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Statement of Accounts

South Oxfordshire District Council

Listening Learning Leading

2009/10

EXPLANATORY FOREWORD

Introduction

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts and an explanation in overall terms of the council's financial position. The foreword includes an explanation of the purpose of each statement. To assist the reader, a glossary of financial terms is provided on pages 92 to 95.

The council's accounts

The statement of accounts are prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA/LASAAC) code of practice on local authority accounting in Great Britain ("the code"). The code requires that the accounts contain the following statements:

Statement of accounting policies (page 14 to 21)

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

Statement of responsibilities for the statement of accounts (page 22)

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

The core accounting statements

a) **The income and expenditure account** on page 25. The council's main revenue account for the year ended 31 March 2010, the income and expenditure account reports on the net cost for the year of all the functions for which the council is responsible. It demonstrates how the net cost has been financed from central government grants and income from local taxpayers. As such it discloses 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 shows the true cost of services as defined by 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.

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

b) **The statement of the movement on the general fund balance (SMGFB)** on page 26. 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 basis, the main differences being:

   - Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed;

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

- The payment of a share of housing capital receipts to the government shows as a loss in the income and expenditure account, but is met from the usable capital receipts balance rather than council tax.

The general fund balance compares the council's spending against the council tax that is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

c) **The balance sheet** on pages 28 to 29 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.

d) **The cash flow statement** on page 30 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.

e) **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.

The increases in net worth attributable to revenue and capital are shown in the statement of movement on the general fund and the notes on individual capital reserves.

The core accounting statements are supported by comprehensive notes to the accounts, which are found on pages 31 to 67.

Supplementary financial statements

a) **The collection fund (pages 68 to 70).** As an authority that issues council tax and business rates bills we maintain a separate income and expenditure account, the collection fund, showing transactions in relation to this income and how the demands on the fund from Oxfordshire County Council, Thames Valley Policy Authority and town and parish councils have been satisfied.

Annual governance statement

This statement sets out the council's responsibility for internal control and describes both the purpose of internal control and the internal control environment. The statement also summarises the council's review of the effectiveness of internal control and highlights significant internal control issues and actions to be addressed.

Changes to the accounts

There have been a number of changes to the code and the accounts and audit regulations which mean that the 2009/10 accounts are different to previous years. The principal changes amongst these are as follows:

a) **Council tax income**. Up until 2008/09 the SORP required that the council tax income required to be shown in the income and expenditure account was the amount required under regulation to be transferred from the collection fund to the council's general fund. This effectively represented the budgeted amount as determined during budget setting. However, for 2009/10 onwards the council tax income included in the income and expenditure account will be the accrued income for the year. This is different to the budgeted amount, which can be seen in the revenue expenditure section of this foreword. The difference between the budgeted amount required by regulation to be charged to the general fund, and the accrued income included in the income and expenditure account, is taken to the new collection fund adjustment account, a new reserve included on the balance sheet, and is included as a reconciling item on the statement of movement on the general fund balance.

   The presentation of council tax debtors and creditors in the balance sheet also changes. Previously, the council's balance sheet reflected the total council tax debtor and creditor balances. However, since the collection of council tax is in substance an agency agreement, council tax debtors and creditors belong proportionately to the council as billing authority, and Oxfordshire County Council and Thames Valley Police as major preceptors. The balance sheet now reflects this arrangement more accurately. These changes also impact on the cash flow statement which now reflects only the amounts due to the council as billing authority. A new line on the cash flow statement, included under net increase/decrease in liquid resources, balances these changes against the movement in cash for the year.

   These changes are a change in accounting policy and accordingly the accounts include a prior period adjustment.

b) **National non domestic rates (NNDR)**. In a similar vein to the changes in council tax, for 2009/10 the council's accounts reflect the fact that the collection of NNDR represents an agency agreement, and in this case NNDR debtors and creditors do not belong to the council, but to the government. As with the council tax debtors and creditors, this change is a change in accounting policy, and requires prior period adjustments to be made to the balance sheet and cash flow statement.

c) **Officer emoluments**. In previous financial statements the number of employees whose remuneration, including special payments such as redundancy and early retirement, was £50,000 or more was disclosed in bands of £10,000. For the 2009/10 accounts, the bands are £5,000. Also all officers for whom the remuneration exceeded £150,000, together with the remuneration for certain officers of the council, must be disclosed separately.

d) **IFRIC 12 – service concession arrangements**. Whilst the council's accounts do not have to be completed under the requirements of International Financial Reporting Standards (IFRS) until 2010/11, the 2009/10 code includes the early adoption of IFRS Interpretations Committee Update 12 (IFRIC 12), which concerns "service concession arrangements". Under the requirements of IFRIC 12, it is possible that the assets of contractors providing services on behalf of councils may need to be brought onto the balance sheets of councils, where those assets are used primarily or solely on activities on behalf of those councils as, in accounting terms, those councils are effectively leasing the assets from the contractor. A review of this council's contracts has determined that no assets need to be brought on to the balance sheet.

e) **Deleted notes.** Under the 2009/10 SORP a number of notes previously required to be disclosed in the accounts are no longer required. These are as follows:

- Building control account
- Discretionary expenditure under Section 137 of Local Government Act 1972
- Publicity account
- Local Authority (Goods and Services) Act 1970

Where the information included in these notes is still required to be disclosed by the council then disclosure will be made on the council's website.

Financial performance 2009/10

Revenue outturn 2009/10

At the beginning of the year the council's budget requirement was £14.7 million, after accounting for the use of reserves and investment income. Net revenue spend for the year was £2.8 million underspent against budget as shown in the table below, which is in a format consistent with the council's budget book.

