	**3,175**
Donations	0	0	0	0	0	0	**0**
Revaluation increases/(decreases) to RR	409	0	0	0	0	0	**409**
Revaluation increases/(decreases) to SDPS	0	0	0	0	(250)	0	**(250)**
Disposals	(708)	(208)	0	0	0	0	**(916)**
Other movements in cost or valuation	(173)	0	0	0	0	0	**(173)**
At 31 March 2011	**39,561**	**4,933**	**140**	**1,514**	**30**	**0**	**46,178**
Depreciation and impairments							
At 1 April 2010	**(6,081)**	**(1,151)**	**(61)**	**0**	**0**	**0**	**(7,293)**
Depreciation charge for 2010/11	(624)	(232)	(16)	0	0	0	**(872)**
Impairment losses/reversals to RR	0	0	0	0	0	0	**0**
Impairment losses/reversals to SDPS	0	0	0	0	0	0	**0**
Disposals	57	208	0	0	0	0	**265**
Other movements in impairment & depreciation	(26)	0	0	0	**0**	**0**	**(26)**
At 31 March 2011	**(6,674)**	**(1,175)**	**(77)**	**0**	**0**	**0**	**(7,926)**
Balance sheet amount at 31 March 2011	**32,887**	**3,758**	**63**	**1,514**	**30**	**0**	**38,252**
Balance sheet amount at 31 March 2010	**33,942**	**1,115**	**79**	**1,504**	**0**	**0**	**36,640**

RR= Revaluation reserve

SDPS=Surplus or deficit on the provision of services

Depreciation

Where required, assets are depreciated in equal annual amounts over the assumed life of the asset. The following useful lives have been used:

- Buildings – on an individual basis as assessed by the valuer
- Vehicles, equipment, cctv, computer hardware – 5 years
- Parks equipment, running track, boilers, large plant – 10 years
- Infrastructure assets (sewage treatment works) – 10 years
- Special items individually assessed (to include heritage assets)

Capital commitments

At 31 March 2012, the council had agreed its capital programme for 2012/13 (total expenditure of £3,743) and an indicative programme up to the end of 2016/17. Very little of this is actually committed at the year end.

Revaluations

The council has a rolling programme that ensures that all property, plant and equipment required to be measured at fair value, is revalued at least every five years. Assets with special needs will be valued more often, as necessary. All valuations were carried out internally by qualified surveyors. 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. For non-property assets with short useful lives and low value (all the council's non-property assets currently fit this description), depreciated historic cost is treated as a proxy for fair value.

The significant assumptions applied in estimating the fair values are that:

- The premises comply with all legal and statutory requirements regarding either the structure or its existing /past usage,
- There is no contamination problem nor deleterious/hazardous substance present;
- There will be an adequate level of expenditure on repairs and maintenance.

Table 12c Revaluations property, plant and equipment

	Land & buildings £000	Vehicles, plant and equipment £000	Infrastructure & community assets £000	Surplus assets £000	Total £000
Carried at historical cost	0	3,088	1,571	0	**4,659**
Valued at fair value as at:					
31 March 2008	223				**223**
31 March 2009	172				**172**
31 March 2010	2,434				**2,434**
31 March 2011	4,760			30	**4,790**
31 March 2012	22,390				**22,390**
Total value	**29,989**	**3,088**	**1,571**	**30**	**34,678**

13. Heritage assets

The adoption of FRS30 Heritage Assets into the 2011/12 Code introduced the new requirement on the council to identify the existence of heritage assets as a separate category of asset on the balance sheet.

Heritage assets are assets held principally for their contribution to knowledge or culture and may be either tangible or intangible assets.

The steps taken to identify the existence of heritage assets held by the council were as follows:

- The asset register and insurance register were reviewed to see if any assets needed to be re-classified and separately disclosed as heritage assets;

- Each service area was contacted and asked to disclose the existence of any assets held that may meet the recognition criteria;
- Council literature was reviewed for any mention of potentially relevant assets.

Review of insurance and asset register

The only assets identified of potential relevance were as follows:

Asset name	Description	FY of capitalisation	Original opening NBV
'Crossing The Line'	Public artwork, Tilsley Park, Abingdon	2008/09	£27,300
Glass desk	Reception desk, White Horse Leisure Centre, Abingdon	2008/09	£22,900
'Quiet Sun'	Mosaic, White Horse Leisure Centre, Abingdon	2008/09	£22,900

All of the above assets were previously categorised as part of property, plant and equipment. Following a review of the Council's asset register and the balances brought forward from 2010/11 these assets were subsequently written out of opening balances.

The glass reception desk and wall mosaic at the White Horse Leisure Centre, Abingdon were installed in 2002, although not separately capitalised as part of plant and equipment until 2008/09. The glass desk incorporates a copper burnished map of the River Thames. The 'Quiet Sun' is a wall mosaic created from over 50,000 Italian glass tiles that stretches the length of the main swimming pool.

In respect of these assets it was determined that there is no ready resale market for these assets on a standalone basis as a means to assign a current value. Both of these assets are operational in use and it is considered that they would not have separate disposal values outside of their use as part of the fabric of the leisure centre.

Crossing The Line is a sculpture made from stainless steel tubes, installed at the entrance to the Tilsley Park athletics and football facility in Abingdon. The work was installed in 1997 but not separately capitalised as part of plant and equipment until 2008/09. The nature of this asset is such that there is no readily accessible market value. It is part of the overall Tilsley Park site and is not readily transferable. It is considered that this asset makes no material adjustment to the value of the property and so has been removed from the carrying value of plant and equipment.

Feedback from service areas

All heads of service were contacted and asked to review council assets employed in their service areas which could potentially meet the definition of a heritage asset.

Nil returns were received from all services, with the exception of corporate strategy who referred to the Abbey gardens, Abingdon and statue within the grounds.

The Abbey grounds are held on the council's asset register as a community asset with a net book value at end March 2012 of £755,629. The statue is not valued separately with the asset register. It is considered that the costs of obtaining a value for the statue will outweigh the benefit of its inclusion on the asset register.

Review of council literature

A copy of a leaflet produced by the Abingdon Joint Environmental Trust and the council on public art was located and reviewed. The information that was obtained dates back to November 2009 and refers only to public art in the Abingdon area.

This leaflet refers to a number of works, mainly sculptures. However, ownership of the pieces shown will not in all cases reside with the council. None of the pieces referred to in the leaflet were identified by service areas as potential heritage assets.

It is therefore considered that there are no material heritage assets to be disclosed with the council's financial statements.

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 CIES:

Table 14a Investment property income and expense

2010/11 £000		2011/12 £000
(1,657)	Rental income from investment property	(1,640)
188	Direct operating expenses arising from investment property	270
(1,469)	**(Surplus)/deficit**	**(1,370)**
(51)	Charges for capital expenditure and other adjustments	(65)
(1,520)	**Net (gain) / loss**	**(1,435)**

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

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

Table 14b Investment properties movement in fair value

2010/11 £000		2011/12 £000
29,005	**Balance at 1 April**	**30,652**
	Additions:	
0	Purchases	4
0	Reclassification	172
0	Construction	0
8	Subsequent expenditure	0
0	Disposals	(100)
1,639	Net gains/(losses) from fair value adjustments	(1,333)
30,652	**Balance at 31 March**	**29,395**

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 and accounted for as part of the hardware item of property, plant and equipment. The council's intangible assets consist entirely of software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. In the absence of any special considerations software is depreciated over five years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £27,791 charged to revenue in 2011/12 was charged as an overhead to those services using the asset in the net expenditure of services.

