

# **Statement of Accounts**

**2006/07**



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## Introduction

This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main aspects of the Council's financial position.

The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts. A Glossary of Financial Terms is provided on page 61.

The Council's core financial statements for the year 2006/07 are set out on pages 25 to 64. They consist of:

**a) The Income and Expenditure Account** on page 25. The Council's main revenue account for the year ended 31 March 2007, reports on the net cost for the year of all the functions for which the Council is responsible. It demonstrates how that cost has been financed from central government grants and income from local taxpayers. As such it is intended to disclose the income receivable and expenditure incurred in operating the Council for the year. The surplus/deficit achieved on the Income and Expenditure Account represents the amount by which income is greater than/less than expenditure.

The Income and Expenditure Account represents a new presentation to the accounts from the Statement of Accounts for 2005/06. It replaces the Consolidated Revenue Account and is intended to make more transparent the financial position of the Council by showing the true cost of services as defined by UK Accounting Standards.

However, this true cost is not the cost that needs to be funded by local taxation and consequently the Statement of the Movement on the General Fund Balance makes the necessary adjustments to the Income and Expenditure Account for the purpose of determining the Council's budget requirement. In previous years these two statements were combined in one in the form of the Consolidated Revenue Account. Consequently, it has been necessary to re-order the accounts for 2005/06 to act as comparators for the 2006/07 accounts.

**b) The Statement of the Movement on the General Fund Balance (SMGFB)** on page 26. There are some items of income and expenditure which, whilst they have to be included in the cost of service for the Income and Expenditure Account, need to be excluded for the purpose of determining the Council's budget requirement and its Council Tax demand. For example, in some circumstances capital expenditure can be charged to the General Fund Balance but all capital expenditure is excluded from the Income and Expenditure Account and

depreciation of fixed assets is charged to the Income and Expenditure Account but cannot be charged to the General Fund.

The Statement of the Movement on the General Fund Balance reconciles the surplus/deficit achieved on the Income and Expenditure Account to the movement on the General Fund balance for the year which informs the Council Tax level.

- c. **The Statement of Total Recognised Gains and Losses** on page 27. Not all the gains and losses experienced by a local authority are reflected in the Income and Expenditure Account. For example gains on revaluations of fixed assets and pension actuarial gains and losses are not identified as a part of the Council's operating performance and are therefore excluded. The Statement of Total Recognised Gains and Losses is the statement that brings these other gains and losses together with the outturn on the Income and Expenditure Account to show the total movement in the Council's net worth for the year.

This statement varies from previous accounting practice in that it no longer is required to separately disclose the increases in net worth attributable to revenue and capital. This information is available in the Statement of Movement on the General Fund and the notes on individual capital reserves.

- d. **The Balance Sheet** on page 28 includes the assets and liabilities of all activities of the authority. It is fundamental to the understanding of an authority's financial position at the year-end. It shows its balances and reserves and its long-term indebtedness, the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.
- e. **The Cash Flow Statement** on page 29 summarises inflows and outflows of cash arising from transactions with third parties for both

revenue and capital. Cash is defined as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

- f. **The Collection Fund Account** on pages 59 to 60. As the 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 Policy Authority and parish councils have been satisfied. Only 10% of the council tax is kept by us and used to help pay for services we provide. The Collection Fund is consolidated with the other accounts of the billing authority within the Balance Sheet.

The way in which we present information in the accounts is in accordance with the local authority accounting code of practice. In this foreword we have tried to present in a straightforward way the key information that will be of interest to most readers.

## **Revenue Expenditure 2006/07**

South Oxfordshire District Council's gross expenditure on services for the year was £47m with gross income totalling £30m. This compared with a gross revenue budget of £48m. The actual spend and income compared with the latest revenue budget is detailed below in the format consistent with the Council's budget book.

## Revenue Budgets, Expenditure & Income 2006/07

	Service Budgets		Actual		Variance
	Expenditure	Income	Expenditure	Income	
	£'000	£'000	£'000	£'000	£'000
<b>Gross Service Expenditure</b>					
Corporate Development	1,214	(221)	1,166	(263)	(90)
Corporate Management Team	1,007	(266)	984	(287)	(44)
Environmental Health	1,306	(282)	1,337	(342)	(29)
Finance	25,760	(23,681)	25,801	(23,912)	(190)
Housing	986	(126)	1,084	(232)	(8)
Human Resources	2,503	(532)	2,433	(443)	19
ICT	1,504	(29)	1,223	(31)	(283)
Legal	2,467	(476)	2,005	(474)	(460)
Leisure & Economic Development	2,520	(1,025)	2,270	(1,137)	(362)
Planning & Building Control	3,325	(1,198)	3,240	(1,273)	(160)
Public Amenities	5,612	(1,892)	5,668	(1,985)	(37)
Central Contingency	236	0	0	0	(236)
Exceptional post balance sheet event	0	0	3,002	0	3,002
<b>Total Direct Service Expenditure</b>	<b>48,440</b>	<b>(29,728)</b>	<b>50,213</b>	<b>(30,379)</b>	<b>1,122</b>
Charged to capital	(170)	0	(40)	0	130
	<b>48,270</b>	<b>(29,728)</b>	<b>50,173</b>	<b>(30,379)</b>	<b>1,252</b>
Interest	0	(2,246)	0	(2,246)	0
Transfer to / from other funds	0	(2,693)	0	(1,722)	971
<b>Net Revenue Spend</b>		<b>13,603</b>		<b>15,826</b>	<b>2,223</b>
Transfer of surplus to reserves		0		779	779
Funding of exceptional post balance sheet event		0		(3,002)	(3,002)
<b>Budget Requirement set by Council</b>		<b>13,603</b>		<b>13,603</b>	<b>0</b>
Parish Precepts		3,170		3,170	0
<b>Total Funding Required</b>		<b>16,773</b>		<b>16,773</b>	<b>0</b>
<b>Funding</b>					
Collection Fund Precept		9,545		9,545	0
RSG		1,168		1,168	0
NNDR		6,060		6,060	0
		<b>16,773</b>		<b>16,773</b>	<b>0</b>

The total net budget to be raised by Council Tax for the year amounted to £13.6 million.

This was distributed as below.

Budget £m	Net Revenue Expenditure 2006/07	Expenditure £m
0.13	<i>Environmental Services</i>	0.18
0.74	Collecting recyclable materials	0.67
1.75	Collecting other waste	1.77
0.66	Keeping streets clean	0.65
0.17	Providing and maintaining public conveniences	0.17
-0.34	Providing and maintaining car parks	-0.35
1.17	<i>Building control, conservation &amp; planning management costs</i>	1.03
0.47	Preparing and updating local planning policies	0.40
0.46	Dealing with planning applications	0.45
0.39	Investigating breaches of planning regulations	0.36
-0.10	<i>Housing Services</i>	-0.01
0.71	Providing housing advice, maintaining the housing register and allocating housing, providing affordable housing	0.70
0.14	Providing accommodation for the homeless	0.14
-0.16	Net cost of housing benefits	-0.12
0.80	<i>Leisure Services</i>	0.79
0.03	Cultural & Related Services	0.01
0.17	Leisure Facilities and Sports Development	0.15
0.12	Parks and Open Spaces	0.11
	<i>Community Safety</i>	
0.34	Community Safety	0.31
0.97	Food Safety, Nuisance Abatements, Public Safety, Licensing	0.94
	<i>Other Services</i>	
1.06	Collecting council tax and business rates	0.80
0.60	Providing concessionary travel tokens and passes	0.64
0.23	Elections and registering electors	0.15
2.52	Corporate & democratic costs	2.14
5.78	Support services	5.38
	Exceptional post balance sheet payment	3.00
-0.27	Other operating income and expenditure	-0.67
<b>18.54</b>	<b>Net Cost of Services</b>	<b>19.79</b>

	Less:	
-1.25	Income from Investments	-2.19
-3.70	Contributions for (-) or to reserves	-1.00
0.00	Funding of exceptional item from reserves	-3.00
<b>13.60</b>	<b>Total</b>	<b>13.60</b>

The main reasons for the variances have been a reduction in the new contract for finance of £300k, an under-spend against specific projects funded only for one year which have been agreed to be carried forward into 2007/08 amounting to £645k, salaries vacancies of £266k which can be used to support revenue expenditure in later years and an under-spend of £212k on the additional funding transferred from reserves (as a supplementary estimate) to support legal costs which has been transferred back to reserves.

Increased income of £340k was received from leases, premiums, licences, housing benefits and third party contributions.

### **Capital Expenditure 2006/07**

Capital Expenditure totalled £9.7m in 2006/07 against a planned Capital Programme of £12.7m. In line with our Corporate Strategy, the major capital projects have been the new multi-screen Didcot Cinema £2.9m, Didcot Arts Centre & Town Centre Re-development £1.8m managed by Leisure and Economic Development, Social Housing Initiatives £1.6m and Community Investment Fund (CIF) grant funded projects amounting to £0.6m.

Of the £3m underspend in 2006/07, the most significant related to Didcot Cinema and Arts Centre of £0.9m, unspent CIF grant funded projects of £0.5m as we await those bodies awarded funding to claim their grant or complete the work and leisure centres of £0.2m.

Capital expenditure is paid for out of money we have set aside from capital receipts, investment income and savings. We have no external debt and have no plans to borrow to pay for capital expenditure. The sources of finance for capital expenditure are shown in note 35.4 to the accounts page 47.

### **Material assets acquired or liabilities incurred**



The Council has not acquired any assets or liabilities during the year which are unusual in scale and which require specific reference.

### **Pension Liabilities**

The statement of accounts identifies details of the Council's future commitments with regard to pension provision for its current and former employees. Further background information is set out within the Statement of Accounting Policies.

Pension transactions within the Income and Expenditure Account and detailed explanations of the financial information are set out in note 35.5 to the Statement of Accounts.

The Council's disclosures under FRS17 – Retirement Benefits are also set out in note 42 to the Statement of Accounts. The Note shows the Council's share of the Oxfordshire County Pension Fund assets and liabilities. The net liability at 31<sup>st</sup> March 2007 for South Oxfordshire District Council is £17.7m (2005/06 £17.1m). The Council has made a provision in its accounts for this amount.

### **Exceptional Payments as an adjustment to the cost of services**

Court costs - as a consequence of the termination of the waste collection contract with SITA in October 2001 over contract performance issues and subsequent court action in March and April 2006, the Council has incurred additional charges which have been treated as exceptional for accounting purposes. Payments of £746,542 were made in respect of court costs and this is shown as an exceptional payment in the Income and Expenditure Account which increases the net cost of services for the year.

Early retirement costs – during 2006/07 a number of early retirements were approved. The costs and potential savings of each case was reviewed by the Audit and Governance Committee at their meeting on 14<sup>th</sup> September 2006. The additional costs falling into the 2006/07 accounts were £106,300. These costs have been carried within the Service Account outturns from savings within budget.

### **Exceptional post balance sheet event – 18<sup>th</sup> May 2007**

Events may occur between the balance sheet date and the date the accounts are authorised for issue which have a bearing on the financial results for the previous year.

Compensation relating to the compulsory purchase of the Somerfield site in Didcot has now been agreed by the Lands Tribunal. A payment of £3 million was paid to Somerfield on 18<sup>th</sup> May 2007 in full and final settlement of their compensation claim. A contingent liability had been agreed by the Council on 2<sup>nd</sup> December 2003 allowing for an adverse award of compensation to be made from the Council's capital programme. This transaction has consequently been included in the Statement of Accounts for 2006/07.

### **Changes in Accounting Policies**

There have been no changes to the accounting policies of the Council.

### **Changes to Statutory Functions and Fallout of Grant Funding**

Concessionary Fares – From 1<sup>st</sup> April 2006 the Council acquired a new statutory obligation to provide free fare bus passes for over 60s and disabled persons for use within the district boundaries between specified hours. In preparation for this SODC increased its budget for this service in 2006/07 by 28%. However, the take-up of free travel has exceeded all expectations and by the end of the year the original budget had been exceeded by £129,316. Whilst this shortfall has been addressed for the budget in 2007/08 a further concern remains regarding the proposed implementation of a National Free Travel Scheme from 1<sup>st</sup> April 2008. There is uncertainty as to whether the Council will have to reimburse the bus operators the cost of the national concessionary journeys next year. How this will be estimated is as yet unclear and it is impossible to estimate what this reimbursement amount may be or how it may be funded. Cabinet are aware of the potential for a large increase to the concessionary fares budget in the future.