Service expenditure	Budget £'000	Actual £'000	Variance £'000
Commercial services	4,153	3,757	(396)
Corporate management team	785	721	(64)
Corporate strategy	1,809	1,552	(257)
Economy leisure and property	1,347	1,308	(39)
Finance	3,020	1,924	(1,096)
Housing and health	2,117	2,010	(107)
HR, IT and customer services	2,367	2,036	(331)
Legal and democratic services	934	791	(143)
Planning	2,271	1,975	(296)
Central contingency	162	0	(162)
Direct service expenditure	**18,965**	**16,074**	**(2,891)**
Charges to capital	(70)	0	70
	18,895	**16,074**	**(2,821)**
Interest	(2,398)	(2,398)	0
Transfer to / from other funds	(1,794)	(1,802)	(8)
Net revenue spend	**14,703**	**11,874**	**(2,829)**
Transfer of surplus to reserves	0	2,949	2,949
Budget requirement set by council	**14,703**	**14,823**	**120**
Parish precepts	3,609	3,609	0
Total funding requirement	**18,312**	**18,432**	**120**
Collection fund precept	10,494	10,494	0
General government grant	1,466	1,586	120
National non-domestic rates	6,352	6,352	0
	18,312	**18,432**	**120**

The major variations in outturn are detailed below:

Service expenditure	Variance	Explanation			
		Salary over / (under) spend	2009/10 growth underspend	2009/10 carry fwd underspend	Other underspend
	£000	£000	£000	£000	£000
Commercial services	(396)	(43)	(24)	0	(329)
Corporate management team	(64)	(15)	0	(209)	160
Corporate strategy	(257)	(17)	0	0	(240)
Economy leisure and property	(39)	(30)	0	(57)	48
Finance	(1,096)	(27)	0	0	(1,069)
Health and housing	(107)	(107)	0	(20)	20
HR, IT and customer services	(331)	(24)	0	(60)	(247)
Legal and democratic services	(143)	(122)	0	0	(21)
Planning & building control	(296)	(128)	(78)	(6)	(84)
Central contingency	(162)	0	0	0	(162)
Net expenditure	**(2,891)**	**(513)**	**(102)**	**(352)**	**(1,924)**

The salary underspend is transferred to the vacancy reserve, and the carry forward underspend is transferred to the carry forward reserve. The other underspends are transferred to the general fund balance. The major variations included in other underspends above are detailed in the table below:

Analysis of significant other underspends	£000
Income down against budget	
Hackney carriage licence income - due to change to three year licensing	68
Income up against budget	
VAT recovery of overpayment	(741)
Landfill diversion credits - not budgeted for	(274)
Contract costs down against budget	
CCTV monitoring - budget overstated	(50)
Car park cleaning	(51)
Cemeteries, car parks and open spaces maintenance	(45)
Contract costs above budget	
Leisure contract - previous contract termination costs	60
Leisure contract - new contract additional cost - due to delay transferring Thame Pool	160
Other:	
Central contingency underspend	(162)
Management restructure additional costs - funded from reserves	245
Housing benefit	(164)
Concessionary fares - take-up below budget	(197)
Consultancy and professional budget underspends	(246)
Marketing and tourism savings	(47)
Recruitment costs savings	(88)
Performance reward grant - additional funding received	(94)
Savings against previously agreed carry forwards	(229)
Net balance of other variations	(69)
Total other underspend	**(1,924)**

Capital outturn 2009/10

Capital expenditure totalled £7.1 million in 2009/10. At the start of the year the approved capital programme was £2.2 million, but by year end transfers from the provisional capital programme, and other additions to the capital programme, increased this amount to £7.9 million. Major capital projects have included procurement of waste receptacles for the new waste contract £2.4 million, grants to local organisations £1.3 million, disabled facilities grants £1.0 million, Didcot arts centre £0.6 million, capital works to and refurbishment of leisure centres £0.4million, Didcot town centre redevelopment £0.3 million, and social housing initiatives £0.3 million.

Whilst overall spend for the year was £0.8 million below budget, there were significant overspends on Didcot arts centre £0.3 million and disabled facilities grants £0.3 million. Of the underspends, the most significant were on the waste receptacles £0.2 million, Didcot town centre redevelopment £0.2 million, leisure centre works £0.2 million, land drainage works £0.1 million, grants £0.1 million and empty homes initiatives £0.1 million.

Capital expenditure is paid for out of money we have set aside from the sale of assets (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 9.3 to the accounts on page 38.

Further details on both revenue and capital expenditure for 2009/10 will be provided in an outturn report to be presented to both cabinet and scrutiny committee during September 2010.

Income and expenditure account

The income and expenditure account shows the true cost of the council's services as defined by accounting standards. It shows that council spent £61.1 million on the provision of services less income from fees and charges, sales, rents and contributions, resulting in a net cost of services of £22.6 million. Other accounting adjustments, including adjustments for interest income and notional charges for the council's pension fund liability (under FRS 17), mean the council's net operating expenditure was £19.9 million. The total financing from government grants and local taxpayers of £18.4 million meant there was a net deficit on the income and expenditure account of £1.4 million.

As the income and expenditure presents the council's financial performance based on accounting standards, as opposed to the council's performance against revenue budget, which is based on what can be charged to council tax payers, the table below reconciles the direct service expenditure for the year shown in the net revenue spend table above to the net operating expenditure shown in the income and expenditure account, showing the adjusting transactions.