Table 15						
2010/11				2011/12		
Internally generated assets £000	**Other assets £000**	**Total £000**		**Internally generated assets £000**	**Other assets £000**	**Total £000**
			Balance at start of year:			
0	693	693	Gross carrying amounts	0	705	705
0	(565)	(565)	Accumulated amortisation	0	(619)	(619)
0	**128**	**128**	**Net carrying amount at start of year**	**0**	**86**	**86**
0	12	12	Purchases	0	118	118
0	(54)	(54)	Amortisation for the period	0	(28)	(28)
0	**86**	**86**	**Net carrying amount at end of year**	**0**	**176**	**176**
			Comprising:			
0	705	705	Gross carrying amounts	0	823	823
0	(619)	(619)	Accumulated amortisation	0	(647)	(647)
0	**86**	**86**	**Net carrying amount at end of year**	**0**	**176**	**176**

16. Financial instruments

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

Table 16a Categories of financial instrument				
	Long term		Current	
	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000
Investments				
Loans and receivables (principal amount)	547	407	809	8,277
Cash equivalents*				
Plus accrued interest		60		94
+/- other accounting adjustments				
Loans and receivables at amortised cost (1)	**547**	**467**	**809**	**8,371**
Available-for-sale financial assets	0	0	15,459	10,190
Financial assets at fair value through profit and loss	0	0	0	0
Total investments	**547**	**467**	**16,268**	**18,561**
Debtors				
Loans and receivables	0	0	0	0
Financial assets carried at contract amounts	1,623	1,498	3,225	2,802
Total debtors	**1,623**	**1,498**	**3,225**	**2,802**
Borrowings				
Financial liabilities at amortised cost (2)	0	0	(1,500)	(3,000)
Financial liabilities at fair value through the I&E	0	0	0	0
Total borrowings	**0**	**0**	**(1,500)**	**(3,000)**
Other long term liabilities				
PFI and finance lease liabilities	0	0	0	0
Total other long term liabilities	**0**	**0**	**0**	**0**
Creditors				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities carried at contract amount	0	0	4,741	5,705
Total creditors	**0**	**0**	**4,741**	**5,705**
Soft loans received	0	0	0	0

* Cash equivalents exclude cash at bank and overdraft.

(1) Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs including accrued interest. Accrued interest is shown separately in current assets/liabilities where payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

(2) Fair value has been measured by direct reference to published price quotations in an active market.

(3) The council has made no loans to voluntary organisations at less than market rates (soft loans).

Table 16b Analysis of short term investments (i.e. those repayable after 3 months)		
	31 March 2011 £000	**31 March 2012 £000**
Short term deposits	0	6,500
Landsbanki – short term element	0	81
Landsbanki – Escrow account	0	7
Total	**0**	**6,588**

Reclassifications

There were no reclassifications

Financial instrument gains/losses

The gains and losses recognised in the income and expenditure account in relation to financial instruments are made up as follows;

Table 16c Financial instrument gains and losses 2011/12					
	Financial liabilities	**Financial assets**			
	Liabilities measured at amortised cost £000	**Loans and receivables £000**	**Available-for-sale assets £000**	**Fair value through the I & E £000**	**Total £000**
Interest expense	0	(94)	0	0	**(94)**
Losses on derecognition	0	0	0	0	**0**
Reduction in fair value	0	0	0	0	**0**
Impairment losses	0	12	0	0	**12**
Total expense in surplus or deficit on the provision of services	**0**	**(82)**	**0**	**0**	**(82)**
Interest income	0	233	0	0	**382**
Increase in fair value	0	60	0	0	**60**
Gains on derecognition	0	89	0	0	**89**
Total income in surplus or deficit on the provision of services	**0**	**382**	**0**	**0**	**382**
Gains on revaluation	0	0	0	0	**0**
Losses on revaluation	0	0	0	0	**0**
Amounts recycled to the CIES after impairment	0	0	0	0	**0**
Surplus arising on revaluation of financial assets	**0**	**0**	**0**	**0**	**0**
Net gain/loss for the year	**0**	**300**	**0**	**0**	**300**

Table 16d Financial instrument gains and losses 2010/11					
	Financial liabilities	**Financial assets**			
	Liabilities measured at amortised cost £000	**Loans and receivables £000**	**Available-for-sale assets £000**	**Fair value through the I & E £000**	**Total £000**
Interest expense	0	(1)	0	0	**(1)**
Losses on derecognition	0	0	0	0	**0**
Reduction in fair value	0	0	0	0	**0**
Impairment losses	0	(22)	0	0	**(22)**
Total expense in surplus or deficit on the provision of services	**0**	**(23)**	**0**	**0**	**(23)**
Interest income	0	253	0	0	**253**
Increase in fair value	0	60	0	0	**60**
Gains on derecognition	0	8	0	0	**8**
Total income in surplus or deficit on the provision of services	**0**	**321**	**0**	**0**	**321**
Gains on revaluation	0	0	0	0	**0**
Losses on revaluation	0	0	0	0	**0**
Amounts recycled to the CIES after impairment	0	0	0	0	**0**
Surplus arising on revaluation of financial assets	**0**	**0**	**0**	**0**	**0**
Net gain/loss for the year	**0**	**298**	**0**	**0**	**298**

Fair values of assets and liabilities

Financial liabilities and financial assets represented by loans and receivables, long-term debtors and creditors are carried in the balance sheet at amortised cost. (in long term assets / liabilities with accrued interest in current assets / liabilities). Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans receivable prevailing benchmark rates have been used to provide the fair value;
- Where an instrument will mature within the next 12 months, the fair value is taken to be the carrying amount;
- No early repayment or impairment is recognised;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Table 16e Fair values of assets and liabilities carried at amortised cost.				
31 March 2011			31 March 2012	
Carrying amount £000	Fair value £000		Carrying amount	Fair value
1,500	1,500	Short term borrowing	3,000	3,000
4,741	4,741	Short term creditors	5,705	5,705
6,241	**6,241**	**Total financial liabilities**	**8,705**	**8,705**
0	0	Money market loans < 1 yr	6,500	6,588
0	0	Short term investments	0	0
547	547	Long term investments	467	467
3,225	3,225	Short term debtors	2,802	2,802
1,717	1,623	Long term debtors	1,498	1,498
5,489	**5,395**	**Total loans and receivables**	**11,267**	**11,355**

The fair value of loans and receivables is lower than the carrying amount because the council's portfolio includes a number of fixed term deposits where the interest rate payable is higher than the prevailing rates at the balance sheet date.

The fair values for loans and receivables have been determined by reference to the Public Works Loans Board (PWLB) redemption rules which provide a good approximation for the fair value of a financial instrument and includes accrued interest.

The comparator market rates prevailing have been taken from indicative investment rates at the balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is likely to be immaterial.

Available for sale assets are carried in the balance sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Impairment of deposit with Landsbanki

On the 24 September 2008 the council agreed to deposit £1 million with Landsbanki Islands hf until 24 October 2008 at an interest rate of 5.95 per cent. The bank went into administration on 7 October 2008, and as a result the repayment of the deposit has not been made.

At October 2008, the amount due to be repaid was the principal amount of £1,000,000 plus interest of £4,890.41, giving a total amount of £1,004,890.41.

In April 2011 the Reykjavik District Court ruled that local authorities' claims qualified for priority under Icelandic bankruptcy legislation. The decision was appealed to the Icelandic Supreme Court who affirmed the district court's ruling in October 2011. Subsequently the Reykjavik District Court recognised the council's claim at £1,004,890.41.

The current position on actual payments received and estimated future payments are shown below:

Table 16f Financial asset impairment - payments received	
Date received	**Amount £**
February 2012	300,118.99
Total received to date	**300,118.99**

In March 2012 the Winding Up Board for Landsbanki Islands hf anticipated that recovery would exceed the book value of claims and as a result the Council is likely to recover 100 per cent of their deposit.