### **Planned and Future Development in Service Delivery**

The Medium Term Financial Plan to 2011/12 informed the Council's budget setting process. The Forward Revenue Budget Model identified the following possible revenue and capital pressures on budgets for the future.

## Extract from Medium Term Financial Plan 2007/08

<b>Forward Revenue Budget Model</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
<b>Possible pressures:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Waste collection - additional vehicle	230	0	0	0
Waste management service development	50	0	0	0
Strategic property and asset review	750	0	0	0
Fall in interest allocated (reduction in balances)	0	200	200	200
Election costs	47	0	0	47
Didcot Housing Growth	600	0	0	0
	1,677	200	200	247

<b>Forward Capital Budget Model</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
<b>Possible pressures:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investment in Didcot	1000	1000	1000	1000
Investment in leisure	1000	1000	1000	1000
Investment in market towns	500	500	500	500
	2500	2500	2500	2500

## Current Borrowing Requirement

The Council has no external borrowing and none is planned save for temporary cash flow purposes.

## Sources of funding

The Council held £750,000 in a general surplus and deficiency reserve for 2006/07 and intends to maintain this level. This represents 5.5% of the annual budget requirement and is likely to be sufficient to cover uneven cash flow and all but the most serious emergency. All other uncommitted balances are kept in an earmarked reserve called the Enabling Fund. The Enabling Fund is used to fund capital expenditure and one-off revenue spend.

The Council actively manages its investments and for 2006/07 the total interest earned on investments amounted to £6.6 million as against a budgeted £4.9 million. The average rate earned on cash investments over the year was 4.92% as compared with the average Bank of England base rate for the year to 31<sup>st</sup> March 2007 of 4.81%.

## **1. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2006/07 financial year and its position at the year-end of 31 March 2007. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2006* (the SORP) which is recognised by statute as representing proper accounting practice and in accordance with the Best Value Accounting Code of Practice.

The accounting convention adopted for the preparation of these accounts is historical cost (i.e. prices paid) modified for the revaluation of certain categories of tangible fixed assets.

## **2. Accruals of Income and Expenditure**

Debtors and creditors at the year-end are accrued in compliance with FRS18 ensuring income and expenditure is accounted for in the period to which it relates. The exception to this principle is the consolidated cashflow statement, which, in accordance with requirements, is prepared on a receipts and payments basis.

The only significant estimates used in the preparation of debtors and creditors year-end position are in relation to the bad debt provision (reference 3 – Provisions).

## **3. Provisions**

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charges to the appropriate service revenue account in the year that the Council becomes aware of the obligation based on the best estimate of the likely settlement.

- **Bad and Doubtful Debts**

The figure shown in the accounts for debtors is adjusted for doubtful debts, by including a provision. 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.

## **4. Reserves**

The Council has a number of reserves which are for general and specific purposes, e.g. grant allocations. See page 45 note 35.

Capital reserves are not available for revenue purposes and some of them can only be used for specific statutory purposes. The fixed asset restatement account, usable capital receipts reserve and capital financing account are examples of such reserves.

Revenue reserves are set aside for purposes falling outside the definition of provisions, or else represent accumulated surpluses. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

## **5. Government Grants and Contributions (Revenue)**

Government grants and third party contributions and donations are accounted for on an accruals basis and recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution. Income has been credited, in the case of revenue grants to the appropriate revenue account or, in the case of capital grants, to a government grants deferred account. Amounts are released from the government grant deferred account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

## **6. Retirement Benefits**

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

Pension costs have been provided for in accordance with relevant Government regulations under FRS17 and are included in the notes to the accounts. FRS17 requires the Council to account for retirement benefits when it is committed to give them, even if the actual giving of benefits will be many years into the future. It is a reflection of the economic reality of the relationship between an employer and the pension fund.

The impact that FRS17 has had on the results for the 2006/07 financial year is as follows:

- The overall amount to be met from Government Grants and local taxes has remained unchanged, but the costs disclosed for individual services are 0.5% higher after the replacement of employer's contributions by current service costs. Net Operating Expenditure is 1% higher than it would otherwise have been, due to the adjustment in respect of pensions interest cost, the expected return on pensions' assets and the current service cost adjustment above.

- The requirement to recognise the pensions liability in the balance sheet has reduced the reported net worth of the Council by 12.2%.

- **The Local Government Pension Scheme**

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 5.3% (based on the indicative rate of return on high quality corporate bond).

- The assets of the Oxfordshire County Council pension fund attributable to the Council which are included in the balance sheet at their fair value.

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

- **Discretionary Benefits**

- The Council has also restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.
- **Changes to the Regulations**
- The FRS17 figures produced in 2006 allowed for the reinstatement of the rule of 85 age for existing members until 31<sup>st</sup> March 2008. The valuations continue to allow for this change in the figures for 2006/07 and projected figures for 2007/08. The rule of 85 age retirement provisions do not apply to new entrants since 1 October 2006 but, as the number of new entrants will be relatively small at 31<sup>st</sup> March 2007, no allowances has been made for this in the figures on the grounds of materiality.
- A new benefit structure is to be introduced from 1<sup>st</sup> April 2008. This change in benefit structure will affect employers differently because of the differing age profiles of their membership. Until the 2007 actuarial valuation of the Fund is completed it will be difficult to produce projected figures for 2008/09. The projection figure for 2008/09 has consequently been based on the current benefit structure.

## **7. VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

## **8. Overheads and Support Services**

The costs of overheads and support services are charged on an appropriate basis to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2006. Costs relating to the Council's status as a multi-functional, democratic organisation, are accounted for under the heading of Corporate and Democratic Core. The cost of discretionary benefits awarded to employees retiring early from previous years' re-structuring are held within Non Distributed Costs. These two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

## **9. Intangible Fixed Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council through custody or legal rights (e.g. software

licences) is capitalised when it will bring benefits to the Council for more than one financial year. Intangible assets are recorded at historical cost and are amortised to revenue over their economic life.

The period of useful lives is assessed as being between 1 and 5 years on a straight-line basis, commencing the year after acquisition.

## **10. Tangible Fixed Assets**

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the authority and the service that it provides for more than one financial year. Expenditure on routine repairs and maintenance is charged to revenue as it is incurred. Assets are classified into the groups required by the Accounting Code of Practice (ACOP) and are initially measured at cost. Assets are then carried in the balance sheet using the following measurement bases:

- Operational land and buildings, and other operational assets, with the exception of Community assets are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use.
- Community assets used to be included in the balance sheet at historical cost. However the basis of valuation was changed in 2002/03 to a nominal value of £1 per asset. This was done as it was felt that using historical cost presented a misleading valuation, as it does not reflect the true economic value of these assets, whereas the valuation of £1 recognises these assets in the accounts without ascribing a value. This represents a departure from ACOP.
- Non-operational land and properties, other non-operational assets, including investment properties and assets that are surplus to requirements are valued at the lower of net current replacement cost or net realisable value

Assets included in the balance sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. The 5 year rolling programme of evaluations is carried out by a qualified valuer and details are shown in note 25 to the Statement of Accounts on page 42. There has been a change to the method of valuation for the industrial estates at Thame and Wallingford. Previously, these were valued



as individual units. It is the opinion of the Council's valuer that they should be valued as a whole since the units would be very unlikely to be disposed of individually.

- **Impairment**

The value of each category of assets included in the balance sheet is reviewed as part of the rolling programme of revaluation. If any impairment or loss of value were identified outside this programme, it would be reflected in the relevant year's accounts. There have been no material changes to the value of assets that have not been the subject of a revaluation this year.

- **Disposals**

From 2006/07, when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are also credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). The balance of receipts is required to be credited to the Usable Capital Receipts reserve and can then only be used for new capital investment or set aside to reduce the need to borrow. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

Any receipts arising from the disposal of housing land are subject to a pooling arrangement where all or part of the capital receipt is paid over to the Secretary of State. However, this does not apply to the authority's share of receipts from sales under the preserved rights to buy arising as part of the transfer. Details are provided in note 35.4 to the Statement of Accounts page 47.

An adjustment has been made to the 2005/06 accounts to reflect the gain to the Council of the receipt over and above the historic value of the asset in the balance sheet.

- **Depreciation**

Assets, other than investment properties, are being depreciated over their useful economic lives and have been calculated using the straight-line method. See note 26 to the Statement of Accounts on page 43 for further information.

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related

assets in the relevant service revenue account, in line with the depreciation policy applied to them.

### **11. Charges to Revenue for Fixed Assets**

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

- Depreciation attributable to the assets used by the relevant service.
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisation.

### **12. Deferred Charges**

Deferred charges are payments of a capital nature where no fixed asset is created, for example house renovation grants. Deferred charges incurred during the year are charged directly to revenue.

### **13. Leases**

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

The Authority does not currently have any finance leases.

### **14. Investments**

Investments are carried at cost. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Income and Expenditure Account.

### **15. Stocks and Work in Progress**

Stocks are included in the balance sheet at the lower of cost and net realisable value.

Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any profit reasonably attributable to the works.

## **16. Contingent Assets and Liabilities**

A contingent asset is a possible 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 authority's control.

A contingent liability is either:

(i) 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.

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

Contingent assets and liabilities are not recognised in the accounting statements. Instead they are disclosed by way of note 36 to the Statement of Accounts page 50.

## **17. Interests in Companies and Other Entities**

The SORP requires the preparation of full group financial accounts where local authorities have interests in subsidiaries, other local authorities and similar bodies, associated companies and joint ventures that are material in aggregate.

This authority has no interests in subsidiaries, associated companies or joint ventures that would require the preparation of Group Accounts.

## **The Authority's Responsibilities**

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

## **The Head of Finance's Responsibilities**

The Head of Finance is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2005 ('the Code of Practice').

In preparing this statement of accounts, the Head of Finance has:

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

The Head of Finance has also:

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

## **Approval of the accounts**

I hereby confirm that these accounts were approved by the Audit & Corporate Governance Committee on behalf of South Oxfordshire District Council on the 26<sup>th</sup> September 2007.

Signed ..... Date .....

**Chairman, Audit & Corporate Governance Committee**

## **Certification of the accounts**

I hereby certify that the accounts present fairly the financial position of South Oxfordshire District Council as at 31<sup>st</sup> March 2007 and its income and expenditure for the year then ended.

Signed ..... Date .....

**Head of Finance, South Oxfordshire District Council**

## **1. Introduction and context**

It is our responsibility to ensure we conduct our business in accordance with the principles of good governance – honesty, integrity, openness and accountability.

In April 2003 we adopted a Local Code of Corporate Governance based on the framework developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). This sets out the principles of good governance across five dimensions; community focus, service delivery arrangements, structures and processes, risk management and internal control and standards of conduct. In adopting the code we set out the ways in which we could demonstrate compliance with these principles.

One requirement of the Local Code of Corporate Governance is to have sound systems of financial management, internal control and risk management. The Accounts and Audit Regulations 2003 confirm that we are responsible for putting these in place and making sure they are effective. The regulations also require us to undertake a review of their effectiveness at least once a year and produce a Statement on Internal Control (SIC).

This SIC provides information about internal control and risk management. It complies with “proper practice” as set out in part four of the CIPFA publication “The Statement on Internal Control in Local Government”.

## **2. The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve our policies, aims and objectives. This statement can therefore only provide a reasonable and not an absolute assurance of effectiveness.

The system is an ongoing one, which has the following aims:

- to identify the key risks to the achievement of our policies, aims and objectives
- to evaluate the likelihood of those risks being realised
- to assess their potential impact should they occur
- to manage the risks effectively, efficiently and economically and where necessary prioritise them.

The internal control system has been in place for the year ended 31 March 2007 and up to the date of approval of the Statement of Accounts.

## **3. The internal control environment**

The internal control system can only work effectively within an environment in which there are procedures for:

- establishing and monitoring the achievement of the Council's objectives
  - facilitating policy and decision-making
  - ensuring compliance with established policies, procedures, laws and regulations
  - ensuring the effective, efficient and economical use of resources and securing continuous improvement
  - ensuring sound financial management and the reporting of financial management
  - ensuring performance is managed and reported.
- 
- ***Establishing and monitoring objectives***

We adopted a Statement of Strategic Intent and Strategic Objectives in February 2002 and reviewed and updated it in 2004. It has provided the framework within which more detailed targets have been set.

During 2003/04 the newly-elected Council consulted the public on immediate priorities and these were reflected in the budgets for 2004/05, 2005/06 and 2006/07. In parallel, we worked with the South Oxfordshire Partnership (SOP) to finalise the South Oxfordshire Community Strategy "Our place, our future" which focuses on achieving key aims. The SOP is made up of representatives from the public, private, voluntary, community and faith sectors. As one of the key partners on the SOP we take the lead on a number of the targets which sit under the South Oxfordshire Community Strategy's key aims.