	£000	£000
Revenue outturn (explanatory foreword page 8)		
Direct service expenditure		**16,074**
Adjusting transactions		
Parish precepts		3,609
Capital transactions		
Depreciation, impairments and revaluations	(3,195)	
Revenue expenditure financed from capital under statute	6,759	
Application of government grant	(892)	
Capital receipts	(313)	
		2,359
Investment activity		
Investment interest earned in year (note 1)		(3,511)
Pensions adjustments required under FRS 17		1,719
Other adjustments		(396)
Income and expenditure account (page 25)		
Net operating expenditure		**19,854**

Notes

1 Investment earned in year is shown net of the impairment of the investment with Kaupthing Singer & Friedlander

Statement of movement on the general fund balance

The statement of movement on the general fund balance identifies that the council's general fund balance increased by £0.1 million. Its starting point is the net deficit on the income and expenditure account, which is then adjusted for the transactions identified above, and also financing of expenditure from the council's general fund.

Balance sheet

The reported net worth of the council fell from £103.3 million to £91.6 million at 31 March 2010, a decrease of £11.7 million. The main reasons for this are as follows:

a) **Fixed assets.** The council owned £43.5 million of fixed assets at 31 March 2010, a net increase of £5.0 million on the previous year. This increase in value is principally the result of the value of the council's assets increasing, reflecting a better economic climate than twelve months earlier when the council's assets reduced in value considerably. Also, as identified earlier, the council did incur capital expenditure and added £0.3 million to the value of its assets.

b) **Pension liability.** The statement of accounts identifies details of the council's future commitments with regard to pension provision for its current and former employees. The council's net pension liability increased by £18.7 million to £48.2 million, as illustrated in note 21. Whilst the actuarial assumptions regarding the rate of return on scheme assets have increased, so to have assumptions regarding inflation, and the increase in salaries and pensions.

c) **Investments.** The value of the council's investments as shown on the face of balance sheet increased by £3.3 million to £99.0 million. The council spent £7.1 million of its resources on capital expenditure during the year which reduced the amount the council has available to invest, and it is expected, as illustrated in the medium term financial strategy, that the amount that the council has to invest will reduce over time. The total value of investments has increased due to the revaluation of the council's investments in corporate bonds and unit trusts. The increase in value amounts to £5.2 million.

By actively managing its investments, the council earned interest and investment income of £2.9 million against a budget of £1.7 million. The average rate earned on cash investments for the year was 2.9%. Of the interest and investment income earned, £0.4 million represented dividends accumulated on the council's unit trust holdings, which are distributed as additional units. The remaining interest and investment income has been appropriated, in accordance with the 2010/11 budget proposal[1], as follows:

2010/11 revenue budget funding	£1.5 million
Capital grants funding	£0.5 million
Transfer to pension fund revaluation reserve	£0.5 million

(Further details on treasury management performance for 2009/10 will be provided in an outturn report to be presented to both cabinet and audit and corporate governance committee during September 2010).

At the balance sheet date the council had usable reserves of £78.6 million, made up of £27.6 million general fund balance, £13.7 million in earmarked revenue reserves and £37.3 million in capital receipts. Of the usable reserves, the share identified as the community investment fund balance was £44.4 million, with a further £20.7 million invested in corporate bonds and unit trusts. The council has no external borrowing and none is planned save for temporary cash flow purposes.

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

Collection fund

Income of £122.1 million in 2009/10 from council tax payers and business ratepayers was distributed as precept/demands, and to the National Non-Domestic Rates Pool. The account is showing a net surplus of £0.7 million which will be re-distributed to all precepting authorities.

Future prospects

As part of the annual budget setting process for 2010/11, council agreed both its medium term financial strategy for 2010/11 to 2014/15, and the medium term financial plan for the same period. The medium term financial strategy sets out the objectives to be achieved and principles to be followed in setting the budget. The medium term financial plan meanwhile provides a forward budget model for the next five years, highlighting known estimated budget pressures for new responsibilities and changes in legislation, predicted investment and capital receipts.

[1] "Revenue Budget 2010/11 and Capital Programme to 2014/15", Report of Head of Finance to Cabinet, 8 February 2010

Revenue

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

- reduction in government grant funding
- increased pension costs following 2010 actuarial review
- reduced investment income.

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

	2011/12 £000	**2012/13 £000**	**2013/14 £000**	**2014/15 £000**
Ongoing savings required	1,344	978	870	816

It should be stressed that these savings are cumulative – to balance the 2011/12 budget £1.3 million of ongoing savings are required, then for 2012/13 a further £1.0 million of ongoing savings are required. By the end of the period the council will need to have found over £4.0 million of ongoing savings.

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

- merging its management team with Vale of White Horse District Council
- undertaking joint procurement with Vale of White Horse on major contracts, including financial services and waste
- introducing "lean" business process re-engineering to streamline processes.

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

Capital, and council resources

As part of budget setting for 2010/11, cabinet agreed to a capital programme to 2014/15 costing £12.2 million. The agreed financing of this programme is as follows:

- £9.8 million - council resources
- £2.4 million - other contributions.

Based on the council's budget proposals for revenue and capital, and assumptions about earnings on investment income, it is forecast that by 31 March 2015 the council will hold £59.7 million in usable reserves, made up of £20.0 million general fund balance, £6.0 million in earmarked revenue reserves, and £33.7 million in capital receipts. The community investment fund share of the usable reserves, not including the investments in corporate bonds and unit trusts, is forecast to be £44.4 million.