Using the latest information, CIPFA Local Authority Accounting Panel bulletin 82 recommends that the following payment schedule is used to estimate the recoverable amount at 31 March 2012 based on a recovery of 100 per cent of the claim, which is equivalent to £1,004,890.41

The authority estimates it will receive payments based on the following schedule:

Table 16g Financial asset impairment – expected payments schedule				
Date	**%**	**Repayment**	**Discount Factor**	**Present Value**
December 2012	8%	£80,391.23	0.956462	£76,891.12
December 2013	8%	£80,391.23	0.901345	£72460.20
December 2014	8%	£80,391.23	0.849404	£68,284.61
December 2015	8%	£80,391.23	0.800456	£64,349.65
December 2016	8%	£80,391.23	0.754329	£60,641.44
December 2017	8%	£80,391.23	0.710860	£57,146.92
December 2018	22%	£221,075.89	0.669896	£148,097.89
Total recoverable amount				**£547,871.83**

The authority will recognise impairment at the balance sheet date (31 March 2012). The carrying amount of the deposit at the balance sheet date prior to any reassessment is:

	the balance at 31 March 2011
plus	interest credited to the I & E account in 2011/2
less	any repayments received during 2011/12

This is then compared with the recoverable amount to give the amount to be impaired. The recoverable amount is calculated on a discounted cashflow basis, using the original effective interest rate of the deposit as required by paragraph 4.67 of the SORP and FRS 26.

The difference between the carrying amount and the revised recoverable amount is to be recognised as an impairment in the 2011/12 accounts and the carrying amount of the deposit is written down to the recoverable amount as follows:

Table 16h Financial asset impairment	
	£
Carrying amount b/fwd 31 March 2011 Plus interest credited to the I & E a/c in 2011/12 Less: repayments received in 2011/12	776,386.86 59,500.00 (300,118.99)
	535,767.87
Less: revised recoverable amount	547,871.83
Impairment	**(12,103.96)**

Post balance sheet event (non-adjusting)

On 30 May 2012 the council received a second repayment amounting to £122,940. As a result of this payment the estimate of recoverable amount (after impairment) is now £574,140.

17. Inventories

The council's inventories are made up of consumable stores

2010/11 £000		2011/12 £000
20	**Balance outstanding at start of year**	**3**
6	Purchases	4
(23)	Recognised as an expense in the year	(4)
3	**Balance outstanding at year-end**	**3**

18. Debtors

Table 18a below shows the council's long term debt, whilst table 18b shows the short-term debt.

Table 18a Long-term debtors		
31 March 2011 £000		**31 March 2012 £000**
0	Central government bodies	0
0	Other local authorities	0
1,623	Other entities and individuals	1,498
1,623	**Total long-term debt**	**1,498**

Table 18b Short-term debtors		
31 March 2011 £000		**31 March 2012 £000**
55	Central government bodies	659
562	Other local authorities	227
2,607	Other entities and individuals	2,575
3,224	**Total short-term debt**	**3,461**

Table 18c below analyses the debtor figure of short-term debt figure of £3.461 million above by age of debt.

Table 18c Short term debtors aged debt analysis	**Total £000**
Less than three months	**2,855**
Three months to six months	**185**
Six months to one year	**147**
Over one year	**274**
Total	**3,461**

Statutory debts are included in the figures above to enable comparison with the short tem debtors total as shown in the balance sheet and in note 18b.

19. Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements:

31 March 2011 £000		**31 March 2012 £000**
2	Cash held by the council	2
(232)	Current and instant access accounts	1,821
15,459	Short term deposits of less than 30 days	10,190
229	Landsbanki repayment (now treated as short term deposit)	0
580	Money market funds	50
16,038	**Total cash and cash equivalents**	**12,063**

20. Assets held for sale

At the balance sheet date, the council has no assets held for sale.

2010/11			2011/12	
Current £000	Non current £000		Current £000	Non current £000
3,257	**0**	**Balance outstanding at start of year**	**273**	**0**
		Assets newly classified as held for sale:		
199	0	Property plant and equipment	0	0
0	0	Intangible assets	0	0
0	0	Other assets/liabilities in disposal groups	0	0
0	0	Revaluation losses	0	0
74	0	Revaluation gains	0	0
0	0	Impairment losses	0	0
		Assets declassified as held for sale:		
0	0	Property plant and equipment	(172)	0
0	0	Intangible assets	0	0
0	0	Other assets/liabilities in disposal groups	0	0
(3,257)	0	Assets sold	(101)	0
0	0	Transfers from non-current to current	0	0
0	0	Other movements	0	0
273	**0**	**Balance outstanding at year-end**	**0**	**0**

21. Short–term creditors

31 March 2011 £000		31 March 2012 £000
263	Central government bodies	925
1,496	Other local authorities	1,683
2,982	Other entities and individuals	3,756
4,741	**Total short-term creditors**	**6,364**

22. Provisions

	Accumulated absences £000	Other provisions £000	Total £000
Balance at 1 April 2011	**144**	**0**	**144**
Additional provisions made in 2011/12	71	0	71
Amounts used in 2011/12	(144)	0	(144)
Unused amounts reversed in 2011/12	0	0	0
Unwinding of discounting in 2011/12	0	0	0
Balance at 31 March 2012	**71**	**0**	**71**

The accumulated absences provision is included within current liabilities, whilst the other provisions are included within long-term liabilities.

The council maintains a provision for the cost of accumulated absence through holiday leave or annualised hours entitlement owed to its staff as at 31 March 2012. This is a new requirement under IFRS – no such provision was required under the SORP. All other provisions are individually insignificant.

23. Usable reserves

Movements in the council's usable reserves are detailed in the movement in reserves statement and notes 7 and 8.

24. Unusable reserves

Table 24a Unusable reserves

31 March 2011 £000		31 March 2012 £000
(303)	Revaluation reserve	(2,127)
0	Available for sale financial instruments reserve	0
(68,982)	Capital adjustment account	(62,144)
0	Financial instruments adjustment account	0
(1,528)	Deferred capital receipts reserve	(1,423)
19,253	Pensions reserve	29,936
(144)	Collection fund adjustment account	(198)
144	Accumulated absences account	71
(51,560)	**Total unusable reserves**	**(35,885)**

Adjustments to the unusable reserves required by the transition to IFRS are detailed in the notes below.

Revaluation reserve

The revaluation reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment (including intangible assets). 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,
- 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.

Table 24b Revaluation reserve		
2010/11 £000		2011/12 £000
(113)	**Balance at 1 April**	**(303)**
(207)	Upward revaluation of assets	(1,855)
0	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	26
(207)	**Surplus or deficit on revaluation of non current assets not posted to the surplus or deficit on the provision of services**	**(1,829)**
17	Difference between fair value depreciation and historical cost depreciation	5
0	Accumulated gains on assets sold or scrapped	0
17	**Amount written off to the capital adjustment account**	**5**
(303)	**Balance at 31 March**	**(2,127)**

Available for sale financial instruments reserve

The available for sale financial instruments reserve contains the gains made by the council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

Table 24c Available for sale financial instruments reserve		
2010/11		2011/12 £000
0	**Balance at 1 April**	**0**
0	Upward revaluation of investments	0
0	Downward revaluation of investments not charged to the surplus/deficit on the provision of services	0
0	Accumulated gains on assets sold and maturing assets written out to the CIES as part of other investment income	0
0	**Balance at 31 March**	**0**

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 CIES (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council.

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.

Table 24d Capital adjustment account

2010/11 £000		2011/12 £000
(68,939)	**Balance at 1 April**	**(68,982)**
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
1,652	Charges for depreciation and impairment of non current assets	1,755
	Revaluations (gains) / losses on property, plant and equipment	2,466
54	Amortisation of intangible assets	28
1,812	Revenue expenditure funded from capital under statue	2,506
3,578	Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	1,601
(19)	Adjusting amounts written out of the revaluation reserve	(5)
	Capital financing applied in the year:	
(4,134)	Use of the capital receipts reserve to finance new capital expenditure	(2,210)
(591)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(637)
	Capital expenditure charged against earmarked reserves	
	Use of interest receipts to purchase financial instruments	
(2,394)	Movement in the market value of investment properties debited or credited to the CIES	1,334
(1)	Other adjustments	
(68,982)	**Balance at 31 March**	**(62,144)**

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. (E.g. The council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the CIES when they are incurred, but reversed out of the general fund balance to the account in the movement in reserves statement. Over time, the expense is posted back to the general fund balance in accordance with statutory arrangements for spreading the burden on council tax.)