The Citizens' Panel is a group of local residents, broadly representative of the area as a whole, with which the Council regularly consults to ensure that Council services are meeting the needs of the community. The panel consists of 1,000 residents who are sent surveys around four times a year. In 2006/07 the survey covered community safety, the housing strategy and refuse and recycling information.

We also consult through our residents' newsletter "Outlook" which is delivered three times a year to the district's 55,000 households. Another publication that went live in 2006 is Outburst, which is the Council's first online magazine and enables online polls on topical subjects.

The Council's priorities and objectives are detailed in its Corporate Plan which sets out its strategic objectives over the next three years. The Corporate Plan sits below the South Oxfordshire Community Strategy. Our Corporate Plan

reflects national government priorities and the changing needs of residents in South Oxfordshire.

It provides the framework for all our strategies and action plans. Beneath the Corporate Plan are a number of more detailed strategies. Some of these set out the Council's plans across a broad theme, e.g. implementing electronic government whilst others set out more detailed proposals for the future of a service, e.g. sports and active recreation. Further details of the targets we set for 2006/07 can be found in our Corporate Plan.

The Council's targets are monitored via its performance management system. Where targets are not being met, heads of service discuss these on a monthly basis with their strategic director. Thereafter Cabinet receives quarterly performance monitoring reports. These performance monitoring reports are also presented to the Corporate Improvement Scrutiny Committee at which time Cabinet members are expected to attend the committee to account for under-performing targets.

- ***Policy and decision making***

Our Constitution sets out how the Council is managed. We have adopted a decision-making structure comprising a Leader and Cabinet, with two scrutiny committees to help develop policy and to review our performance in meeting our objectives.

When key decisions are to be made, these are published in the Council's Forward Plan which details decisions to be made in the forthcoming four months and people/organisations that have been consulted before the decision is made.

Committee meetings are open to the public except when information is confidential or exempt matters are being disclosed. In 2006 the Council enabled wider access to decision making through the introduction of meeting webcasts that allow people to watch Council, Cabinet and planning meetings via the internet. In 2007, the Council intends webcasting meetings of the scrutiny committees and the Audit and Corporate Governance Committee enabling wider access to decision making. The public can access non-confidential or non-exempt agendas, reports and minutes from the Council's website.

- ***Compliance with policies, procedures, laws and regulations***

Our Constitution includes a set of procedure rules that govern how we conduct our business. It also includes protocols covering, for example, the disclosure of interests in contracts and the relationship between officers and councillors.

The Constitution includes our Code of Conduct for councillors which incorporates the mandatory requirements of the Model Code of Conduct. Our Standards Committee was actively involved in preparing this code and has monitored and determined complaints made to the Standards Board for England. It has also responded to the consultation on the revised Model Code of Conduct and will be actively involved in its implementation once the new Model Code is adopted in 2007.

In 2006, an Audit and Corporate Governance Committee was set up with the role of overseeing corporate governance matters including risk, audit, and the financial accounts

A regular programme of work is carried on by the Internal Audit section which monitors compliance with established procedures. The Council has maintained an adequate and effective internal audit service, as part of which the implementation of recommendations made in audit reports has been checked. Arrangements have been put in place to ensure that recommendations made by auditors and inspectors are responded to appropriately.

The Legal Services team identifies areas of potential legal risk in the Council's business. In 2006 the Legal Services team was awarded Lexcel. This accreditation is a quality mark which the Law Society has developed and which is only awarded to legal practices that undergo rigorous independent assessment each year to ensure they meet the required standards of excellence in areas such as customer care, case management and risk management.

In 2003 we engaged consultants to help identify corporate risks and develop our risk management strategy. A strategy has been completed and agreed by the Cabinet. Heads of service have received training and have drawn up risk registers and risk management action plans for their services, which have informed service plans and budget planning.

- ***Effective, efficient and economical use of resources and securing continuous improvement***

In 2004, the Council was assessed as *good* in the Comprehensive Performance Assessment (CPA). Our stated aim is to be classed as *excellent* in 2007. A key element of CPA is prioritisation of resources and achievement of improvement. We are progressing towards our aim with a number of demonstrable improvements for the community and performance improvement as indicated by Best Value Performance Indicators (BVPs) and



we have been successful in applying for CPA reassessment which will take place in June 2007.

- ***Financial management***

The Section 151 Officer (also referred to as the Chief Finance Officer) has overall responsibility for ensuring the Council has a safe and proper system of financial administration.

The financial procedures within our Constitution set out how we will manage our financial resources and secure sound financial administration. These include how budgets are prepared and funds are controlled and released. The financial procedures include the requirement for a system of internal audit to review, appraise and report on the soundness, adequacy and application of financial controls and the internal control environment.

A key aim is to keep any increase in expenditure within inflation so that we can keep council tax as low as possible. We continue to refine our formal system of service planning in order to explicitly link the use of resources to the achievement of outcomes that help meet our objectives. Our Medium Term Financial Plan explains how we use these principles in preparing our spending plans. To achieve our spending plans we:

- seek efficient and economic ways of providing services and reduce spending where we can
- focus new spending on our priorities
- maximise our income by collecting it quickly and efficiently
- create our own sustainable sources of income
- invest to make savings in the longer term
- use our own funds to pay for new investment rather than borrow money

Each month heads of service monitor expenditure and income. Summary reports are presented to the Management Team and members of the Cabinet.

- ***Performance management***

Our Statement of Strategic Intent complements the Community Strategy and sets out the Council's long term vision. From the Statement of Strategic Intent we have seven strategic objectives. More information about our strategic objectives is contained within our Corporate Plan.

The framework of strategic objectives is supported by targets and is built into the Council's performance management system. Each of the Council's service teams has a service plan that sets out the actions that each team will work on during the year. The service plans show how each team will

contribute in the year to the higher level objectives set out in the Corporate Plan.

Our performance appraisal scheme focuses on agreement of targets between managers and individuals with the objective being to relate targets to service plans. Throughout the year, staff have meetings with their managers to review progress and discuss and plan personal development in line with the Council's objectives.

In the process of monitoring performance, we forecast year-end outcomes and undertake action planning to get measures back on track if they are below target. In addition, we review performance at the end of the year and use this to help set targets for the coming year.

#### **4. Review of effectiveness**

We are responsible for conducting a review of the effectiveness of our internal control system. In section three we referred to the internal control environment and its composition. Development and maintenance of the system of internal control and the review of its effectiveness is an ongoing process. It is informed by the work of full Council, Cabinet and the work of the committees including Audit and Corporate Governance Committee, scrutiny committees and the Standards Committee. In addition, maintenance and review of the system is supported by officers within South Oxfordshire District Council who have responsibilities for the internal control environment within their service area and subsequently report to their strategic director.

Below we set out the assurances relating to the internal control environment as set out in section three. Thereafter, other sources of assurance are detailed – these include the data audit, risk management, internal audit, corporate governance monitoring and the work of the Audit and Corporate Governance Committee.

- *Establishing and monitoring objectives/performance management*

Our corporate planning system is currently a three-year rolling plan. On an annual basis officers consult on the requirements for the Plan to ensure it is up to date and reflects local and national requirements. After a process of consultation and development of the plan, it is approved by Management Team. The Cabinet then considers and approves the Corporate Plan for publication.

We intend to carry out a major review of the Corporate Plan following the elections in 2007 to ensure it reflects the priorities of the new Council. At this time the plan will change to a four-year rolling plan to align with the electoral cycle.

Once our Corporate Plan is approved, the objectives are built into the performance management framework. Heads of service are responsible for data collection and data entry into the performance management system. They are also responsible for data accuracy. Heads of service monitor and manage their service's performance against service plan targets, reporting to their strategic director on a monthly basis and to the Cabinet on a quarterly basis.

The Corporate Improvement Scrutiny Committee also has a key role in examining the quarterly performance monitoring reports with Cabinet members attending the Committee to account for underperforming targets. This committee is also involved in reviewing a progress report on the South Oxfordshire Partnership objectives.

Amongst its roles, Corporate Improvement Scrutiny Committee is also able to review and scrutinise the performance of the Council in relation to its policy objectives, performance targets and/or particular service areas; question members of the Cabinet and/or committees and strategic directors, heads of service, or other appropriate officers about their decisions and performance, whether generally in comparison with service plans and targets over a period of time, or in relation to particular decisions or initiatives.

- *Policy and decision making*

The Cabinet has overall responsibility for implementing policies consistent with the policy framework and the Constitution.

We have a "scheme of delegation" within our Constitution which sets out decisions that individual members of the Cabinet or officers can take without needing Cabinet approval. All decisions must be taken within the budget and policy framework agreed by the full Council. The Constitution is reviewed twice annually to ensure that it is up to date.

Many of the key decisions are subject to a period of statutory consultation before a decision can be made.

- *Compliance with policies, procedures, laws and regulations*

We have two officers who have specific and personal responsibilities - the Section 151 Officer oversees the financial arrangements of the Council, while the Monitoring Officer deals with legal issues and the proper conduct of business. In addition, the Chief Executive, as head of the officer staff, oversees the employment and conditions of staff. Collectively the officer Management Team reviews all reports going to the Cabinet and the decisions

that individual members of the Cabinet intend to take under delegated powers.

Neither the Section 151 Officer nor the Monitoring Officer had to exercise their statutory powers in 2006/07.

- *Financial management*

The full Council is responsible for approving the following:

1. financial strategies
2. medium and long-term financial plans
3. the revenue budget and budget requirement
4. the capital programme
5. borrowing limits
6. the taxbase
7. Council Tax
8. the Financial Procedure Rules

The Cabinet has overall responsibility for the implementation of the Council's financial strategies and spending plans, and is authorised to make financial decisions subject to these being consistent with the budget and policy framework and the Constitution.

The Section 151 Officer is responsible for the overall management of the financial affairs of the Council. The Section 151 Officer determines all financial systems, procedures and supporting records of the Council (whether held on paper or electronically), after consultation with the relevant Head of Service. Any new or amended financial systems, procedures or practices are agreed with the Section 151 Officer before implementation.

Heads of service are responsible for ensuring the proper maintenance of financial procedures and records, and the security of assets, property, records and data, within their service area.

The Chief Executive, strategic directors and heads of service consult with the Head of Finance and Head of Legal and Democratic Services on the financial and legal implications respectively, of any report that they are proposing to submit to the full Council, a committee (or sub-committee) or the Cabinet.

During the reporting period of this SIC, internal audit undertook audits of all the key financial systems. More information on internal audit can be found below.

- *Data audit*

Acknowledging that key elements of financial systems and performance monitoring involve data that informs decision-making, we have undertaken a number of initiatives to integrate data quality within performance management arrangements. The Audit and Corporate Governance Committee received the Council's first data quality policy during 2006/07. The purpose of the policy is to outline expectations and requirements in respect of the collection, recording, analysis and reporting of performance data. In addition, the Council is producing a performance management handbook to improve the consistency of performance management between services.

- *Risk management*

In aiming to meet our objectives, risk management initiatives are integrated within our performance management and budget planning processes. Overall officer responsibility for risk management in the Council lies with the Chief Executive supported by the Management Team.

The Audit and Corporate Governance Committee is responsible for consideration of the effectiveness of the authority's risk management arrangements and the control environment and has satisfied itself that risk management initiatives are effective.

Councillors and officers have responsibility for risk management. Heads of service and line managers have defined roles in relation to risk as set out in our Risk Management Strategy 2005 - 2008. Within the Strategy the roles of Risk Champions are defined. Risk champions' primary role is to act as a first point of contact for risk management enquiries from their own service. There is also a Risk Management Group. The Group shares best practice and provides an arena for discussing and managing cross-service risks. Heads of service report the progress of risk management to Management Team at three monthly intervals. Major risks are fed into the Risk Management Group from service risk registers via risk champions.

During the corporate business planning process, the Council's identified risk champions update the risk register to reflect their service area's plans and projects. Subsequently risk mitigation action plans are created for risks above the Council's acceptable tolerance line. These action plans are included within a service area's service plan for the coming year.

Risk assessments are carried out throughout the year and an annual risk review assessment is carried out. The priority risks are managed through the production of risk mitigation action plans for priority risks with the aim of reducing the impact, likelihood or both. All risks are recorded on the risk register. In 2006/07 there were 140 risks that reduced by either impact or likelihood; only 20 increased in impact or likelihood and 132 stayed the same. There were 127 risks above the tolerance line in 05/06 but only 85 in 2006/07.