Statement of accounting policies

1. General principles

The statement of accounts summarises the council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2009 (the SORP) which is recognised by statute as representing proper accounting practice and in accordance with the Best Value Accounting Code of Practice (BVACOP).

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

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

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services;

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

- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet;

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract; and

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

3. 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 charged to the appropriate service revenue account in the year that the council becomes aware of the obligation based on the best estimate of the likely settlement. When payments are eventually made they are charged to the provision set up in the balance sheet.

- **Bad and doubtful debts**
  The figure shown in the accounts for debtors is adjusted for bad and 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. Estimation techniques

Estimation techniques are the methods adopted by the council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Where significant they are explained in the relevant sections within these accounts.

5. Reserves

Cash-backed reserves are amounts set aside to meet future revenue and capital spending. Cash-backed revenue reserves are set aside for purposes falling outside the definition of provisions, or else represent accumulated surpluses. Reserves are created by appropriating amounts in the statement of movement on the general fund balance. When expenditure is to be financed from a reserve it is charged to the appropriate service revenue account in that year to show in 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. There is also a cash-backed capital reserve which holds capital receipts until they are used to finance capital expenditure.

Other reserves are not cash backed and are kept to manage the accounting processes of, for example, tangible fixed assets and retirement benefits. These reserves, which are explained in the relevant policies below, do not represent usable resources for the council.

Details of all the council's reserves can be found in note 19 of the accounts.

6. 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.

7. 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 Local Government Pension Scheme (LGPS)**

  The LGPS 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. The discount rate used is the yield on the iBoxx AA rated over fifteen year corporate bond index.

- The assets of the Oxfordshire County Council pension fund attributable to the council are included in the balance sheet at their current bid price. The asset values have been estimated using index returns appropriate to the mix of assets.

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

  - Current service cost – the increase in liabilities as a result of years of service earned in year – allocated in the income and expenditure account to the service accounts of services for which the employees worked;

  - Past service cost – the increase in liabilities arising from current year decisions whose effect related to years of service earned in previous years – debited to the net cost of services in the income and expenditure account as part of non-distributed costs;

  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to net operating expenditure in the income and expenditure account;

  - Expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to net operating expenditure in the income and expenditure account;

  - Gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the net cost of services in the income and expenditure account as part of non distributed costs;

  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the statement of total recognised gains and losses; and

  - Contributions made to the Oxfordshire County Council pension fund – cash paid as employer's contributions to the pension fund.

- Statutory provisions limit the council to raising council tax to cover the amounts payable by the council to the pension fund in the year. In the statement of movement on the general fund balance this means that there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

- **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 LGPS.

8. 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.

9. 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 BVACOP. 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.

10. 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 (for example 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 one and five years on a straight-line basis, commencing the year after acquisition.

11. 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. Non operational assets are tangible fixed assets held but not directly occupied, used or consumed in the delivery of services.

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 initially measured at cost, and thereafter are 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. The basis of valuation changed in 2002/03 to a nominal value of £1 per asset. This was done as 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 BVACOP; and

- 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 five year rolling programme of valuations is carried out by a qualified valuer and details are shown in note 12 to the statement of accounts.

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the income and expenditure account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

- **Impairment**
  The 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. Where impairment is identified, this is accounted for by:

  - Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service account; and

  - Otherwise – written off against any revaluation gains attributable to the relevant asset in the revaluation reserve, with any excess charged to the relevant service revenue account.

  Where an impairment loss is charged to the income and expenditure account but there were accumulated revaluation gains in the revaluation reserve for that asset, an amount up to the value of the loss is transferred from the revaluation reserve to the capital adjustment account.

- **Disposals**
  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). Any revaluation gains in the revaluation reserve are transferred to the capital adjustment account. 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 a proportion 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.

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

- **Depreciation**
  Assets, other than investment properties, are being depreciated over their useful economic lives and have been calculated using the straight-line method. See note 13 to the statement of accounts.

  Where an asset has major components with different estimated useful lives, these are depreciated separately.

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

- **Grants and contributions**
  Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the deferred government grants 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.

12. 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. Other impairment losses are charged to service revenue accounts where no revaluation gains associated with the asset have been remain in the revaluation reserve; and

- 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.

13. Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources, a transfer to the capital adjustment account then reverses out the amounts charged in the statement of movement on the general fund balance so there is no impact on the level of council tax.

14. Leases

The council does not currently have any finance leases, but does have a number of operating leases. For 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.

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. Financial assets

Financial assets are classified into two types:

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

Loans and receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the income and expenditure account for interest receivable are based in the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable and the interest credited to the income and expenditure account is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on derecognition of the asset are credited/debited to the income and expenditure account.

Soft loans

Local authorities sometimes make loans for policy reasons rather than as financial instruments and these loans may be interest free or at rates below prevailing market rates. Where material, the difference between the effective rate of interest and the contractual rate of interest will be accounted for in the income and expenditure account. Loans with a value of less than £20,000 are not considered material.

Available-for-sale assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the income and expenditure account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the income and expenditure account when it becomes receivable by the council.

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

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

Changes in fair value are balanced by an entry in the available-for-sale financial instrument reserve and the gain/loss is recognised in the statement of total recognised gains and losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the income and expenditure account, along with any net gain/loss for the asset accumulated in the reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the income and expenditure account.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the income and expenditure account, along with any accumulated gains/losses previously recognised in the STRGL.

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

17. Financial liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the income and expenditure account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The only financial liabilities the council has are trade creditors. The council has no debt.