Table 24e Financial instruments adjustment account

2010/11 £000		2011/12 £000
0	**Balance at 1 April**	**0**
	Premiums incurred in the year and charged to the CIES	0
0	Re-measurement of long term investments	0
0	Write out of potential loss on investment through the CIES	0
0	**Balance at 31 March**	**0**

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 council accounts for post employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Table 24f Pensions reserve

2010/11 £000		2011/12 £000
44,985	**Balance at 1 April**	**19,253**
(20,968)	Actuarial (gains) or losses on pensions assets and liabilities	10,700
(3,046)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the CIES.	1,470
(1,718)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,487)
19,253	**Balance at 31 March**	**29,936**

Deferred capital receipts reserve

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

Table 24g Deferred capital receipts reserve

2010/11 £000		2011/12 £000
(25)	**Balance at 1 April**	**(1,528)**
(1,517)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES.	101
12	Transfer to the capital receipts reserve upon receipt of cash	4
2	Other adjustments	0
(1,528)	**Balance at 31 March**	**(1,423)**

Collection fund adjustment account

The collection fund adjustment account manages the differences arising from the recognition of council tax income in the CIES 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.

Table 24h Collection fund adjustment account		
2010/11 £000		**2011/12 £000**
(91)	**Balance at 1 April**	**(144)**
(53)	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(54)
(144)	**Balance at 31 March**	**(198)**

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 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account. This account is new under IFRS and did not feature in SORP accounts.

Table 24i Accumulated absences account		
2010/11 £000		**2011/12 £000**
77	**Balance at 1 April**	**144**
(77)	Settlement or cancellation of accrual made at the end of the preceding year	(144)
144	Amounts accrued at the end of the current year	71
0	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
144	**Balance at 31 March**	**71**

25. Cash flow statement - Operating activities

The cash flows for operating activities include the following items:

2010/11 £000		**2011/12 £000**
80	Interest received	127
(24)	Interest paid	(12)
0	Dividends received	0

26. Cash flow statement - Investing activities

2010/11 £000		2011/12 £000
(2,597)	Purchase of property, plant and equipment, investment property and intangible assets	(709)
0	Net purchase of short-term and long-term investments	(6,507)
0	Other payments for investing activities	(131)
2,025	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	105
171	Proceeds from short-term and long-term investments	(2)
999	Other receipts from investing activities	1,377
598	**Net cash flows from investing activities**	**(5,867)**

27. Cash flow statement - Financing activities

2010/11 £000		2011/12 £000
1,500	Cash receipts of short- and long-term borrowing	3,000
0	Other receipts from financing activities	(333)
558	Council tax and NNDR adjustments	55
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
(2,700)	Repayments of short- and long-term borrowing	(1,500)
	Other payments for financing activities	0
(642)	**Net cash flows from financing activities**	**1,222**

28. Amounts reported for resource allocation decision

The analysis of income and expenditure by service on the face of the CIES is that specified by the Service Reporting Code of Practice 2011/12. However, decisions about resource allocation are taken by the council on the basis of budget reports analysed across services. 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 CIES);

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;

- Expenditure on some support services is budgeted for centrally and not charged to services.

The income and expenditure of the council's principal services recorded in the budget reports for the year is as follows:

Table 28a Income and expenditure of principal services in budget format						
2010/11			Service group	2011/12		
Gross exp £000	Gross Inc £000	Net exp £000		Gross exp £000	Gross Inc £000	Net exp £000
1,054	(505)	549	Corporate management team	729	(97)	632
6,681	(3,021)	3,660	Commercial services	N/A	N/A	N/A
1,327	(429)	898	Corporate strategy	6,314	(1,929)	4,385
3,092	(1,088)	2,004	Economy, leisure & property	3,184	(1,765)	1,419
32,484	(30,238)	2,246	Finance	33,964	(31,990)	1,974
2,041	(512)	1,529	Health & housing	2,006	(868)	1,138
1,656	(96)	1,560	HR, IT and customer services	2,200	(124)	2,076
1,500	(539)	961	Legal & democratic	1,772	(981)	791
1,556	(617)	939	Planning	1,740	(1,327)	413
51,391	**(37,045)**	**14,346**	**Direct service expenditure (explanatory foreword page 7)**	**51,909**	**(39,081)**	**12,828**

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the CIES.

Table 28b Reconciliation to subjective analysis		
2010/11 Service analysis £000		**2011/12 Service analysis £000**
(37,045)	Fees, charges and other service income	(39,081)
40	Allocation of recharges	902
(13)	Other service income	0
(2,028)	Interest and investment income	(2,178)
(2,577)	Expected return on pensions assets	(2,700)
(12)	Movement in provision for bad debts	0
(461)	Transfer from reserves	0
0	Impairment of financial instruments	(12)
(1,639)	Change in Fair value of investment property	0
(271)	Gain on disposal of fixed assets	0
(15,813)	Taxation and non-specific grant income	(14,970)
(59,819)	**Total income**	**(58,039)**
51,391	Service expenditure	51,909
(40)	Allocation of recharges	(902)
189	Other service expenses	203
0	Movement in provision for bad debts	119
67	Movement in provision for accumulated absences	(73)
2,024	Depreciation, amortisation and impairment	7,481
2,864	Precepts and levies	2,929
(2,375)	Pensions adjustments required under IAS 19	2,658
22	Impairment of financial instruments	0
30	Transfer from reserves	0
3	Payments to housing capital receipts pool	1
291	Loss on disposal of non-current assets	1,602
54,466	**Total operating expenses**	**65,927**
(5,353)	**(Surplus) / deficit on the provision of services**	**7,888**

29. Agency services

The council undertook work for Oxfordshire County Council on an agency basis in respect of maintenance of highway verges (Local Government Act 1972 s101). The value of this work undertaken this year was £48,098 (£47,553 in 2010/11).

In addition, the council undertook work for Oxfordshire County Council on an agency basis in respect of the administration of assisted travel. The value of work undertaken in the year was £88,016 (nil in 2010/11).

30. Members' allowances

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

2010/11 £000		2011/12 £000
195	Basic allowance	186
90	Special responsibility allowance	73
285	**Total**	**259**

31. Officers' remuneration

A senior employee is one who earns a salary in excess of £150,000 (there are none of these in the council), or holds a designated position (with a salary in excess of £50,000) – these are detailed in the table below:

Table 31a Senior officers emoluments

Post title	Financial year	Salary (including fees & allowances) £	Expenses £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration including pension contributions £
Head of paid service	2011/12	129,092	779	129,871	17,169	147,040
	2010/11	129,092	1,115	130,207	21,300	151,507
Chief finance officer (section 151 officer)	2011/12	98,544	489	99,033	14,289	113,322
	2010/11	98,544	624	99,168	24,045	123,213
Monitoring officer	2011/12	79,623	180	79,803	10,590	90,393
	2010/11	79,623	78	79,701	13,138	92,839

In addition to these appointments the council also has two other strategic directors and six other heads of service. The spot point pay level for strategic directors and heads of service is as follows:

Table 31b Spot pay point – strategic director and heads of service

2010/11 £		2011/12 £
98,544	Strategic directors	98,544
73,824	Heads of service	73,824

In 2011/12, these eleven posts were shared on a 50:50 basis with South Oxfordshire District Council; therefore the council only incurred 50 per cent of the costs shown above.

The council is also obliged to disclose the numbers of other employees that were paid a salary in excess of £50,000 (these numbers do not include the senior officers detailed above).