## *Internal Audit*

In undertaking an independent appraisal function within the Council, Internal Audit's main objectives are to:

- give assurance and a view on the financial and other management information on which management relies to run the Council
- ensure compliance with established policies, procedures, regulations and legislation
- ensure the continual review of policies and procedures to make certain that controls are strengthened commensurate to risk
- facilitate good practice in the identification, management and monitoring of risks
- ensure the economical, efficient and effective use of resources, incorporating the duty to achieve best value

Internal Audit carried out a planned programme of system reviews during 2006/07. The Head of Finance's Annual Report on Internal Audit states that the overall adequacy and effectiveness of the Council's control environment is *satisfactory* subject to all agreed recommendations being implemented. Arrangements have been put in place to ensure that recommendations made by auditors and inspectors are responded to appropriately.

During the course of the financial year no reviews resulted in an opinion of *poor*. In two instances, the Internal Audit opinion was unsatisfactory. In both instances the view of Internal Audit was that the recommendations made, on being satisfactorily implemented, would mitigate any risks associated with the identified issues and concerns.

The Head of Finance's opinion on the adequacy and effectiveness of internal control has been given against an awareness that the Council may not be fully compliant with the revised Code of Practice published by CIPFA late in 2006. To ascertain compliance requires substantial review. A review will take place with significant implications being reported to the Audit and Corporate Governance Committee.

- *Corporate governance*

The Head of Legal and Democratic Services is charged with monitoring corporate governance. In 2006/07 we revised the way in which we use of the Local Code of Corporate Governance. Rather than report historically on ways in which we comply with the Local Code, we transformed it so now we have a forward looking performance monitoring system where we set targets for

actions to be taken to comply with the Local Code. We now call this the Code of Corporate Governance Assurance Statement.

The benefit of this new system is that we can easily see if we are on target to meet our corporate governance objectives as prescribed by CIPFA/SOLACE's (Chartered Institute of Public Finance Accountants and Society of Local Authority Chief Executives) 2001 publication *Corporate Governance in Local Government – a Keystone for Community Governance: the Framework* as a process for ensuring that key corporate governance aims are implemented.

During 2007/08 this performance management system will be further aligned with the Council's existing performance management system once we are aware of the outcomes of the 2006 consultation on revisions to the Model Code of Corporate Governance. During 2007/08 the Audit and Corporate Governance Committee will review progress against corporate governance targets as part of the assurance gathering process. In the meantime, measurement of the Code of Corporate Governance Assurance Statement shows that we are on track to meet almost all corporate governance objectives.

Amongst its roles and functions, our Standards Committee promotes and maintains high standards of conduct by councillors and any co-opted members; assists the councillors and co-opted members to observe the Councillors' Code of Conduct; monitors the operation of the Councillors' Code of Conduct; and deals with any complaints referred by the Standards Board for England.. During the reporting period the Committee conducted a hearing into one complaint and found that the parish councillor failed to comply with the code of conduct. It considered another complaint and accepted the investigating officer's finding that the parish councillor had not failed to comply with the code of conduct.

- *Audit and Corporate Governance Committee*

In 2006 we set up an Audit and Corporate Governance Committee. The Committee has received training on its role and terms of reference, training on business continuity planning and risk management. The Committee has requested further training whilst continuing to develop its role and work with greater confidence.

The Committee has considered reports on the audit planning process and role and work of internal audit; presentations on the role of external audit and the Chairman has attended another organisation's Audit Committee to benchmark the way it works. The Committee has a role in dealing with staffing matters that involve enhanced benefits for staff and has a role in complaints and monitoring those made to the Ombudsman.

With a key role in risk management within the Council, the Audit and Corporate Governance Committee received training on risk management to further embed the risk process: such training will be made available to all councillors after the elections in 2007. The Committee now takes an active role in considering risk within the Council.

- ***Progress on 2006/07 SIC objectives***

As part of our action planning arising from the 2005/06 SIC, we have increased the role of our scrutiny committees in policy development and pre-cabinet scrutiny. There is greater emphasis on activities that support the work of the Council and activities that advise on policies, budgets and service delivery. Targets were set to undertake a number of scrutiny reviews during the year and we are on target to meet these objectives. One such review has involved a review of the operation of the Council's capital programme which was referred to in the 2005/06 SIC.

We are making progress on the 2006/07 SIC objectives to improve upon MORI customer satisfaction findings. The indications are that we have improved customer satisfaction ratings from the recent Best Value Performance Indicator surveys and we are also on our way to improving customer services via our customer service centre with elements of telephone call handling soon to be dealt with via a customer service centre.

In 2005/06 we said we needed to share good practice in performance management and this is being effected through the production of a handbook setting out expectancies for performance management.

We also needed to progress our plans to engage with hard to reach communities. To do this we set targets to improve understanding of barriers to access/need and we are on track to meet this objective with services carrying out a programme of equalities impact assessments.

- ***Objectives for 2007/08***

We have identified areas for improvement for 2007/08. They include improvements in the areas of value for money, financial management and internal control. We will continue to identify areas for improvement. Objectives will be set to make such improvements and will be built into the Code of Corporate Governance Assurance Statement.

## **5. Significant internal control issues**

Having considered our own system of internal control we are confident that the internal control framework contains action plans to address any



improvements required to identify any risks to the attainment of principal objectives.

While we acknowledge that we are required to carry out a review of the effectiveness of the system of internal audit in accordance with the Accounts and Audit (Amendment) (England) Regulations 2006, no formal review has taken place during the transitional period to a joint audit services with the Vale of White Horse District Council. However, in 2007/08 the Council's Chief Finance Officer will review the effectiveness of the internal audit function and report his findings to the Council's Audit and Corporate Governance Committee.

During 2007 we will update our Corporate Governance Assurance Statement to further enhance our governance arrangements in relation to the new Code of Corporate Governance.

We are satisfied that the above steps will address the need for any improvements to our system of internal control and we will monitor its implementation and operation as part of our ongoing review.

Signed:

Leader of the Council

Chief Executive

Date:

2005/06 Net Expenditure £'000 (restated)		2006/07			(Notes)
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
	<b>Central Services to the Public</b>				
1,011	Local Tax Collection	5,976	(5,279)	697	
1,178	Other Central Services	1,895	(428)	1,467	

	<b>Cultural, Environmental &amp; Planning Services</b>				
1,052	Cultural & Related Services	1,451	(254)	1,197	
5,792	Environmental Services	7,186	(936)	6,250	
2,412	Planning & Development Services	4,722	(1,294)	3,428	
	<b>Highways, Roads &amp; Transport Services</b>				
(96)	Parking Services - Car Parks	793	(868)	(75)	
522	Concessionary Fares	761	0	761	
	<b>Housing Services</b>				
(395)	Housing Benefits	18,599	(18,520)	79	
2,945	Other Housing Services	3,895	(427)	3,468	
3,288	Corporate & Democratic Core	3,892	(27)	3,865	
177	Non Distributed Costs	908	0	908	
862	Exceptional Items	746	0	746	(2.1)
0	Exceptional post balance sheet payment	3,002	0	3,002	
<b>18,748</b>	<b>Net Costs of Services</b>	<b>53,826</b>	<b>(28,033)</b>	<b>25,793</b>	
3,059	Precepts paid to Parish Councils			3,171	(page 60)
(1,146)	Loss/(gain) on disposal of Fixed Assets			373	
(726)	Income from sale of housing to SOHA			(683)	(35.4)
(258)	Income from Transferred Debt			(260)	(35.6)
(698)	(Surplus)/deficit from Trading Undertakings			199	(4)
24	Contribution to Housing Pooled Capital Receipts			26	(35.4)
(6,206)	Interest & Investment Income			(6,650)	
(1,300)	Provision for Loss in Value of Investments			208	(48.0)
3,580	Pensions Interest Cost			3,650	(35.5)
(3,380)	Expected Return on Pensions Assets			(3,800)	(35.5)
<b>11,697</b>	<b>Net Operating Expenditure</b>			<b>22,027</b>	
(9,380)	Demand on Collection Fund			(9,503)	(page 60)
(104)	Transfer from Collection Fund			(42)	(page 60)
(2,706)	Revenue Support Grant			(1,186)	
(3,692)	NNDR from National Pool			(6,043)	

<b>(4,185)</b>	<b>Net (Surplus)/Deficit for the year</b>	<b>5,253</b>
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<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
<b>(restated)</b>		

(4,185	(Surplus)/deficit for the year on the Income & Expenditure Account	5,253
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4,185	Net additional amount required by statute and non-statutory proper practices to be debited or credited to Ear Marked Reserves for the year	(5,253
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0	Increase/decrease in General Fund Balance for the year	0
750	General Fund Balance brought forward	750

<b>750</b>	<b>General Fund Balance carried forward</b>	<b>750</b>
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Reference Note 18 Page 37.

<b>2005/06</b>		<b>2006/07</b>	
<b>£'000</b>		<b>£'000</b>	<i>(Notes)</i>
<b>(restated)</b>			
(4,185)	(Surplus)/deficit on the Income & Expenditure Account	5,253	<i>(I&amp;E)</i>
368	(Gains)/losses arising on revaluation of fixed assets	(5,998)	<i>(35.2)</i>
(3,042)	Actuarial (gains)/losses on pension fund assets & liabilities	567	<i>(35.5)</i>
486	Deficit/(surplus) on the Collection Fund relating to SODC	(50)	
<b>(6,373)</b>	<b>(Gain)/loss</b>	<b>(228)</b>	

<b>2004/05</b>	<b>2005/06</b>		<b>2006/07</b>	
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>Notes</b>
	<b>Restated</b>			
112	216	Intangible Assets	293	(19.3)
		Tangible Fixed Assets		
		Operational Assets		
20,123	22,112	Land and Buildings	21,148	(19.1)
4	1,579	Vehicles and Plant	1,405	(19.1)
410	0	IT Infrastructure	0	(19.1)
0	0	Community Assets	0	(19.1)
29	59	Infrastructure Assets	168	(19.1)
29,662	16,877	Non Operational Assets	24,292	(19.1)
50,340	40,843	Total Fixed Assets	47,306	
43,570	65,899	Long Term Investments	68,492	(48)
(979)	(330)	Less Provision for Loss in Value	(538)	(48)
3,167	2,871	Long Term Debtors	2,598	(49.1)
96,098	109,283	Total Long Term Assets	117,858	
		Current Assets		
342	279	Stock	139	
10,543	11,319	Debtors	12,775	(49.2)
(2,068)	(2,379)	Less Bad Debt Provision	(2,660)	(49.2)
63,201	52,981	Investments	48,422	(48)

11	0	Cash in Hand	0	
72,029	62,200			58,676
		Current Liabilities		
(4,470)	(5962)	Receipts In Advance	(5500)	(49.3)
(1,534)	(906)	Developers Contributions	(276)	
0	(222)	Capital Grants Unapplied	(289)	
(3,947)	(5,528)	Creditors	(5,054)	(49.3)
0	0	Exceptional post balance sheet creditor	(3,002)	
0	(103)	Cash Overdrawn	(114)	
(9,951)	(9,929)			(14,235)
(1)	(1)	Long Term Borrowing	(1)	
(210)	(257)	Deferred Government Grants	(206)	(35.7)
(15)	(15)	Provisions	(15)	(34)
(20,182)	(17,140)	Net Pension Liability	(17,707)	(35.5)
137,768	144,141	Net Assets		144,369
6,747	(7,133)	Fixed Asset Restatement Account	(4,566)	(35.2)
62,066	65,478	Capital Financing Account	68,243	(35.3)
2,995	2,737	Deferred Capital Receipts Reserve	2,477	(35.6)
39,982	51,295	Usable Capital Receipts Reserve	47,134	(35.4)
(20,182)	(17,140)	Pensions Reserve	(17,707)	(35.5)
750	750	Balances - General Fund	750	(35.1)
44,929	48,159	Earmarked Reserves	47,993	
481	(5)	Balances - Collection Fund	45	Page59
137,768	144,141	Total Equity		144,369

**2005/06**  
**£'000**

**Revenue Activities**

**2006/07**  
**£'000**

	Cash Outflows	
9,513	Cash Paid to and on behalf of Employees	9,639
13,819	Other Operating Cash Payments	15,307
17,221	Housing Benefits paid out	18,192
29,318	Payments to NNDR National Pool	39,707
63,155	Precepts paid	65,343

1,429	Other Operating Cash Outflows	869
	<b>Cash Inflows</b>	
(64,673)	Council Tax Receipts	(68,123)
(3,692)	NNDR receipts from National Pool	(6,059)
(31,330)	Non-domestic Rate Receipts	(39,356)
(2,706)	Revenue Support Grant	(1,170)
(23,794)	DWP Grants for Benefits	(23,375)
(730)	Other Government Grants	(886)
(4,264)	Cash Received for Goods & Services	(4,585)
(508)	Other Operating Cash Receipts	
<b>2,758</b>	<b>Net Cash Flow from Revenue Activities</b>	<b>5,503</b>
	<b>Servicing of Finance</b>	
(6,090)	Interest received	(6,881)
	<b>Capital Activities</b>	
	<b>Cash outflows</b>	
8,117	Purchase of Fixed Assets	9,683
329	Purchase of Long-term investments	43
627	Other Capital Cash Payments	
	<b>Cash Inflows</b>	
(15,149)	Sale of Fixed Assets/Mortgage Receipts	(5,480)
(657)	Capital Grants received	(801)
22,000	Long Term Investments	2,550
(1,601)	Other Capital Cash Receipts	(47)
10,334	Net Cash inflow/outflow before financing	4,570
	<b>Management of Liquid Resources</b>	
(10,220)	Net increase(decrease) in Short Term Deposits	(4,559)
114	Net (increase)/Decrease in Cash	11

## 1. Acquired or Discontinued Operations

There were no acquired or discontinued operations affecting South Oxfordshire in 2006/07.