Statement of responsibilities for the statement of accounts

1. The authority's responsibilities

The authority is required:

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

2. Responsibilities of the strategic director and chief finance officer

The strategic director and chief finance officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

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

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

The strategic director and chief finance officer has also:

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

3. Statement by the strategic director and chief finance officer

I certify that this statement of accounts presents a true and fair view of the financial position of the authority at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

…………………………………………………...
Steve Bishop CPFA
Strategic director and chief finance officer 28 September 2010

4. Statement by the chairman of the audit and corporate governance committee

This statement of accounts for 2009/10 was considered and approved at the audit and corporate governance committee meeting on 28 September 2010.

……………………………………………………
Patrick Greene
Chairman of audit and corporate governance committee 28 September 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH OXFORDSHIRE DISTRICT COUNCIL

Opinion of the accounting statements

I have audited the Authority accounting statements and related notes of South Oxfordshire District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of South Oxfordshire District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Executive Director Finance and auditor

The Executive Director of Finance's responsibilities are for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with the 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword (excluding the information on future prospects). I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects South Oxfordshire District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

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

Maria Grindley
Officer of the Audit Commission
Unit 5 Isis Business Centre
Horspath Road
Cowley OX4 2RD

28 September 2010

INCOME AND EXPENDITURE ACCOUNT

2008/09 Net expenditure	2008/09 Restated Net expenditure		2009/10 Gross expenditure	2009/10 Gross income	2009/10 Net expenditure	Note
£000	£000		£000	£000	£000	Note
		Central services to the public				
561	561	Local tax collection	7,010	(6,368)	642	
2,022	2,022	Other central services	2,524	(303)	2,221	
		Cultural, environmental & planning services				
2,952	2,952	Cultural & related services	3,437	(436)	3,001	
6,906	6,906	Environmental services	11,451	(2,725)	8,726	
3,637	3,637	Planning & development services	4,158	(1,411)	2,747	
		Highways, roads & transport services				
344	344	Parking services - car parks	805	(884)	(79)	
559	559	Concessionary fares	861	(335)	526	
		Housing services				
243	243	Housing benefits	24,895	(24,747)	148	
2,267	2,267	Other housing services	2,295	(517)	1,778	
4,150	4,150	Corporate & democratic core	3,602	(17)	3,585	
234	234	Non distributed costs	17	0	17	
3,583	3,583	Land & building revaluation 2007/08	0	0	0	
0	0	Exceptional income - vat recovered	0	(741)	(741)	*1*
27,458	**27,458**	**Net cost of services**	**61,055**	**(38,484)**	**22,571**	
3,457	3,457	Precepts paid to town/parish councils			3,609	
0	0	Loss/(gain) on disposal of fixed assets			(3)	
(69)	(69)	Income from sale of housing to SOHA			(196)	
5,749	5,749	(Surplus)/deficit from trading undertakings			(4,996)	*2*
25	25	Contribution to housing pooled capital receipts			37	
(5,127)	(5,127)	Interest & investment income			(2,906)	
1,486	1,486	Financial asset impairment			(605)	*1*
4,860	4,860	Pensions interest cost			4,894	
(4,150)	(4,150)	Expected return on pensions assets			(2,551)	
33,689	**33,689**	**Net operating expenditure**			**19,854**	
(10,062)	(10,115)	Council Tax			(10,541)	
(973)	(973)	General government grant			(1,587)	*7*
(6,828)	(6,828)	NNDR from national pool			(6,352)	
15,826	**15,772**	**Net (surplus)/deficit for the year**			**1,374**	

There have been no acquisitions or discontinued operations during the current or preceding year.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2008/09 £000	2008/09 Restated £000		2009/10 £000
15,826	15,772	(Surplus) / deficit for the year on the income and expenditure account	1,374
(9,454)	(9,400)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the general fund balance for the year	(1,471)
6,372	6,372	(Increase) / decrease in general fund balance for the year	(97)
(33,851)	(33,851)	General fund balance brought forward	(27,479)
(27,479)	**(27,479)**	**General fund balance carried forward**	**(27,576)**

See note 8 for a breakdown of net additional amount required by statute and non-statutory proper practices to be debited or credited to the general fund balance for the year

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2008/09 £000	2008/09 Restated £000		2009/10 £000
15,826	15,772	(Surplus)/deficit for the year on the income & expenditure account	1,374
(294)	(294)	(Surplus)/deficit arising on revaluation of fixed assets	(1,545)
5,404	5,404	(Surplus)/deficit arising on revaluation of available-for-sale financial assets	(5,358)
0	0	(Surplus)/deficit arising on financial instrument adjustment account	109
16,790	16,790	Actuarial (gains)/losses on pension fund assets & liabilities	16,948
(54)	0	Deficit/(surplus) on the collection Fund relating to SODC	0
37,672	**37,672**		**11,529**