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Table 31c Employee remuneration over £50,000				
Number of VWHDC employees			**Number of VWHDC employees**	
Shared with SODC 2010/11	**VWHDC only 2010/11**	**Remuneration band £**	**Shared with SODC 2011/12**	**VWHDC only 2011/12**
4	1	50,000 - 54,999	0	1
1	1	55,000 - 59,999	1	0
0	0	60,000 - 64,999	0	0
0	0	65,000 - 69,999	0	0
0	0	70,000 - 74,999	0	0
0	0	75,000 - 79,999	0	0

In May 2011 district and parish council elections were held. The costs of these elections are funded by the council and payments are generally made to any officer of the council, who, by the nature of his/her council appointment, acts as Returning Officer for the Vale of White Horse District Council.

However, for the May 2011 elections, **no** payments were made by the council to any officer for duties of Returning Officer.

No other council officers were required, by the nature of their appointment, to carry out additional paid duties for the elections.

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

Table 31d Exit packages								
Exit package cost band (incl special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages 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	27	5	7	1	34	6	219,990	49,608
£20,001 - £40,000	9	6	10	0	19	6	484,205	114,741
£40,001 - £60,000	7	1	2	0	9	1	430,319	26,102
£60,001 - £80,000	0	1	0	0	0	1	0	29,156
Total	**43**	**13**	**19**	**1**	**62**	**14**	**1,134,514**	**219,607**

32. External audit costs

The council 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 council's external auditors.

2010/11 £000		2011/12 £000
109	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	101
0	Fees payable to the Audit Commission in respect of statutory inspections	0
40	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	34
(7)	Fees payable in respect of other services provided by the Audit Commission during the year	0
142	**Total**	**135**

33. Grant income

The council credited the following grants, contributions and donations to the CIES in 2011/12.

2010/11 £000		2011/12 £000
	Credited to taxation and non specific grant income	
(36)	Area based grant	0
(34)	Compensation for loss of search fees	0
0	Council tax freeze grant	(141)
0	New homes bonus	(452)
(6,226)	Re-distributed national non-domestic rate income	(4,276)
(904)	Revenue support grant	(1,322)
(7,200)	**Total**	**(6,191)**
	Credited to services	
(27)	ATLAS funding	(2)
(106)	Community safety grant	(82)
(493)	Concessionary fares	0
(699)	Council tax administration grant	(632)
(5,485)	Council tax benefit	(5,588)
0	Food, health and safety funding	(4)
(17)	Habitats regulations assessment payment	0
(61)	Local services support grant/Homelessness funding	(86)
(22,691)	Housing benefit	(25,034)
(5)	Incapacity benefits reassessment	(4)
(4)	Local housing allowance	0
(1)	LAA performance reward grant	(75)
(190)	National non-domestic rates cost of collection grant	(190)
0	Neighbourhood planning front runner funding	(20)
(8)	New burdens for business rates	(3)
0	Preventing repossessions	(30)
(546)	Capital grants – government	(548)
(11)	Capital grants – other public bodies	0
(36)	Capital contributions from developers	(60)
(30,380)	**Total**	**(32,358)**

The council has received no individually material grants/ 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 properties to be returned to the giver.

34. Related parties

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

Related parties include:

Central government. Central government has effective control over the general operations of the council – it is responsible for providing the statutory framework, within which the council operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Details of transactions with Government departments are set out in a note to the cash flow statement.

Precepts. Precept transactions in relation to Oxfordshire County Council, Thames Valley Police Authority and the various town and parish councils, are shown within a note to the collection fund.

Other local authorities. Payments to or from other local authorities are detailed in note 29.

Members of the council. Councillors have direct control over the council's financial and operating policies. During the year no councillors have undertaken any declarable, material transactions with the council. Details of any transactions would be recorded in the register of members' Interests, open to public inspection at the council's offices. This is in addition to a specific declaration obtained from all councillors in respect of related party transactions. Councillors have declared an interest in one of the following organisations:

- Faringdon Community Bus
- The council's sewage treatment works
- Vale and Downland Museum
- Courthill Centre
- CD Associates
- MDC – contractor
- Family member employed by the council

As at publication one elected councillor had yet to return their declaration:

- Councillor Timothy Foggin

In May 2011 there were district council elections. This meant that some councillors who were serving as elected members at the start of the financial year were no longer councillors following the elections. These 'ex-councillors' were also required to complete the related party transactions form. As at publication three former councillors had yet to return their declarations:

- Gareth Jennings
- James McGee
- Julia Reynolds

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

Officers of the council. The senior officers of the council have control over the day to day management of the council and all heads of service and management team members have been asked to declare any related party transactions. In 2011/12 nothing was declared.

Other organisations. The council awards grants to support a number of voluntary or charitable bodies and individuals. It does not attempt to exert control through this.

35. 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 leases), 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 council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed.

2010/11 £000		**2011/12 £000**
(22)	**Opening capital financing requirement**	**(22)**
	Capital investment:	
2,895	Property, plant and equipment	219
8	Investment properties	4
12	Intangible assets	118
1,812	Revenue expenditure funding from capital under statute	2,506
	Sources of finance:	
(4,134)	Capital receipts	(2,210)
(593)	Government grants and other contributions	(637)
	Sums set aside from revenue:	
0	Direct revenue contributions	0
(22)	**Closing capital financing requirement**	**(22)**
0	**Increase/(decrease) in capital financing requirement**	**0**

36. Leases

Council as lessee

Finance leases – the council has no finance leases.

Operating leases – the council uses operating leases on a limited basis for printers and photocopiers.

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

Table 36a Minimum lease payments		
31 March 2011 £000		**31 March 2012 £000**
75	Not later than one year	39
131	Later than one year and not later than five years	78
none	Later than five years	none

The expenditure charged to economy, leisure and property in the comprehensive income and expenditure statement during the year in relation to these leases was:

Table 36b Expenditure charged to CIES		
2010/11 £000		**2011/12 £000**
60	Minimum lease payments	60
none	Contingent rents	none
60	**Total**	**60**

Council as lessor

Finance leases – the council has no property or equipment leased out under finance leases as at 31 March 2012.

Operating leases – the council leases out property and equipment under operating leases for the following purposes:

- for economic development purposes to provide suitable affordable accommodation for local business, and
- for the provision of community services, such as sports facilities and community centres.

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

Table 36c Future minimum lease payments receivable		
31 March 2011 £000		**31 March 2012 £000**
1,632	Not later than one year	1,810
6,981	Later than one year and not later than five years	6,519
10,222	Later than five years	24,396

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. In 2011/12, no contingent rents were receivable by the council (2010/11 nil also).

37. Termination benefits

The council terminated the contracts of 14 employees in 2011/12 incurring liabilities of £347,703 (£1,479,093 in 2010/11). See note 31d for the number of exit packages and total cost per band. This sum was in the form of compensation for loss of office and enhanced pension benefits as a part of the council's continuing programme of shared services with South Oxfordshire District Council.

38. Defined benefit pension schemes

Participation in pension schemes

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

The council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Oxfordshire County Council Pension Fund (the fund) – this is a funded defined benefit final salary scheme, meaning that the council 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 pensions payments as they fall due.

Transactions relating to retirement benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made 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 CIES and the general fund balance via the movement in reserves statement during the year:

Table 38a Transactions relating to retirement benefits		
2010/11 £000		**2011/12 £000**
	CIES	
	Cost of services:	
1,212	Current service cost	815
(5,979)	Past service cost	0
389	Settlements and curtailments	160
	Financing and investment income and expenditure	
3617	Interest cost	3,195
(2,577)	Expected return on assets in the scheme	(2,700)
(3,338)	**Total post employment benefit charged to the surplus or deficit on the provision of services**	**1,470**
0	Other post employment benefit charged to the surplus or deficit on the provision of services	0
(20,968)	Actuarial (gain)/loss	10,700
(24,306)	**Total post employment benefit charges to the CIES**	**12,170**
	Movement in reserves statement	
3,338	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the code	(1,470)
	Actual amount charged against the general fund balance for pensions in the year:	
1,718	Employers' contributions payable to scheme	1,487

The cumulative amount of actuarial gains and losses recognised in the CIES to the 31 March 2012 is a loss of £10.7 million.