## 2. Exceptional and Extraordinary Items and Prior Period Adjustments

1. **Waste Collection Costs** - In October 2001 the Council terminated its waste collection contract with SITA over contract performance issues. The Council has sought financial recompense from SITA since that time. In April 2006 the Court's awarded against the Council and since 1<sup>st</sup> April 2006 exceptional court costs amounting to £746,542 have been incurred. (Reference I&E Account, Exceptional Items).
2. **Early Retirement Costs** – During 2006/07 a number of early retirements were approved. The costs and potential savings of each case was reviewed by the Audit & Governance Committee at their meeting on 14<sup>th</sup> September 2006 and ten early retirements were agreed. The additional costs falling into the 2006/07 accounts were £106,300. These costs have been carried within the Service Account outturns from savings within budget. A further group of early retirements was agreed in March 2007 and the costs resulting from these will fall in the Statement of Accounts for 2007/08.
3. **Prior Period Adjustments** - the Council has adopted the 2006/07 Statement of Recommended Practice (SORP). This has required a new presentation of the 2005/06 accounts to compare with the 2006/07 accounts. The impact of the changes has been to indicate that income into the Council was greater than expenditure by £2.551 million for 2005/06. Of this amount £1.146 million related to the adjustment required to recognise the total income from the sales of property not just the written down value as previously stated in the accounts. The adjustments will be included as a part of the audit of the 2006/07 accounts.
4. There has been a change in the layout of the Balance Sheet between 2005/2006 and 2006/2007 Statement of Accounts



which has moved items between main headings. Deferred Capital Receipts is now shown in the bottom half of the Balance Sheet. The impact of this movement requires a line to be shown in the Statement of total Recognised gains and losses for the in year movement on this account.

5. In addition to these adjustments and as part of the restatement to 2005/2006 accounts, the Council has changed the application of capital receipts applied as part of the Capital Financing entries relating to 2005/2006. This adjustment is shown separately in the Statement of Total Recognised Gains and Losses. It is important to note that these transactions are made for the purposes of making the appropriate disclosures in the Financial Statements.
  
6. The following note details the changes in the comparatives to the published 2005/06 Statement of Accounts:

#### Explanation of Prior Period Adjustments

	Consolidated Revenue Account in 2005/06 Statement of Accounts £'000	Impact of variance in net cost of services £'000	Removal of capital financing charges £'000	Recognition of gains and losses on disposal of fixed assets £'000	Charge impairment loss to net cost of services £'000	2005/06 comparatives in Income & Expenditure Account £'000
<b>Central Services to the Public</b>						
Local Tax Collection	1,013		(2)			1,011
Other Central Services	1,201		(23)			1,178
<b>Cultural, Environmental &amp; Planning Services</b>						
Cultural & Related Services	1,241		(189)			1,052
Environmental Services	5,908		(116)			5,792
Planning & Development Services	2,507		(95)			2,412

**Highways, Roads  
& Transport  
Services**

Parking Services - 147 Car Parks		(243)			(96)
Concessionary 526 Fares		(4)			522

**Housing  
Services**

Housing Benefits (393)		(2)			(395)
Other Housing 3,012 Services		(67)			2,945

Corporate & Democratic Core 3,344		(56)			3,288
Non Distributed 177 Costs		0			177
Exceptional Item 594		0		268	862

<b>Impact on Net Cost of Services</b>	<b>19,277</b>	<b>(797)</b>	<b>0</b>	<b>268</b>	<b>18,748</b>
---------------------------------------	---------------	--------------	----------	------------	---------------

Impact of variance in net cost of services		(529)			
Loss/(Gain) on the disposal of fixed assets	0		(1,146)		(1,146)
Trading Undertakings		(766)			(766)
Asset management revenue account (interest payable & loss on value of investments)		263			263
<b>Impact on Net Operating Expenditure</b>	<b>15,509</b>	<b>(529)</b>	<b>(503)</b>	<b>(1,146)</b>	<b>0</b>
					<b>13,331</b>

**3. Outstanding un-discharged obligations arising from long-term contracts**

There are no outstanding, un-discharged obligations arising from any long-term contracts by the Council.

#### 4. Trading Operations

The Council own a portfolio of non-operational assets, which includes land, industrial estates, depots, garages, shops that are let or used on a commercial basis. Turnover against expenditure on these properties for the year was as follows:

##### South Oxfordshire Trading Operations

<b>2005/06</b>	<b>Commercial Properties</b>	<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
(1,016)	Turnover Income	(878)
317	Expenditure	301
(699)	Surplus before deferred charges	(577)
0	Deferred charges	776
(699)	(Surplus)/Deficit	199

The surplus on the trading was adjusted by a notional capital charge in 2005/06 as required by the SORP in that year. For 2005/06 this capital charge was 3.5% and represented the opportunity cost of not using the capital for other purposes. For 2006/07 there is no statutory requirement to show a capital charge and so the comparator table for 2005/06 has been adjusted accordingly. Deferred charges relate to capital expenditure on projects undertaken where costs arising do not enhance the value of associated assets and are written off in the year.

#### 5. Discretionary Expenditure under S137 Local Government Act

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote wellbeing in their area. As a consequence, the majority of the provisions of section 137 were repealed with effect from October 2000. The only remaining requirement is for councils to disclose expenditure under section 137(3) e.g. donations to charities, not-for-profit bodies and mayoral appeals. There was no expenditure in 2006/07 under section 137.

#### 6. Publicity Account

Section 5 of the Local Government Act 1986 as applied by the Local Authorities (Publicity Account) (Exemption) Order 1987 requires local authorities to keep a separate account of its expenditure on publicity.

#### South Oxfordshire Publicity Account

<b>2005/06</b>	Expenditure on Publicity	<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
161	Recruitment advertising	145
	Other advertising	
70	Other publicity	80
<b>231</b>		<b>225</b>

#### 7. Building Control Account

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

Under the Building (Local Authority Charges) Regulations 1998, the Council must ensure income from charges fully recovers the cost of carrying out its building control functions over a rolling 3 year period.

#### South Oxfordshire Building Control Account

<b>Chargeable</b>	<b>Non-chargeable</b>	<b>Total</b>		<b>Chargeable</b>	<b>Non-chargeable</b>	<b>Total</b>
<b>2005/06</b>	<b>2005/06</b>	<b>2005/06</b>		<b>2006/07</b>	<b>2006/07</b>	<b>2006/07</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
			<b>Expenditure</b>			
410	45	455	Employee Expenses	509	54	563
146	12	158	Supplies and Services	50	8	58
134	15	149	Support Services	148	16	164
<b>690</b>	<b>72</b>	<b>762</b>		<b>707</b>	<b>78</b>	<b>785</b>
			<b>Income</b>			
615	0	615	Building Regulations	648	0	648

0	10	10	Other Income	0	4	4
<b>615</b>	<b>10</b>	<b>625</b>		<b>648</b>	<b>4</b>	<b>652</b>
<b>75</b>	<b>62</b>	<b>137</b>	<b>(Surplus)/Deficit</b>	<b>59</b>	<b>74</b>	<b>133</b>

## 8. Agency Services

Under various statutory powers, the Council may agree with other public bodies to do work on their behalf. The Council will be fully reimbursed by the responsible public body for any costs incurred in carrying out this work. Expenditure or income relating to agency services would not normally be included in the Council's Income and Expenditure Account, since it is not incurred as part of the Council's normal responsibilities and for the sake of transparency are therefore disclosed in the notes to the accounts.

1. Disposal of abandoned vehicles - the District Council acts as an agent on behalf of Oxfordshire County Council for the disposal of abandoned vehicles.
2. Car Parking Cash Collection - the District Council has provided, via one of its contractors, a car parking cash collection service for Henley Town Council.

### South Oxfordshire Agency income and expenditure account

	<b>2005/06</b>	<b>2006/07</b>
	<b>£'000</b>	<b>£'000</b>
Disposal of abandoned vehicles	6.9	2.7
Car parking cash collection Henley	8.4	5.7
<b>Total amount reimbursable</b>	<b>15.3</b>	<b>8.4</b>

## **9. Transport Act 2000**

The District Council has no responsibilities under the Transport Act 2000.

## **10. Business Improvement District Schemes**

There are no Business Improvement District Schemes operating in South Oxfordshire District Council.

## **11. Local Authority (Goods and Services) Act 1970**

The Council is empowered by this Act to provide goods and services to other public bodies. During the year commercial property was leased to Didcot Town Council.

The Council also charge Henley Town Council and Oxfordshire County Council for car park cash collection services and Oxfordshire County Council for disposing of abandoned vehicles (see Note 8).

## **12. Health Act 1999 Pooled Funds and Similar Arrangements**

There are no pooled budgets held by South Oxfordshire District Council and NHS partners.

## **13. Members' Allowances**

The Local Government Act 2000 and the Local Authorities (Members' Allowances) Regulations 2003 required the Council to appoint an independent remuneration panel to review its scheme for Members' Allowances and to make recommendations to the Council regarding the scheme operated in 2006/07. This resulted in a total payment of £210,697 for Members' allowances for 2006/07 (2005/06 £202,997). Further information on Members' allowances is available on request at the Council Offices.

## **14. Officers' Emoluments**

The number of employees whose remuneration, including special payments such as redundancy and early retirement and excluding pension contributions, was £50,000 or more in bands of £10,000 was as follows:

### **South Oxfordshire Officers' Emoluments**

<b>2005/06</b>		<b>2006/07</b>
<b>Employees</b>	Remuneration Band	<b>Employees</b>

1	£90,000 - £99,999	1
0	£80,000 - £89,999	0
0	£70,000 - £79,999	2
2	£60,000 - £69,999	2
5	£50,000 - £59,999	5

## 15. Related Party Transactions

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.

**Central Government** – details of transactions with Government departments are set out in Note 47 - Analysis of government grants shown in the Cash Flow Statement, page 55. Central government is responsible for providing the statutory framework within which the Council operates, provides the majority 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).

**Members of the Council** have direct control over the Council’s financial and operational policies. However, any contracts entered into are in full compliance with the Council’s constitution and any decisions are made with proper consideration of declarations of interest. Details of any material interests are recorded in the Register of Members’ Interests, which is open to public inspection. From the replies the following relationships were declared: Councillor Mrs E Hards – family connection with South Oxfordshire Leisure Ltd., Councillor C Quinton, personal connection with Halarase Ltd., a software supplier to SODC, and Councillor J Stimson, Trustee to the Citizen’s Advice Bureau, Didcot.

**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. From the replies provided there are no material transactions to be declared.

**Assisted organisations** – during 2006/07 the Council provided £67,000 (£56,000 2005/06) to South Oxfordshire Leisure Limited (SOLL), on long-term agreements for public access to pools and leisure centres. SOLL are contracted to manage the leisure centres and use 8 buildings under licence in

the provision of the service, six of these buildings are occupied under licence from Oxfordshire County Council.

Assistance was also provided of £138,000 (£121,000 2005/06) to Citizen Advice Bureaux and £76,000 (£74,000 2005/06) to One-Stop shops.