BALANCE SHEET

2008/09	2008/09 Restated			2009/10	
£000	£000		£000	£000	*Notes*
525	525	Intangible assets	297		*9.1*
		Tangible fixed assets			
		Operational assets			
25,228	25,228	Land and buildings	25,386		
1,037	1,037	Vehicles, plant, furniture and equipment	871		
404	404	Infrastructure assets	224		
1	1	Community assets	1		
11,257	11,257	Non operational assets	16,674		*9.2*
38,453	**38,453**	**Total fixed assets**		**43,453**	
28,648	28,648	Long term investments		24,243	*20.1*
2,686	2,686	Long term debtors		2,601	*20.2*
69,787	**69,787**	**Total long term assets**		**70,297**	
		Current assets			
11	11	Stock	120		
12,278	6,893	Debtors	7,490		*20.3*
(4,340)	(1,799)	Less bad debt provision	(1,844)		*20.3*
67,028	67,028	Investments	74,778		*20.1*
0	0	Cash in hand	281		
74,977	**72,133**			**80,825**	
		Current liabilities			
(3,584)	(1,069)	Receipts in advance	(2,894)		*20.4*
(701)	(701)	Developers contributions	(2,324)		
(152)	(152)	Capital grants unapplied	(532)		*17*
(7,272)	(6,943)	Creditors	(5,542)		*20.4*
(160)	(160)	Post balance sheet event creditor	0		*23*
(33)	(33)	Cash overdrawn	0		
(11,902)	**(9,058)**			**(11,292)**	
(1)	(1)	Long term borrowing		(0)	
(184)	(184)	Deferred government grants		(15)	*18*
(15)	(15)	Provisions		(15)	*16*
(29,500)	(29,500)	Net pension liability		(48,166)	*21*
103,163	**103,163**	**Net assets**		**91,634**	

BALANCE SHEET CONTINUED

2008/09 £000	2008/09 restated £000		2009/10 £000	2009/10 £000	Notes
(50,273)	(50,273)	Capital adjustment account		(54,664)	*19.2*
(109)	(109)	Financial instrument adjustment account		0	*19.8*
(4,436)	(4,436)	Revaluation reserve		(5,888)	*19.6*
29,500	29,500	Pensions reserve		48,166	*19.5*
(2,749)	(2,749)	Deferred capital receipts reserve		(2,479)	*19.4*
(32,372)	(32,372)	Usable capital receipts reserve		(34,828)	*19.3*
4,730	4,730	Available for sale financial instrument reserve		(628)	*19.7*
(27,479)	(27,479)	Balances - general fund		(27,576)	*19.1*
(19,937)	(19,937)	Earmarked reserves		(13,653)	*19.1*
(38)	0	Balances - collection fund		0	
0	(38)	Collection fund adjustment account		(84)	*Note 4 to CF*
(103,163)	**(103,163)**	**Total equity**		**(91,634)**	

CASH FLOW STATEMENT

2008/09 £'000	2008/09 restated £'000	Revenue activities	2009/10 £'000	
7,941	**8,524**	**Net cash flow from revenue activities**	**1,857**	***Notes***
		Servicing of finance		
(7,167)	(7,167)	Interest received	(4,091)	
		Capital activities		
		Cash outflows		
3,257	3,257	Purchase of fixed assets	400	
3,000	3,000	Purchase of long-term investments	2,500	
4,730	4,730	Other capital cash payments	6,367	
		Cash Inflows		
(984)	(984)	Sale of fixed assets/mortgage receipts	(163)	
(736)	(736)	Government capital grants received	(1,429)	*27*
(23,000)	(23,000)	Long term investments	(8,500)	
(175)	(175)	Other capital cash receipts	(1,951)	
(13,134)	**(12,551)**	Net cash (inflow)/outflow before financing	**(5,010)**	
		Management of Liquid Resources		
13,230	13,230	Net increase(decrease) in short term deposits	4,674	*26*
0	(583)	Net increase/decrease in other liquid resources	22	
96	**96**	Net (increase)/decrease in Cash	**(314)**	

Notes to the income and expenditure account

1. Exceptional and extraordinary items and prior period adjustments

Exceptional and extraordinary items

The income and expenditure account includes a one off exceptional VAT receipt relating to claims the council made to have overpaid VAT refunded from 1973 to 1986. Previously the council had been unable to claim back more that three years when the VAT treatment of items changed.

The income and expenditure account also includes a credit in respect of the financial asset impairment. This is a partial reduction of the impairment included in the previous year's income and expenditure account in respect of a cash deposit the council made with Kaupthing Singer & Friedlander ltd, based on the latest information available. Further information on this is included in note 20.7.

Prior period adjustment

As a result of the accounting changes to council tax income and national non-domestic rates, the accounting statements and a number of notes to the accounts have been restated for 2008/09. The reasons for this were discussed in the explanatory foreword on page 7.

2. Trading operations

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

2008/09 £000	Commercial properties	2009/10 £000
(1,124)	Turnover income	(981)
346	Expenditure	195
(778)	(Surplus)/deficit before other charges	(786)
6,527	Charges for capital expenditure and other adjustments	(4,210)
5,749	**(Surplus)/deficit**	**(4,996)**

Charges for capital expenditure and other adjustments includes expenditure on projects undertaken where costs arising do not enhance the value of associated assets and are written off to the income and expenditure account in the year in which they are incurred. It also includes depreciation and impairment adjustments.

3. 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.

- accountancy, payroll general and waste management services to Vale of White Horse DC – these are provided under shared management arrangements under which certain other services are provided by Vale of White Horse DC to the council;
- payroll services to Abingdon town council;
- disposal of abandoned vehicles - the council acts as an agent on behalf of Oxfordshire County Council for the disposal of abandoned vehicles; and
- car parking cash collection - the council has provided, via one of its contractors, a car parking cash collection service for Henley Town Council.