Assets and liabilities in relation to post-employment benefits

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

Table 38b Scheme liabilities				
Funded liabilities	**Unfunded liabilities**		**Funded liabilities**	**Unfunded liabilities**
2010/11 £000	**2010/11 £000**		**2011/12 £000**	**2011/12 £000**
78,303	**2,399**	**Balance at 1 April**	**57,285**	**1,813**
1,212	0	Current service cost	815	0
3489	128	Interest cost	3,099	96
348	0	Contributions by scheme participants	290	0
(17,028)	(427)	Actuarial (gain)/loss	8,282	191
(3,589)	(147)	Benefits paid	(3,144)	(147)
(5,839)	(140)	Past service cost	0	0
389	0	Curtailments	160	0
57,285	**1,813**	**Balance 31 March**	**66,787**	**1,953**

Reconciliation of fair value of the scheme assets:

Table 38c Scheme assets		
2010/11 £000		**2011/12 £000**
35,936	**Balance at 1 April**	**40,209**
2,577	Expected rate of return	2,700
3,513	Actuarial gains/losses	(2,227)
1,424	Employer contributions	1,333
348	Contributions by scheme participants	290
(3,589)	Benefits paid	(3,144)
40,209	**Balance at 31 March**	**39,161**

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2011 for the year to 31 March 2012). The returns on gilts and other bonds are based on the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The returns on equities and property are then based on a margin above gilt yields.

The actual return on scheme assets in the year was £0.472 million (2010/11 £3.182m).

Scheme history

Table 38d Scheme history					
	2007/08 £000	**2008/09 £000**	**2009/10 £000**	**2010/11 £000**	**2011/12 £000**
Present value of liabilities Local government pension scheme	(52,860)	(54,530)	(78,303)	(57,285)	(66,787)
Discretionary benefits	(1,060)	(2,250)	(2,399)	(1,813)	(1,953)
Fair value of assets in the Local government pension scheme	34,690	26,790	35,936	40,209	39,161
Surplus/(deficit) in the scheme	**(19,230)**	**(29,990)**	**(44,766)**	**(18,889)**	**(29,579)**

The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total liability of £29.579 million has a substantial impact on the net worth of the council as recorded in the balance sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, 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 31 March 2012 are £1.121 million.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The latest actuarial valuation of Vale of White Horse District Council's liabilities took place as at 31 March 2012. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the fund were:

Table 38e Principal actuarial assumptions

2010/11		2011/12
	Long-term expected rate of return on assets in the scheme: (see note below)	
7.4%	Equity investments	6.3%
6.4%	Property	5.3%
4.4%	Government bonds	3.3%
5.5%	Corporate bonds	4.6%
7.4%	Alternative Assets	6.3%
3.0%	Cash/other	3.0%
6.8%	**Total**	**5.7%**
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
18.9yrs	• Men	19.0yrs
23.0yrs	• Women	23.1yrs
	Longevity at 65 for future pensioners:	
20.9yrs	• Men	21.0yrs
24.9yrs	• Women	25.0yrs
	Other assumptions	
3.5%	Inflation - RPI	3.3%
2.7%	Inflation - CPI	2.5%
5.0%	Rate of general increase in salaries	4.7%
2.7%	Rate of increase to pensions	2.5%
5.5%	Discount rate	4.6%

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:

Table 38f Breakdown of scheme assets

2010/11 %	Scheme assets by category	2011/12 %
72	Equities	70
6	Property	6
9	Government bonds	10
5	Corporate bonds	6
5	Alternative assets	5
3	Cash/other	3
100		**100**

History of experience gains and losses

The actuarial gains identified as movements on the pensions reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

Table 38g History of experience gains and losses					
	2007/08 %	**2008/09 %**	**2009/10 %**	**2010/11 %**	**2011/12 %**
Difference between the expected and actual return on assets	(18.1%)	(40.4%)	22.5%	8.7%	(5.7%)
Experience gains/(losses) on liabilities	(2.0%)	(0.5%)	0.2%	12.0%	0.2%

39. Contingent liabilities

At 31 March 2012, the council had identified the following contingent liabilities:

- One of the council's leisure services contractors is pursuing the council for a shortfall in pensions paid to OCC of c.£160,000 which came about when the leisure centres were contracted out. The contractor argues that the liability for the shortfall falls on the council as it relates to unforeseen costs. The legal opinion of the council is that the liability falls to the contractor as the current employer, however, there is a possibility that the liability would still fall on the council (as guarantor) if the contractor defaulted on its payments.

- Compensation Claims for injury and or damage. The majority of claims for compensation are individually immaterial. They relate to personal injuries sustained where the Authority is alleged to be at fault (for example, through a failure to repair a pavement properly). Provision has not been made for such claims as the authority's liability is limited to the individual excess on the policy, which in most cases is £5,000. Until claims are settled by the authority's insurers, the cost of the excess cannot be recognised. It is also considered that collectively the sum of these claims in any one year is not material.

40. Contingent assets

At 31 March 2012, the council had no contingent assets.

41. Nature and extent of risks arising from financial instruments

The council's activities expose it to a variety of risks. The main risks 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 required 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 and stock market movements.

The council's overall risk management procedures focus on the unpredictability of financial markets, and seek to minimise potential adverse effects on the resources available to fund services.

The central treasury team carry out the procedure for risk management which are set out in the approved policies which cover specific areas such as interest rate risk, credit risk and the investment of surplus cash.

The procedures are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the council to comply with the CIPFA prudential code, the CIPFA code of practice on treasury management in the public services and investment guidance issued through the Act.

Credit risk

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

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's and Standard & Poors credit ratings services. The Annual Investment Strategy also sets out the maximum amounts and time limits to be invested with a financial institution within each category.

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

Table 41a Credit criteria						
Financial asset category	**Criteria**	**Short term**		**Asset Base**	**Maximum limit per counterparty £m**	**Maturity limit**
Deposits with banks	Short term	F1	P-1		£5m	1 year
	Long term	F1+ / AA-	P-1		£5m	3 years
	Sovereign Guarantee AAA					Term of guarantee
Deposits with building societies	Short term	F1	P-1		£5m	1 year
	Long term	F1+/ AA-	P-1		£5m	3 years
	Unrated building societies			£500m	£3m	6 months
	Sovereign guarantee UK only 'Eligible Institution'					6 months
Deposits with money market funds	AAA				£5m	n/a
UK local authority deposit	n/a				£5m	various
UK Gilt and supranational					£5m	No limit

The full annual investment strategy for 2011/12 was approved by full council on 23 February 2011 and is available on the council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The councils maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all the councils' deposits but there was no evidence at 31 March 2012 that this was likely to crystallise.

The credit limits were not exceeded during the reporting period and the council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds, except the deposit made with Landsbanki, which is reported in detail in note 16.

The council does not generally allow credit for its customers. A provision is made for bad debt based on the debtors information at the year end. The past due amount is analysed in table 17c. During the reporting period the council held no collateral as security.

Liquidity risk

The council manages its liquidity position through the risk management procedures set out in the treasury management strategy, as well as comprehensive cash management system that seeks to ensure that cash is available as needed.

If unexpected movements happen, the council is able to access borrowing from the money markets and the Public Works Loans Board.

The council is required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Therefore there is no significant risk that the council will be unable to raise finance to meet its commitments under financial instruments.

The council has only short term debt and therefore is not exposed to refinancing risk of loans at this time. All trade and other payables are due to be paid in less than one year.

Refinancing and maturity risk

The council maintains a reasonably small investment portfolio. There is a longer – term risk to the council which relates to managing the exposure to replacing financial instruments as they mature.