In addition, financial assistance was provided to a number of organisations primarily by way of grant payments. Full details of all grant payments are available on request.

## 16. Audit Costs

In 2006/07 South Oxfordshire District Council incurred the following fees relating to external audit and inspection:

<b>South Oxfordshire Audit Fees</b>		
<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>	<b>Audit Fees</b>	<b>£'000</b>
82	Fees payable to the Audit Commission with regard to external audit services	87
3	Fees payable to the Audit Commission in respect of statutory inspection	7
36	Fees payable to the Audit Commission for the certification of grant claims and returns	51
<b>121</b>		<b>145</b>

## 17. An explanation of the significance of the Statement of Movement on the General Fund Balance for the year for local taxation and the resources available to fund the authority's services

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.



- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned.

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

### **18. Breakdown of amounts additional to the Income & Expenditure Account that are required to be debited or credited to the general fund balances/earmarked reserves**

The following table itemises the (surplus)/deficit on the Income and Expenditure Account that is required by statute and non-statutory proper practices to be debited or credited to earmarked reserves for the year.

<b>Previous Year</b>		<b>Current Year</b>	<b>Current Year</b>
<b>2005/06</b>		<b>2006/07</b>	<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
	<b>Amounts included in the I&amp;EA funded by earmarked reserves and required by statute to be excluded when determining the movement on the general fund balances for the year</b>		
(58)	Amortisation of intangible fixed assets	(162)	
(894)	Depreciation and impairment of fixed assets	(745)	
45	Government Grants Deferred amortisation matching depreciation & impairments	53	
(3,337)	Write down of Deferred Charges written off financed from capital resources	(4,907)	
1,146	Net gain or (loss) on sale of fixed assets	(373)	
726	Income from sale of housing to SOHA	683	
258	Income from transferred debt	260	
1,300	Net gain or (loss) on sale of investments	(208)	
(1,450)	Net charges made for retirement benefits in accordance with FRS17	(1,590)	
			(6,989)
	<b>Amounts not included in the I&amp;EA but required to be included by statute when determining the movement on the earmarked reserves for the year.</b>		
0	Minimum Revenue provision for Capital Financing	0	
(84)	Capital Expenditure charged in year to revenue	(56)	
(24)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(26)	

1,352	Employers contributions payable to Pension Fund and retirement benefits payable direct to pensioners	1,366	
			1,284
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on earmarked reserves for the year</b>		
5,205	Net transfer to or from earmarked reserves		452
<b>4,185</b>	<b>Total</b>		<b>(5,253)</b>

## 19. Summary of capital expenditure and fixed asset disposals

### 1. Movement of Fixed Assets

The movement in fixed assets during 2006/07 is summarised below:

#### South Oxfordshire Movement of Fixed Assets

##### Operational Assets

	Other Land & Buildings	Vehicles, equipment & plant	Infra-structure	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000
Certified Valuation at 31st March 2006	<b>22,459</b>	<b>1,918</b>	<b>59</b>	<b>0</b>	<b>24,436</b>
Accumulated depreciation and impairment	(347)	(340)	0	0	(687)
Net book value of assets at 31st March 2006	<b>22,112</b>	<b>1,578</b>	<b>59</b>	<b>0</b>	<b>23,749</b>
<b>Movement in 2006/07</b>					
Additions	0	198	0	0	198
Disposals	0	0	0	0	0
Revaluations	(590)	0	109	0	(481)
Depreciation	(374)	(371)	0	0	(745)
Impairments	0	0	0	0	0
Net book value of assets at 31st March 2007	<b>21,148</b>	<b>1,405</b>	<b>168</b>	<b>0</b>	<b>22,721</b>

##### Non Operational Assets

	<b>Investment properties/ Non operational land</b>	<b>Assets under const-ruction</b>	<b>Surplus assets held for disposal</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Certified Valuation at 31st March 2006	<b>14,823</b>	<b>2,054</b>	<b>0</b>	<b>16,877</b>
Accumulated depreciation and impairment	0	0	0	0
Net book value of assets at 31st March 2006	<b>14,823</b>	<b>2,054</b>	<b>0</b>	<b>16,877</b>
<b>Movement in 2006/07</b>				
Additions	0	4,021	0	4,021
Disposals	(2,711)	0	0	(2,711)
Revaluations	6,261	(156)	0	6,105
Depreciation	0	0	0	0
Impairments	0	0	0	0
Net book value of assets at 31st March 2007	<b>18,373</b>	<b>5,919</b>	<b>0</b>	<b>24,292</b>

## 2. Capital Expenditure and Financing

The capital finance requirement shows the purchase and financing of capital spending during the year and indicates the Council's need to borrow to finance its capital spending to date. As the year end figure is negative, this indicates that no borrowing is required. The figures are derived from the opening and closing movements on the assets and accounts.

### Capital Financing Requirement

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
(21,394)	Opening Capital Financing Requirement as per Balance Sheet movement	(21,579)
<b>Fixed Assets</b>		
3,184	Operational assets	(1,028)
(12,785)	Non-operational assets	7,415

(67)	Mortgages	(60)
104	Intangible Assets	77
13,880	<b>Fixed asset restatement account</b>	(2,567)
(4,712)	<b>Capital financing account</b>	(1,466)
(47)	<b>Deferred capital grant</b>	52
258	<b>Deferred capital receipts</b>	260
(21,579)		(18,896)

### 19.3 Intangible Assets

An intangible asset is a non-financial asset where the cost incurred can be of a capital nature, but there is no physical tangible asset to show for the expenditure but they are identifiable and can be controlled through custody or legal rights. The Council's intangible assets relate to the acquisition of software licences. These licences are amortised over one to three years, commencing from the year after acquisition.

#### Intangible Assets

	<b>Net Book Value 1st April 2006</b>	<b>New purchases</b>	<b>Written off to Revenue (Amortisation)</b>	<b>Balance as at 31st March 2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Software licences	42	130	(29)	<b>143</b>
E-Government	93	21	(52)	<b>62</b>
Planning Delivery	81	88	(81)	<b>88</b>
	<b>216</b>	<b>239</b>	<b>(162)</b>	<b>293</b>

### 19.4 Change to amortisation method on intangible assets

There has been no change to amortisation method used to write down the cost of intangible assets.

## 20. Movements in Deferred Charges

A deferred charge is defined as that expenditure which can be treated as capital for financing purposes but which does not lead to the creation of a fixed asset under the control of the Council and consequently does not appear on the Balance Sheet. e.g. improvement grants.

As a result of the changes introduced in 2004/05 expenditure which meets the recognition requirement of a deferred charge has been charged to the Income and Expenditure Account as it is incurred. The expenditure in the analysis of capital expenditure is shown in note 35.3.

## 21. Commitments under Capital Contracts

The Council has authorised and contractually agreed significant expenditure in future years of £2.738m under its capital programme. These commitments relate to the following schemes.

### South Oxfordshire Capital Commitments as at 31st March 2007

	<b>£'000</b>
Acquisition of land in connection with the redevelopment of Didcot Town Centre	834
Capital Grants awarded	1,642
Environmental Improvements - Berinsfield	234
Purchase of wheeled bins for green waste	19
Tourism Software	9
	2,738

## 22. Information on Assets Held

The assets of the Council that make up the fixed asset balance on the balance sheet are:

### Statement of Physical Assets

<b>2005/06</b>		<b>2006/07</b>	
<b>£'000</b>		<b>£'000</b>	
21	Car Parks	20	
14	Public Conveniences	14	
2	Depots and Stores	2	
2	Swimming Pools	2	
3	Camping and Caravan Sites	3	

1	Administrative Buildings	1
2	Cemeteries	2
3	Industrial Estates	3
	Enterprise Centre	1
3	Shops, garages, offices	5

Community assets held on the balance sheet at nominal value are 127 small areas of land at a nominal value of £1 each.

### 23. Assets held for Leases

**Council as Lessee** - amounts of rentals payable under finance and operating leases. The Council has no finance leases in place. Operational leases are listed below:

#### Number of Operating Leases

2005/06		2006/07
£'000	Operating Leases	£'000
2	Car Par Inspectors Huts	0
2	Hand Wash Systems in public conveniences	3
1	Vending Machines	1
4	Franking Machines	4
16	Photocopiers	16
25		24

These operating leases have the following financial commitments:

#### Rental values payable under Operating Leases

2005/06		2006/07
£'000	Amounts Due:	£'000
8	Within 1 year	7
17	Within 2-5 years	17
0	> 5 years	0
25		24

The Council does not act as a lessor for finance or operating leases.

## 24. Assets recognised under a PFI arrangement

The Council owns no assets under a PFI arrangement.

## 25. Valuation Information

The following table shows the progress of the Council's rolling programme for the revaluation of fixed assets, which happens over a five year cycle. Note that the values of operational assets listed here will differ from the values stated in the balance sheet because operational assets are held at depreciated value in the balance sheet.

### Valuations of fixed assets carried at current (gross) value:

	2002/03	2003/04	2004/05	2005/06	2006/07	Total
Valuations at Current Value	£'000	£'000	£'000	£'000	£'000	£'000
<b>Land &amp; Buildings</b>						
Car Parks	0	0	6,946	584	(543)	<b>6,987</b>
Public Conveniences	0	0	959	148	(46)	<b>1,061</b>
Swimming Pools	0	0	4,840	433	0	<b>5,273</b>
Cemetery Buildings	0	0	119	0	0	<b>119</b>
Allotments	0	0	0	10	0	<b>10</b>
Mobile Home Sites	0	0	0	1,440	0	<b>1,440</b>
Office Assets	0	0	6,980	0	0	<b>6,980</b>
	<b>0</b>	<b>0</b>	<b>19,844</b>	<b>2,615</b>	<b>(589)</b>	<b>21,870</b>
<b>Non Operational Assets</b>						
Industrial Estates	0	0	5,569	0	1,283	<b>6,852</b>
Depots	0	0	0	229	0	<b>229</b>
Commercial Assets	109	396	184	0	104	<b>793</b>
Leisure Assets	0	0	0	370	(153)	<b>217</b>
Mobile Home Sites	0	0	0	345	0	<b>345</b>
Land	1	0	0	7,620	2,317	<b>9,938</b>
Other	205	258	0	1,591	3,864	<b>5,918</b>

315      654      5,753      10,155      7,415      24,292

Valuations of all commercial properties other than Market House, Thame and the Orchard Centre, Didcot, have been undertaken by external valuers, John Carroll, FRICS and the District Valuation Office. They have relied on previous records of measurements and Lease agreements have been provided where applicable. Market House was valued independently in 2006 by Colliers and their value was used for the re-assessment. The Orchard Centre has been valued internally based on a multiplier of anticipated rental income. The valuations are generally based on either the Net Realisable Value of the assets in their existing use, i.e., Market Value or Depreciated Replacement Cost (DRC) for operational property where no market comparables exist. The basis for valuation is set out in the Statement of Accounting Policies.

## 26. Depreciation Methodologies

All assets are currently depreciated on a straight line basis over an estimate of their useful life. Land and non-operational commercial assets are not depreciated. Community assets are depreciated only where enhancement results in the capitalisation of the asset. Useful lives for depreciation purposes are as follows:

Depreciation and useful life estimate	Useful lives (for depreciation purposes)	Total depreciation charged for the period £000s
<b>Land &amp; Buildings</b>		
Car parks	15 years	130
Public conveniences	10-55 years	45
Leisure Assets - Swimming Pools	15-60 years	74
Camping & Caravanning Site	nil	0
Cemeteries (building only)	20-40 years	4
Offices	35 years	120
Recycling bank	25 years	1
		374
<b>Vehicles, Plant, Equipment</b>		
Computer hardware	5 years	121
CCTV	5 years	250



Vehicles	nil	0
		371
<b>Non-operational assets held for investment</b>	Exempt	

## **28. Change to depreciation useful life**

A review of useful lives has been undertaken following the removal of the charge for “notional” interest as required by the SORP for 2006/07. Capital charges to Service Revenue Accounts for 2005/06 were required to equal the provision for depreciation (representing the cost of using the assets) plus a capital financing charge called a notional interest rate which was set annually by the CIPFA/LASSAAC Joint Committee. The removal of this notional interest charge has given the opportunity to review the period over which the Council’s car parks are depreciated. It has been agreed that the useful life of car parks should be 15 years since the annual depreciation charge for the car parks over 15 years is in excess of the annual loss in value due to wear and tear.

A note of the accumulated depreciation and impairment, disclosure on additions, disposals, revaluations and transfers at the beginning of the financial period and as at the balance sheet date is shown in note 19.1 Movement of Fixed Assets.