2008/09 £000	**Agency services**	**2009/10 £000**
544.4	Accountancy, payroll, general and waste management services - VWHDC (Waste management 2009/10 only)	1,130.9
4.1	Payroll services – Abingdon TC	4.2
0.9	Disposal of abandoned vehicles – OCC	0.0
2.5	Car parking cash collection – Henley TC	3.6
551.9	**Total amount reimbursable**	**1,138.7**

4. Members' allowances

The Local Government Act 2000 and the Local Authorities (Members' Allowances) Regulations 2001 require the council to appoint an independent remuneration panel to review its scheme for members' allowances and to make recommendations to the council regarding the allowances scheme. Under the scheme, in 2009/10 a total of £210,156 (2008/09 £204,313) was paid to members. Further information on members' allowances is available on request at the council offices.

5. Officers' emoluments

For the 2009/10 accounts, there is a requirement to disclose Senior Employee remuneration in detail. A senior employee is one who earns a salary in excess of £150,000 (there are none of these in the Council), or holds a designated position (with a salary in excess of £50,000) – these are detailed below:

Senior officer emoluments - salary between £50,000 and £150,000 per year

Post title	Salary (including fees & allowances)	Expenses	Total remuneration excluding pension contributions 2009/10	Pension contributions	Total remuneration including pension contributions 2009/10
	£	£	£	£	£
Head of Paid Service	129,092	413	129,505	21,300	150,805
Chief Finance Officer	97,734		97,734	24,045	121,779
Monitoring Officer	79,623	55	79,678	13,138	92,815

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

- Strategic directors: £98,544
- Heads of service: £73,824

In 2009/10, these twelve posts were shared on a 50:50 basis with Vale of White Horse District Council; therefore the council only incurred 50% of the costs shown above.

The shared management structure across South Oxfordshire District Council and Vale of White Horse District Council came into effect during the latter part of 2008/09 and early 2009/10. As such, comparatives information is not available for 2008/09. Information on the management structures and the salaries payable can be provided on request at the council offices.

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

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

Remuneration band	**Number of employees**	
	2008/09	**2009/10**
£50,000 - £54,999	4	9
£55,000 - £59,999	0	1
£60,000 - £64,999	2	0
£65,000 - £69,999	2	0
£70,000 - £74,999	3	4
£75,000 - £79,999	0	2
Leaver in year		
£150,000 - £154,999	0	1

6. Audit costs

The council incurred the following fees relating to external audit and inspection:

2008/09 £000	**Audit fees**	**2009/10 £000**
161	Fees payable to the Audit Commission with regard to external audit services	114
1	Fees payable to the Audit Commission in respect of statutory inspection	0
39	Fees payable to the Audit Commission for the certification of grant claims and returns	46
201	**Total audit fees**	**160**

7. General government grants

From 2008/09 onwards, general government grant received by the council comprises revenue support grant, and other general grants which are non ring-fenced grants, with no special conditions attached on their use, which are paid directly to the council. These are shown in the table below:

2008/09 £000	**General government grant**	**2009/10 £000**
951	Revenue support grant	1,466
0	Housing planning delivery grant	9
22	Area based grant	23
0	LABGI*	89
973	**Total**	**1,587**

*Local Authority Business Growth Incentive Scheme

Note to the statement of the movement on general fund balance

8. Breakdown of amounts additional to the income and 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.

2008/09 £000	2008/09 Restated £000		2009/10 £000
		Amounts included in the I&EA but required by statute to be excluded when determining the movement on the general fund balance for the year	
(187)	(187)	Amortisation of intangible fixed assets	(303)
(795)	(795)	Depreciation of fixed assets	(1,105)
(11,935)	(11,935)	Impairment of tangible fixed assets	4,603
1,359	1,359	Government grants deferred amortisation matching depreciation & impairments	892
(4,706)	(4,706)	Revenue expenditure financed from capital under statute	(6,759)
0	0	Net gain or (loss) on sale of fixed assets	3
69	69	Income from sale of housing to SOHA	196
(1,820)	(1,820)	Net charges made for retirement benefits in accordance with FRS17	(3,383)
(18,015)	(18,015)		**(5,856)**
		Amounts not included in the I&EA but required to be included by statute when determining the movement on the earmarked reserves for the year.	
(26)	(26)	Transfer from usable capital receipts to meet payments to the housing capital receipts pool	(37)
6,670	6,670	Employers contributions payable to pension fund and retirement benefits payable direct to pensioners (see note below)	1,664
6,644	6,644		**1,627**
		Transfers to or from the general fund balance that are required to be taken into account when determining the movement on the general fund balance for the year	
1,915	1,970	Net transfer to / (from) reserves	2,758
(9,456)	**(9,400)**	**Total**	**(1,471)**

Notes to the balance sheet

9. Summary of capital expenditure and fixed assets

9.1. Movement of intangible fixed assets

Intangible assets	Net book value 1 April 2009	New purchases	Written off to revenue (amortisation)	Balance as at 31 March 2010
	£000	£000	£000	£000
Software licences	**327**	46	(126)	**247**
E-Government	**46**	5	(26)	**25**
Planning delivery	**152**	25	(152)	**25**
Total	**525**	**76**	**(304)**	**297**