The approved treasury indicator limits placed on investments for over one year in duration are used to manage this risk. The council approved treasury and investment strategies address the main risks and the central treasury team manage the operational risks within the approved limits. This includes:

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities in relation to longer term cash flow needs.

The council has no longer term financial liabilities. The maturity analysis of financial assets, excluding sums due from customers is as follows:

Table 41b Refinancing & maturity risk

31 March 2011 £000		31 March 2012 £000
16,029	Less than one year	18,470
0	Between one and two years	0
0	Between two and three years	0
0	More than three years	0
16,029	**Total**	**18,470**

Market risk

a) Interest rate risk

The council is exposed to some risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the council, depending on how variable and fixed interest rates move across differing financial instrument periods. A rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise

- investments at fixed rates – the fair value of the assets will fall.

Changes in interest receivable on variable rate investments will be posted to the surplus or deficit on the provision of services and affect the general fund balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other CIES.

The council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together council's prudential and treasury indicators and its expected treasury operations, including forecast interest rate movements.

According to this assessment strategy, at 31 March 2012, if interest rates had been one per cent higher with all other variables held constant, the financial effect would be:

Table 41c Interest rate risk

2010/11 £000		2011/12 £000
0	Increase in interest payable on variable rate borrowings	0
155	Increase in interest receivable on variable rate investments	102
0	Increase in government grant receivable for financing costs	0
155	**Impact on surplus or deficit on the provisions of services**	**155**
0	Decrease in fair value of fixed rate investment assets Impact on other CIES	17
0	**Impact on Other Comprehensive Income & Expenditure**	**17**
0	Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or deficit on the provision of services or other CIES.	0

The impact of a one per cent fall in interest rates would be as above but with the movements being reversed.

b) Price risk

The council does not invest in equity shares nor owns any shareholdings in joint ventures or local industry; consequently the council has no exposure to loss arising from movements in the price of shares.

c) Foreign exchange risk

The council has no financial assets or liabilities denominated in foreign currencies and it therefore has no exposure to loss arising from movements in exchange rates. (But see below).

d) Foreign exchange risk in relation to Icelandic Deposits

The council has a foreign exchange exposure resulting from an element of the settlement received from Landsbanki. This is being held in Icelandic kroner (ISK), in an escrow account and is earning interest of 3.35 per cent. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and is not as a result of a treasury investment decision. As a result this is subject to exchange rate risk, over which the council has no control.

Collection fund account

2010/11 £000		2011/12 £000	Notes
	Income		
(67,968)	Council tax	(68,667)	
(53,352)	Income collectable from business ratepayers	(50,221)	
(5,427)	Transfers from general fund – council tax benefits	(5,509)	
(2)	Council Tax Transition Relief Scheme Grant	(2)	
(126,749)	**Total income**	**(124,399)**	
	Expenditure		
71,919	Precepts and demands	72,309	2
	Business ratepayers:		
53,162	Payment to national pool	50,031	
190	Collection costs allowance	190	
1,059	Contributions towards previous year's estimated collection fund surplus	1,223	2
9	Provision for bad and doubtful debts	192	
126,339	**Total expenditure**	**123,945**	
(410)	**Deficit/(surplus) for year**	**(454)**	
(808)	Balance b/f	(1,218)	
(410)	Deficit/(surplus) for year	(454)	
(1,218)	**Collection fund deficit/(surplus)**	**(1,672)**	4

Notes to the collection fund account

1. Business rates (national non-domestic rates)

Business rates are based on the rateable value of a property multiplied by a nationally determined rate (multiplier). The total amount collected by the council is paid into the national pool managed by central government. Each council then receives a redistributed amount from the pool based on an amount per head of population.

		£
NNDR rateable value as at 1 April 2011		151,672,304
NNDR rateable value as at 31 March 2012		150,908,785
National multipliers:	**2010/11**	**2011/12**
Small business non-domestic rating multiplier	40.7p	42.6p
Non-domestic rating multiplier	41.4p	43.3p

2. Precepts and demands

2010/11				2011/12		
Precept £000	**Share of estimated surplus £000**	**Total £000**		**Precept £000**	**Share of estimated surplus £000**	**Total £000**
55,993	827	56,820	Oxfordshire County Council	56,257	952	57,209
7,437	111	7,548	Thames Valley Police Authority	7,472	127	7,599
			Vale of White Horse District Council:			
5,746	121	5,867	District council requirement	5,651	144	5,795
2,864	0	2,864	Parish precepts	2,929		2,929
72,040	**1,059**	**73,099**		**72,309**	**1,223**	**73,532**

3. Council tax base calculation

Council tax income is derived from charges according to the value of residential properties. Properties are classified into eight valuation bands. The council, as billing authority, calculates its tax base in accordance with governance regulations. The number of properties shown in the table below reflects the various discounts and exemptions allowed and a weighting is applied to calculate the equivalent band D dwellings. The tax base calculation is shown overleaf:

Band	Number of properties	Band multiplier	Band D equivalent
A	1,522	6/9	1,015
B	5,250	7/9	4,083
C	14,989	8/9	13,324
D	11,395	9/9	11,395
E	8,637	11/9	10,556
F	4,780	13/9	6,905
G	3,773	15/9	6,288
H	408	18/9	816
	50,754		**54,382**
Discounts and exemptions			(5,958)
Class O exempt properties			971
Sub total			**49,395**
Assumed losses on collection			(969)
Council tax base			**48,426**

4. Surplus/deficit on the collection fund

Any surplus or deficit in respect of council tax at the end of the year is, during the next year, apportioned between the council, Oxfordshire County Council and the Thames Valley Police Authority in proportion to their precepts in the year. For Oxfordshire County Council and Thames Valley Police Authority the following amounts are included within the debtors/creditors in respect of the share of the deficit/(surplus) due to the them.

The council's share of the surplus or deficit at the end of the year forms part of the council's reserves.

2010/11 £000		2011/12 £000
(948)	Oxfordshire County Council	(1,301)
(126)	Thames Valley Police Authority	(173)
(144)	Vale of White Horse District Council	(198)
(1,218)	**Debtor/(creditor)**	**(1,672)**

Glossary of terms

Accounting policies – those principles, bases, conventions rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- recognising
- selecting measurement bases for, and
- presenting.

assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in the financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

(BV)ACOP – (Best Value) Accounting Code of Practice.

Accrual – a fundamental accounting principle is that income and expenditure should be accounted for in the period to which it relates, irrespective of the date of settlement. An accrual is a sum included in the accounts to cover income or expenditure attributable to goods or services received within the accounting period but for which payment has not been received or made.

Actuarial gains and losses – changes in the net pension liability that arises because events have not coincided with assumptions. Not charged to revenue.

Agency – the provision of services by one organisation on behalf of another organisation. The organisation directly providing the services is reimbursed by the responsible organisation.

Amortisation – the planned writing-down of the value of an asset (tangible or intangible) over its limited useful life.

Area Based Grant – together with revenue support grant (see below) this comprises the council's general government grant income.

Asset – the creation or purchase of an item/building that has a monetary value. Those assets of the council which are readily marketable are valued at market value. Those which have a specialised use, such as leisure centres, are valued at depreciated replacement cost, which assesses the cost of providing a similar facility as a replacement but also allows a discount for the age of the asset. Plant, equipment and community assets are valued at historic cost.

Asset register – a register listing the book values of all the Council's non-current fixed assets, both tangible and intangible.

Balance sheet – the balance sheet is a statement of the assets and liabilities at the end of the accounting period. It is a "snapshot" of the accounts at a single point in time.

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

Capital financing – assembling the money to pay for capital expenditure. The majority of the resources necessary to finance this council's capital programme is capital receipts. Other significant sources are government grants and contributions from developers. Also available are revenue monies and borrowing. The council does not currently borrow to finance capital expenditure.