## **29. Analysis of Net Assets Employed**

The Council is required to disclose the net assets employed by the General Fund in the Council’s Balance Sheet Statement.

## **30. Interests in Companies**

There is a requirement for the Council to provide details of the name, business, percentage of total shareholding, the degree of commitment to meet accumulated deficits or losses of subsidiary or associated companies, net assets and the results of operations and other financial transactions of any related companies. The Council has no such interest to declare.

## **31. Capital Instruments**

There is a requirement for the Council to provide details of any instruments that are issued by the Council as a means of raising finance, including shares, debentures, loans and debt instruments, options and warrants that give

financial rights to the holders of those instruments. The Council holds no local authority bonds or stock issues.

### 32. Long Term Borrowing

There is a requirement for the Council to provide details of any long term loans maturing in the years following the year of account to give an indication of future borrowing requirements and cash flow implications. There are no long-term borrowing requirements in place.

### 33. Insurance Provisions

Insurance for the Council is provided under contract with Zurich Municipal. The Council does not maintain a provision or reserve for the purpose providing insurance cover to services.

### 34. Provisions

The following table shows the provisions that the Authority has established to meet known future liabilities where the amounts or timing of the liabilities are unknown.

The Deposit Guarantee Provision is to cover the cost of meeting claims from Landlords for providing accommodation for the homeless.

#### Deposit Guarantee Provision

	01 Apr 06 £'000	Tsfs In £'000	Tsfs Out £'000	31 Mar 07 £'000
Deposit Guarantee	15	0	0	15
<b>Balance c/f</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>15</b>

### 35. Reserves

#### 1. Summary introduction to detail of movements on Reserves

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

<b>Reserves</b>	<b>1 Apr 2006 £'000</b>	<b>Interest £'000</b>	<b>Tsfs in £'000</b>	<b>Tsfs out £'000</b>	<b>31 Mar 2007 £'000</b>	<b>Purpose</b>
<b>General Balances</b>						
<b>Surplus/Deficiency</b>	<b>750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>750</b>	To maintain a working balance to help cushion the impact of uneven income and expenditure patterns.
<b>Unallocated Reserves</b>						
Enabling Fund – Unallocated	19,365	2,775	0	(4,533)	17,607	Accumulated surpluses in previous years, which have not yet been earmarked.
Vacancy Reserve – Unallocated	405	0	265	(170)	500	Accumulated savings on employee costs in previous years, which have not yet been earmarked.
CIF Interest – capital unallocated	6,548	1,615	0	0	8,163	To hold interest distributed on CIF balances for capital expenditure.
<b>Allocated Reserves</b>						
Enabling Fund – Revenue	678	0	0	(678)	0	To meet the cost of future one-off revenue growth items.
Enabling Fund – Job Evaluation	125	0	0	(25)	100	As a contribution towards the future salary costs of employees who have been re-graded downwards and whose salary is subject protection.
Revenue Funding	1,000	1,247	0	(1,247)	1,000	From CIF interest earnings in previous years, which will be used to support the general fund revenue budget.
Vacancy Reserve – Allocated	170	0	170	(170)	170	From accumulated savings on employee costs in previous years, to meet specific expenditure commitments.
CIF Interest – Distributed	3,301	935	0	(775)	3,461	From interest earned on the CIF principal to be used to fund the capital programme.
Planning Inquiry	130	0	0	0	130	To meet the cost of any inquiries that have to be set up as a result of the updating of the local plan.
Carry Forwards	483	0	645	(483)	645	By departments from under spends to cover future specific costs.
Redundancy & Early Retirement	76	0	0	0	76	To help meet the redundancy and early retirement costs associated with any future restructuring.
Building Control	59	0	0	(46)	13	From ring fencing the building control trading account.
<b>Reserves</b>	<b>1 Apr 2006 £'000</b>	<b>Interest £'000</b>	<b>Tsfs in £'000</b>	<b>Tsfs reout £'000</b>	<b>31 Mar 2007 £'000</b>	<b>Purpose</b>

					£'000	
Commuted Lump Sum	110	13	0	0	123	To fund expenditure covered from commuted sums paid by developers.
E-Gov Reserve	75	0	0	(25)	50	To fund future costs of e-Government Programme expenditure.
Pensions Reserve	0		300		300	To Fund potential costs from actuarial valuation.
Didcot Arts Centre Reserve	25	0	0	0	25	To fund future running costs of the Arts Centre.
Performance Reward Reserve	0	0	21	0	21	Public service agreement funding
<b>CIF Principal</b>						To hold sums received from the sale of capital assets and which have now been recycled into the equivalent amount of interest and thus could be used to meet any future costs. However, Members have agreed not to spend these sums but to use the funds to generate interest.
Interest Allocated as Principal	15,609	0	0	0	15,609	
	<b>48,159</b>	<b>6,585</b>	<b>1,401</b>	<b>(8,152)</b>	<b>47,993</b>	

## 2. Fixed Asset Restatement Account

This account records the surplus or deficit arising from the revaluation of assets and until 2005/06 it was written down by the net book value of assets as they were disposed of. However, the 2006/07 SORP requires the Council to have revalued its assets at the time of disposal. The receipt for the asset is then recorded as a gain or loss against this revaluation. This has required the 2005/06 position to be amended to provide appropriate comparison for the current year statement.

### Fixed Asset Restatement Account

2005/06		2006/07
£'000		£'000
6,747	Opening Balance 1st April	<b>(7,133)</b>
(268)	Impairment	0
(2,264)	Revaluation of Assets	5,258
139	Written Back Depreciation	20
(11,487)	Disposal in year	(2,711)
2,605	Reversal of 05/06 disposals where revaluation difference	0
1,146	Gain on Revaluation of Assets as at the date of disposal to Statement of Total Recognised Gains & Losses	(372)
(3,751)	Reverse effect of accounting for gain/loss on disposal to Usable Capital Receipts	372

(7,133)

(4,566)

### 3. Capital Financing Account

This account contains amounts which are set aside by statute from either revenue resources or capital receipts to finance past capital expenditure.

#### Capital Financing Account

2005/06 £'000		2006/07 £'000
<b>62,066</b>	Opening balance as at 1st April	<b>65,478</b>
(684)	Less Depreciation	(927)
6,513	Capital Expenditure	9,729
(3,337)	Deferred Charges	(4,906)
919	Appropriation from Revenue	(1,131)
<b>65,478</b>		<b>68,243</b>

### 4. Usable Capital Receipts

The Usable Capital Receipts reserve holds the proceeds from the sale of fixed assets, pending their use to finance future capital expenditure.

#### Usable Capital Receipts

2005/06 £'000		2006/07 £'000
<b>39,982</b>	Opening balance as at 1st April	<b>51,295</b>
	<b>Capital Receipts</b>	
3,768	Property Review Sales	548
726	SOHA Sales	683
10,163	Other	2,329
(3,320)	Applied in year	(7,695)

(24)	Pooled receipts	(26)
<b>51,295</b>		<b>47,134</b>

## 5. Pensions Reserve

The Pensions Reserve represents an estimate of the current liability of SODC's share of the Oxfordshire County Council pension fund.

### Pensions Reserve

2005/06 £'000	£'000	2006/07 £'000
<b>(20,182)</b>	Opening Balance as at 1st April	(17,140)
	<b>Revenue Account costs</b>	
(1,080)	Current service cost	(1,220)
1,352	Employer contributions	1,366
(170)	Past Service cost	(520)
70	Hidden Cost Adjustment	(493)
(3,580)	Interest on Pension Scheme Liabilities	(3,650)
3,380	Expected return on Employer Assets	3,800
(28)		(717)
	<b>Actuarial Gains/(Losses)</b>	
3,070	Actual return less expected return on assets	150
<b>3,042</b>	<b>Total movement in Reserve</b>	<b>(567)</b>
<b>(17,140)</b>	<b>Balance carried forward</b>	<b>(17,707)</b>

## 6. Deferred Capital Receipts

Deferred capital receipts represent the capital income that is still to be received from mortgagors and from transferred debt repayments. The balance is reduced on receipt of principal repayment on loans.

### Deferred Capital Receipts

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
<b>2,995</b>	Opening Balance as at 1st April	2,737
(258)	Repaid in year	(260)
<b>2,737</b>		<b>2,477</b>

### 7. Deferred Government Grants

This account records where the purchase of a fixed asset is funded either wholly or in part by a Government grant or other contribution. As the asset values are written down the balance will be reduced accordingly.

### Deferred Government Grants

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
(210)	Balance b/f	(257)
134	Transfer to Grants Unapplied	81
(89)	Transfer to Capital Financing	(39)
(2,219)	New Capital Grants and contributions deferred	(54)
2,127	Written off to Capital Financing	63
<b>(257)</b>		<b>(206)</b>

### 8. Grants and Contributions Unapplied

This reserve holds Government grants and other contributions towards capital schemes which have not yet been applied to finance expenditure.

### Capital Grants and Contributions Unapplied

<b>2005/06 £'000</b>	<b>2006/07 £'000</b>
----------------------	----------------------

0	Balance b/f	222
134	Trf from Grants Deferred	81
1,619	Trf from Creditors	0
688	Amounts received	832
(2,219)	Applied in year	(846)
<b>222</b>		<b>289</b>

### **36. Contingent Liabilities and Contingent Assets**

A contingent liability is defined as:

1. A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or
2. A present obligation that arises from past events but is not recognised because:
  - a. It is not probable that a transfer of economic benefits will be required to settle the obligation, or
  - b. The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is similarly defined as a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

The following contingent liabilities and assets were identified for South Oxfordshire District Council.

#### **Didcot Town Centre**

In December 2000 the Council entered into an agreement with Taylor Woodrow for the redevelopment of Didcot town centre. Under the agreement the Council has acquired the site using compulsory purchase powers where necessary. At the time of the closure of accounts, two compensation claims from companies having an interest in the land were still to be agreed and had been referred to the Lands Tribunal for settlement. The amount of the payment to Somerfield has subsequently been agreed and is detailed in note 38 to these accounts in 'Events after the Balance Sheet Date'.

#### **Potential Repayment of Grant**



The authority receives Government Grant towards the cost of Disabled Facilities Grants. The authority has calculated this grant based on the value of Disabled Facilities Grants determined by the Council. However in 2002/03 the Audit Commission requested a ruling from the Office of the Deputy Prime Minister (ODPM) as the Council received a payment from a third party that administers some grants on the Council's behalf, and the Audit Commission was of the opinion that this income should be deducted from the total expenditure before the government grant was calculated. Subsequently the ODPM paid the 2002/03 grant claim in full. If the ODPM determines that for the years 2002/03, 2003/04, 2004/05, 2005/06 or 2006/07 income should be taken into account then the Authority could be required to repay approximately £49,000, £29,700, £21,400, £25,200 and £22,900 respectively.

### **37. Authorisation of Accounts for Issue**

There is a requirement to disclose the date that the financial statements are authorised for issue. This establishes the date after which events will not have been recognised in the statement of accounts.

For South Oxfordshire District Council the relevant date is Wednesday, 27<sup>th</sup> June 2007 (the date following their approval by the Audit and Corporate Governance Committee).

### **38. Events after the Balance Sheet Date**

Compensation relating to the compulsory purchase of the Somerfield site in Didcot has now been agreed by the Lands Tribunal. A further £3 million was paid to Somerfield in full and final settlement of their compensation claim on 18<sup>th</sup> May 2007. A contingent liability had been agreed by the Council on 2<sup>nd</sup> December 2003 allowing for an adverse award of compensation to be made from the Council's capital programme.

### **39. Trust Funds**

The Council acted as custodian trustee for an old staff benevolent fund which closed down in 1983. A small remaining balance exists and Legal Services are seeking access to the fund details in order to clear this amount in an appropriate way.

### **40. Reserves and Balances held by Schools under Delegated Schemes**

Responsibility for the administration of South Oxfordshire's schools rests with Oxfordshire County Council.

#### **41. Amounts due to or from Related Parties**

Refer to Note 15 of the Statement of Accounts.

#### **42. Local Government Pension Scheme (Disclosures under FRS17)**

South Oxfordshire District Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension scheme employees.

As part of the terms and conditions of employment, South Oxfordshire District Council offers retirement benefits. Employees of the Council are entitled to join the Local Government Pension Scheme (LGPS), which is administered by Oxfordshire County Council under the regulations governing the LGPS, a defined benefit scheme based on final pensionable salary. This is a funded pension scheme, which means that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets.