Capital receipts – proceeds from the sale of an asset, e.g. land, buildings, equipment, vehicles.

Central administration charges – central administration charges are an allocation of the net cost of the administrative and professional departments that support all of an authority's services, e.g. finance, personnel.

Central support services – the costs of providing those central functions which are concerned with the whole range of services and undertakings of the council and are not in the main identifiable with any particular service, e.g. the cost of office accommodation.

Collection fund – a fund maintained by collecting authorities into which is paid council taxes, NNDR, and community charges. The fund then meets the requirements of the county, district and parish councils and, the Thames Valley Police Authority, as well as paying NNDR to the national pool.

Community assets – assets that the council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Consistency – the principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingent asset – a contingent asset is a potential asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control.

Contingent liability – a contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or

- a present obligation arising from past events where it is not possible to measure the amount of obligation with sufficient reliability.

Council tax – a charge levied by all councils on domestic property values to contribute to the cost of providing local services. Council tax for the County Council, the Police Authority and local parishes is collected by this council and paid over to them throughout the year.

Creditor – the amount owed by the council for work done, goods received or services rendered to the council within the accounting period but for which payment has not been made.

Current asset – an asset where the value changes on a frequent basis e.g. stores, cash, debtors (as distinct from a fixed asset such as land and buildings).

Current liability – an amount which will become payable or for which payment could be requested within the next accounting period, e.g. creditors, bank overdrafts, short term loans.

Current service costs (pensions) – the increase in pension liabilities as a result of years of service earned this year. Allocated to the revenue accounts of services for which the employees worked.

Debtor – an amount due to the council within the accounting period but not received by the end of the financial year.

Debt redemption – the repayment of loans raised to finance capital expenditure.

Defined benefit pension scheme – a pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

Defined contribution pension scheme – a pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation – the measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through either changes in technology, legislation or demand for goods and service produced by the asset.

Direct revenue financing – the financing of capital expenditure from the current year's revenue account.

Events after the balance sheet date – events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date (normally 31 March) and the date when the statement of accounts is authorised for issue – also referred to as **Post Balance Sheet Events (PBSE)**. These may be classed as 'adjusting' or 'non-adjusting'.

Exceptional items – material items which derive from events of transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give a true and fair presentation of the accounts.

Extraordinary items – material items, possessing a high degree of abnormality, which derive from events of transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

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

Finance lease – this is a lease, usually of land or buildings, which is treated as capital borrowing and for which transfers substantially all of the risks and rewards of ownership of the asset to the lessee; or where the residual interest in the asset transfers to the lessee on completion of the lease term.

Financial instrument – 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. The term ‘financial instrument’ covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Financial instruments adjustment account – the financial instruments adjustment account provides a balancing mechanism between the different rates at which gains and losses are recognised and are required by statute to be met from the general fund.

Financial Reporting Standard (FRS) – accounting practice recommended by the Accounting Standards Board (ASB) for adoption in the preparation of accounts by applicable bodies (see also SSAP).

Fixed asset – fixed assets are assets of the council that continue to have value and benefit for a period longer than one financial year.

FRS 17 – Financial Reporting Standard 17 is the prior accounting standard under which the council used to account for assets and liabilities which are held in the pension fund administered by Oxfordshire County Council but relating to this authority, in the accounts of this authority. See also **IAS 19**.

Gains/losses on settlements and curtailments – the results of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees. Debited to the net costs of services as part of non-distributed costs.

General fund – the main revenue account of an authority, which summarises the cost of all services provided by the council which are paid for from amounts collected from council tax payers, government grants and other income.

Going concern – the concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

Housing Revenue Account (HRA) – the main revenue account dealing with a council’s housing activities with its tenants. This council’s HRA was closed on 31 March 1995 after its housing stock had been disposed of.

IAS 19 – International Accounting Standard 19 requires the council to account for assets and liabilities which are in held the pension fund administered by Oxfordshire County Council but relating to this authority, in the accounts of this authority.

iBoxx – iBoxx indices cover the cash bond market. Underlying bond prices and indices are available in real time.

Impairment – an unexpected or sudden decline in the value of a fixed asset, such as property or vehicle, below its carrying amount on the balance sheet.

Intangible fixed assets – some capital expenditure does not give rise to a physical asset but the benefits last a number of years. These can be carried in the balance sheet as assets and written off over their useful life. An example is computer software.

International Accounting Standards (IAS) – the accounting standards under which these accounts are compiled.

International Financial Reporting Standards (IFRS) – the reporting standards under which these accounts are compiled.

Liability – an amount incurred by the organisation that is due to be paid at some time in the future.

Liquid resources – current asset investments that are readily disposable without disrupting the authority's business and are readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.

National Non Domestic Rates (NNDR) – NNDR is a tax charged on commercial properties. It is calculated by multiplying a property's 'rateable value' by a nationally set amount (known as the 'NNDR multiplier'). The council acts as a collecting agency for central government and passes all income to it. The government then redistributes the money it receives back to local authorities based on resident population.

Net Book Value (NBV) – the amount at which fixed assets are included in the balance sheet; ie: their historical cost or current value less the cumulative amounts provided for depreciation.

Net current replacement cost – the cost of replacing or recreating the particular asset in its existing condition and in its existing use.

Net debt – the authority's borrowings less cash and liquid resources. Where the cash and liquid resources exceed borrowings, reference should be to **Net Funds** rather than net debt.

Net realisable value – the open market value of an asset in its existing use, less the expenses to be incurred in realising the asset.

Non-operational assets – fixed assets held by the authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include investment properties and assets that are surplus to requirements, pending their sale.

Operating lease – this is a lease where ownership of the fixed asset remains with the lessor – generally any lease other than a finance lease.

Operational assets – fixed assets held and occupied, use or consumed by the authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

Past service cost – the increase in pension liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the net cost of services as part of non distributed costs interest cost, and the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to net operating expenditure**.**

Post Balance Sheet Events (PBSE) – see events after the balance sheet date

Precept – the levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf. Precepts are paid from the Collection Fund.

Prior period adjustment – those material adjustments applicable to prior years arising from changes in accounting policies or form the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Remuneration – all sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than cash. Pension contributions payable by the employer are excluded.

Revenue Expenditure Funded from Capital Under Statute (REFCUS) – (formerly known as a deferred charge) arises where:

- Expenditure is charged to capital but there is no tangible asset e.g. improvement grants, compensatory payments. When the expenditure is incurred it is charged to the income and expenditure account with a compensating entry in the statement of movement on the general fund balance to ensure that there is no impact on the council tax; and

- Assets are transferred to another organisation and the associated transferred debt is being repaid over time. These charges are written-down by the loan repayments so that the total equates to the relevant loan debt outstanding.

Since there are no long-term economic benefits in the control of the council, these are written off to revenue (CIES) in the year incurred and no longer feature as assets in the balance sheet.

Revenue Support Grant (RSG) – this main non-specific grant paid by central government to local authorities to help fund the services that they provide. The allocation to each authority is determined by a complex formula. Together with area based grant (see above) this comprises the council's general government grant income.

Statement of Standard Accounting Practice (SSAP) – SSAPs were introduced to ensure that all statements of accounts are compiled on the same or similar basis.

Statement of Recommended Practice (SORP) – the CIPFA Code of Practice for Local Authority accounting developed as part of the accounting standards to be followed in compiling this statement of accounts.

Trading account – a method of matching income and expenditure for a particular activity or group of activities. An example of this is building control.

Transferred debt – this is the term given to housing assets transferred to another council, for which the council receives repayment in the form of a loan.

Useful life – the period over which the authority will derive benefits from the use of a fixed asset.

Annual governance statement

The annual governance statement forms part of the audited accounts and can be found by accessing the link below:

http://whitehorsedc.gov.uk/about-us/how-we-work/our-finances/budget-information/corporate-finance-and-performance-201112