The most recent valuation was carried out at 31<sup>st</sup> March 2004 and has been updated by independent actuaries to the Oxfordshire County Council Pension Fund ("the Fund") to take account of the requirements of FRS17 in order to assess the liabilities of the fund as at 31 March 2007. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value. In 2004/05 South Oxfordshire District Council made a one-off payment to reduce the pension fund deficit and thereby reduce future contributions required.

The employer's contributions certified by the actuary to the Fund in respect of the period 1 April 2003 to 31 March 2007 were initially as follows:

2003/04 14.40% of pensionable pay

2004/05 16.50% of pensionable pay

2005/06 16.50% of pensionable pay

2006/07 15.60% of pensionable pay

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

<b>31-Mar-06</b>		<b>31-Mar-07</b>
<b>(pa)</b>	<b>FRS 17 Main Assumptions</b>	<b>(pa)</b>
4.9%	Discount Rate	5.3%
4.5%	Rate of increase in salaries	4.7%
3.0%	Rate of increase in pension payments	3.2%

3.0%	Rate of increase in deferred pensions	3.2%
3.0%	Rate of inflation	3.2%
	Long term expected rates of return:	
7.3%	Equities	7.7%
4.3%	Government Bonds	4.7%
4.9%	Corporate Bonds	5.3%
6.3%	Property	6.7%
4.6%	Other Assets	5.6%
6.7%	Average long term expected rate of return	7.1%

At 31 March 2007, it is estimated that the Authority had the following overall share of assets and liabilities, and these are included in the balance sheet.

<b>31-Mar-06</b>		<b>31-Mar-07</b>
<b>£'000</b>		<b>£'000</b>
(75,420)	Estimated Liabilities in scheme	(78,287)
58,280	Estimated Assets in scheme	60,580
<b>(17,140)</b>	<b>Net liability (deficit)</b>	<b>(17,707)</b>

Assets are valued at fair value, principally market value for investments. The proportion of total assets held in each type by the fund as a whole at 31 March 2007 is as follows:

	<b>31-Mar-07</b>
Equities	72.00%
Bonds	14.85%
Property	7.20%
Other Assets	5.95%

The movement in the net pension liability for the year to 31 March 2007 is shown in Note 35.5.

The current deficiency in the pension fund represents the estimated position at the end of the financial year. The deficit has slightly increased in year from £17.140 (2005/06) to £17.707 (2006/07). It should also be noted that pension rates have been set to cover the full estimated long-term cost of the pension scheme based on an actuarial valuation as at 31 March 2004.

#### **43. Reconciliation between the net surplus or deficit on the Income & Expenditure Account to the revenue activities net cash flow shown in the Cash Flow Statement.**

##### **Reconciliation of net (Surplus)/Deficit on the Income & Expenditure Account to the movement in cash**

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
	<b>(Surplus)/Deficit for year</b>	
0	Revenue Account	0
521	Collection fund	(383)
0	Expenditure charged direct to the Investment Funds	0
	Non Cash Transactions	
338	Movement in Provisions	(490)
0	Capital Funded from Revenue	0
(6,513)	Net Increase in Specific Reserves	491
	<b>Revenue Accruals</b>	
(63)	(Decrease)/Increase in Stock	(140)
(1,322)	Decrease/(Increase) in Revenue Creditors	1,272
2,362	(Decrease)/Increase in Revenue Debtors	(2,128)
15,011	Capital Activities	5,948
(10,220)	Management of Liquid Resources	(4,559)
<b>114</b>	<b>Net Movement in Cash</b>	<b>11</b>

**44. Reconciliation of the movement in cash to the movement in net debt.**

**Analysis of changes in net debt**

	<b>1<sup>st</sup> April 2006</b>	<b>Cash-flows</b>	<b>31<sup>st</sup> March 2007</b>
Cash overdrawn	(103)	(11)	(114)

**45. Reconciliation of the items shown within the financing and management of liquid resources sections of the Cash Flow Statement to the related items in the opening and closing Balance Sheets for the period**

**Reconciliation of items shown under the Management of Liquid Resources**

	<b>31/03/2006</b>	<b>31/03/2007</b>	<b>Movement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Short Term Investments	52,981	48,422	(4,559)

**46. An explanation of what the authority includes in liquid resources and any change in its policy**

As in previous years, the above figures comprise cash balances held in call and short-term notice deposit accounts, as well as fixed term cash investments with a maturity date not greater than 1 year from the balance sheet date.

**47. Analysis of government grants shown in the Cash Flow Statement**

**Government Grants****2005/06****2006/07****£'000****£'000****Revenue Grants**

3,692	Non Domestic Rate Grant	6,059
2,706	Revenue Support Grant	1,170
23,107	Housing Benefit - Subsidy	22,645
508	Housing Benefit - Admin	730
179	Housing Benefit - WBS	0
<b>23,794</b>	<b>Total DWP Grant for Benefits</b>	<b>23,375</b>

189	NNDR Collection Allowance	195
0	Affordable Housing	11
21	Supporting People/Homeless Deposit Guarantee	29
118	Communities against Drugs	165
0	Anti-smoking Grant	11
57	Defective Housing Grant	55
0	Contaminated Land Grant	60
54	DEFRA Grant	60
290	Planning Delivery Grant	209
0	Local Area Agreement Pump Priming Grant	70
0	Performance Reward Grant	21

**729 Total Other Government Grants 886**

**30,921 Total Revenue Grants 31,490**

**Capital Grants**

426	Improvement Grant Subsidy	480
150	E-Government	0
0	Waste Performance Efficiency Grant	80
81	Planning Delivery Grant	220
0	Performance Reward Grant	21

657	<b>Total Capital Grants</b>	801
<b>31,578</b>	<b>TOTAL GRANTS</b>	<b>32,291</b>

#### 48. Investments

<b>31 Mar 2006 £'000</b>	<b>Cost of Investments</b>	<b>31 Mar 2007 £'000</b>
	<b>Long Term Investments</b>	
44,500	Cash Deposits	49,000
11,405	Unit Trusts	11,843
9,989	Corporate Bonds	7,644
5	3.5% War Stock      Undated	5
65,899		68,492
	<b>Short Term Investments</b>	
52,981	Cash deposits	48,422
118,880	Total Investments	116,914

The Council's Investments are managed in accordance with the Council's Treasury Management Strategy of which £30m is managed by external Fund Managers. As at 31 March the Council's investments had market values as follows.

<b>31 Mar 2006 £'000</b>	<b>Market Value of Investments</b>	<b>31 Mar 2007 £'000</b>
12,914	Unit Trusts	14,246
9,659	Corporate Bonds	7,106
7	3.5% War Stock Undated	6

The majority of the Council's investments are valued in the accounts at cost. However, in accordance with the SORP, investments in marketable securities are carried at cost less provision, where appropriate, for loss in value - as below:

<b>Provision for Loss in Value of investments</b>	<b>Bonds £'000</b>
As at 31 March 2006	330
As at 31 March 2007	538
Movement	
<b>Increase/(decrease) in provision</b>	<b><u>208</u></b>

#### **49. Other Balance Sheet Accounts**

1. Long Term Debtors



**Long Term Debtors**

<b>31 Mar 2006</b>		<b>31 Mar 2007</b>	
	<b>£'000</b>		<b>£'000</b>
216	Mortgages	156	
2,521	Transferred Loan Debt	2,320	
<b>2,737</b>	<b>Total of Deferred Capital Receipts</b>	<b>2,477</b>	
130	Staff Loans	120	
4	Other Misc. Loans	1	
<b>2,871</b>	<b>Total Long Term Debtors</b>	<b>2,598</b>	

**2. Debtors****Debtors**

<b>31 Mar 2006</b>		<b>31 Mar 2007</b>	
	<b>£'000</b>		<b>£'000</b>
4,683	Local Tax	5,337	
210	Central Government	627	
98	Other Local Authorities	165	
1,626	Payments in Advance	21	
2,007	Interest on Investments	3,287	
743	SOHA Capital Receipts	805	
1,952	Sundry Debtors	2,533	
11,319		12,775	
	less Provision for Bad Debts		
(1,690)	Local Tax	(1,855)	
(689)	Other	(805)	
(2,379)		(2,660)	
<b>8,940</b>	<b>Net Debtors</b>	<b>10,115</b>	

### 3. Creditors

<b>Creditors</b>		
<b>31 Mar</b>		<b>31 Mar 2007</b>
	<b>2006</b>	<b>£'000</b>
	<b>£'000</b>	
	<b>Receipts in advance</b>	
2,427	General	1,876
3,535	Local Tax	3,624
<b>5,962</b>		<b>5,500</b>
	<b>Creditors</b>	
2,480	Central Government	(33)
31	Other Local Authorities	327
16	House Purchasers	12
3,001	Sundry Creditors	4,748
<b>5,528</b>		<b>5,054</b>

South Oxfordshire District Council is the authority responsible for the billing, collection and recovery of council tax, community charges and national non-domestic rates. The Council is required to maintain a separate income and expenditure account to reflect the transactions relating to 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 the surplus or deficit occurred.

Any balance resulting from the net adjustments on the old community charge accounts rests with the Council's general fund.

The following amounts are included within debtors/creditors in respect of the share of the deficit/(surplus) due to the major precepting authorities:-

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
31	Oxfordshire County Council	(263)
4	Thames Valley Police Authority	(35)
<b>35</b>	<b>Debtors/(Creditors)</b>	<b>(298)</b>

NNDR Rateable Values as at 1 April 2006    £101,703,676

31 March 2007    £101,574,246

NNDR Multiplier 2006/07    4.4p

### 1. **Precepts and Demands**

Oxfordshire County Council    £55,221,582

Thames Valley Police    £ 7,257,834

South Oxfordshire DC:

District Council Requirement    £ 6,332,494

Parish Precepts    £ 3,170,652

Demand on Collection Fund    £ 9,503,146

District Council Share of est. surplus on Collection Fund    £    41,856

District Council entitlement to Community Charge surplus £                    0

£ 9,545,002

## 2. Council Tax Base Calculation

	<b>Band</b>								
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>Total</b>
Net number of properties	1,811	3,966	12,515	11,678	8,517	5,324	5,093	669	49,573
Band Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	1,207	3,085	11,125	11,678	10,410	7,690	8,488	1,338	55,021
Class O Exempt Properties*									589
Sub Total									55,610
Assumed Losses on Collection									1,100
									54,510

\* Class "O" dwellings are those owned by the Secretary of State for Defence and held for the purposes of Armed Forces accommodation.

### **ACCRUALS**

An important 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 pensions liability that arise 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 intangible asset, over its limited useful life. The organisation directly providing the services is reimbursed by the responsible organisation.

### **ASSET**

Something of value which is measurable in monetary terms. The true value of the Council's assets is not always reflected in the accounts.

### **BALANCE SHEET**

A statement of the assets and liabilities at the end of the accounting period.

### **CAPITAL FINANCING ACCOUNT**

A reserve includes amounts set aside from revenue or capital receipts, financing transactions relating to expenditure on fixed assets, and certain other capital transactions.

### **CAPITAL RECEIPTS**

Proceeds from the sale of assets e.g. land or a building. The Government specifies a proportion to be used to repay debt; the remainder can be used to finance new capital expenditure.

### **CENTRAL ADMINISTRATION CHARGES**

An allocation of the net cost of the administrative and professional departments that support all of an authority's services, e.g. finance, personnel.

### **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.

**contributions paid to the Oxfordshire County Council pension fund**

Cash paid as employer's contributions to the pension fund.

## **CREDITOR**

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

## **CURRENT ASSET**

An asset where the value changes on a day-to-day 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**

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 organisation within the accounting period not received by the balance sheet date.

## **DEFERRED CHARGE**

A deferred charge arises where

(i) Expenditure is charged to capital but there is no tangible asset e.g. improvement grants, compensatory payments. These charges are written down over a maximum of five years.

(ii) 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.

## **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.

### **FIXED ASSET**

An asset which continues to have value and benefit for a period longer than one financial year.

### **FIXED ASSET RESTATEMENT ACCOUNT**

A reserve representing the difference between the current valuation of assets with the previous balance sheet value. The reserve is also written down by the value of assets disposed of.

### **FINANCIAL REPORTING STANDARD (FRS)**

Accounting practice recommended by the ASB (Accounting Standards Board) for adoption in the preparation of accounts by applicable bodies (see also SSAP).

### **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.

### **LIABILITY**

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

### **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 onto the Office of the Deputy Prime Minister (ODPM). The ODPM then redistributes the money it receives back to local authorities based on resident population.

**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

**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.

**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.