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

9.2. Movement of tangible fixed assets

Operational assets	Other land & buildings	Vehicles, equipment & plant	Infra-structure	Community assets	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2009	31,242	1,662	404	1	33,309
Additions	0	155	84	0	239
Donations	0	0	0	0	0
Disposals	(27)	0	0	0	(27)
Reclassifications	0	0	0	0	0
Revaluations	705	0	0	0	705
At 31 March 2010	31,920	1,817	488	1	34,226
Depreciation and impairments					
At 1 April 2009	(6,014)	(625)	0	0	(6,639)
Depreciation charge for 2009/10	(520)	(321)	(264)	0	(1,105)
Impairment charge for 2009/10	0	0	0	0	0
Disposals	0	0	0	0	0
Reclassifications	0	0	0	0	0
Revaluations	0	0	0	0	0
At 31 March 2010	(6,534)	(946)	(264)	0	(7,744)
Balance sheet amount at 31 March 2010	**25,386**	**871**	**224**	**1**	**26,482**
Balance sheet amount at 31 March 2009	**25,228**	**1,037**	**404**	**1**	**26,670**
Nature of asset holding					
Owned	25,386	871	224	1	26,482
Finance lease	0	0	0	0	0
PFI	0	0	0	0	0
	25,386	**871**	**224**	**1**	**26,482**

Non operational assets

	Investment properties	Assets under construction	Surplus assets held for disposal	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2009	15,909	815	0	16,724
Additions	0	0	0	0
Donations	0	0	0	0
Disposals	(27)	0	0	(27)
Reclassifications	0	0	0	0
Revaluations	625	215	0	840
At 31 March 2010	16,507	1,030	0	17,537
Depreciation and impairments				
At 1 April 2009	(5,176)	(290)	0	(5,466)
Depreciation charge for 2009/10	0	0	0	0
Impairment charge for 2009/10	4,603	0	0	4,603
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Revaluations	0	0	0	0
At 31 March 2010	(573)	(290)	0	(863)
Balance sheet amount at 31 March 2010	**15,934**	**740**	**0**	**16,674**
Balance sheet amount at 31 March 2009	**10,733**	**525**	**0**	**11,258**
Nature of asset holding				
Owned	15,934	740	0	16,674
Finance lease	0	0	0	0
PFI	0	0	0	0
	15,934	**740**	**0**	**16,674**

9.3. Capital expenditure and financing

2008/09 £000	Capital expenditure & financing	2009/10 £000
	Capital investment:	
331	Intangible assets	76
2,097	Land and buildings	0
72	Vehicles, plant and equipment	155
65	IT systems and equipment	0
106	Infrastructure assets	84
2,671		**315**
	Revenue Expenditure Funded from Capital under Statute	
600	Land and buildings	691
0	Vehicles, plant and equipment	2,407
4	Infrastructure assets	406
16	Intangible assets	0
3,786	Grants	2,247
744	Improvement grants	1,008
5,150		**6,759**
7,821	**Total Capital Expenditure**	**7,074**
	Sources of finance:	
5,517	Capital receipts	0
938	Sums set aside from revenue	6,352
6,455		6,352
1,366	Government grants and other contributions	722
7,821		**7,074**

9.4. Capital financing requirement

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 and are not directly identifiable from the face of the balance sheet.

2008/09 £000	Capital financing requirement	2009/10 £000
(21,219)	Opening capital financing requirement as per balance sheet movement	**(21,050)**
	Capital Investment:	
1,717	Operational assets	(188)
(11,371)	Non-operational assets	5,415
(24)	Mortgages	(49)
144	Intangible assets	(228)
9,655	**Capital adjustment account**	(4,391)
(139)	**Revaluation reserve**	(1,452)
(6)	**Deferred capital grant**	169
193	**Deferred capital receipts**	270
(21,050)		**(21,504)**

10. Information on assets held

The council holds the following assets that make up the fixed asset balance on the balance sheet:

2008/09	Asset held	2009/10
19	Car parks	19
11	Public conveniences	10
2	Depots and stores	2
2	Swimming pools	2
3	Camping and caravan sites	3
1	Administrative buildings	1
1	Arts centre	1
2	Cemeteries	2
3	Industrial estates	3
1	Enterprise centre	1
5	Shops, garages, offices	5

Community assets shown on the balance sheet are held at a nominal value of £1 each and are 129 small areas of land.

11. Assets held for lease

The council does not act as lessor for any finance or operating leases. Where the council is the lessee, they have the following operating leases:

2008/09 £000	Operating leases	2009/10 £000
3	Hand wash systems in public conveniences	4
0	Vending machines	4
4	Franking machines	1
12	Photocopiers	12
19	**Total**	**21**

The operating leases have the following financial commitments:

Rental values payable under operating leases

2008/09 £000	Amounts due:	2009/10 £000
15	Within 1 year	20
4	Within 2-5 years	1
0	> 5 years	0
19	**Total**	**21**

12. Valuation information

Valuations at current value	2003/04 and earlier £000	2004/05 £000	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	Total £000
Land & buildings								
Car parks	0	6,946	584	(543)	(499)	(1,984)	100	**4,604**
Public conveniences	0	959	148	(46)	(251)	(44)	(70)	**696**
Swimming pools	0	4,840	433	0	0	(106)	(106)	**5,061**
Arts centre (see note)	0	0	0	0	0	7,000	(133)	**6,867**
Cemetery buildings	0	119	0	0	211	(9)	(10)	**311**
Allotments	0	0	10	0	(2)	(6)	0	**2**
Mobile home sites	0	0	1,440	0	2,060	(983)	151	**2,668**
Office assets	0	6,980	0	0	20	(2,049)	226	**5,177**
	0	**19,844**	**2,615**	**(589)**	**1,539**	**1,819**	**158**	**25,386**
Non operational assets								
Industrial estates	0	5,569	0	1,283	0	(2,495)	1,788	**6,145**
Depots	0	0	229	0	0	(39)	15	**205**
Commercial assets	505	184	0	104	0	(313)	92	**572**
Leisure assets	0	0	370	(153)	(49)	(47)	7	**128**
Mobile home sites	0	0	345	0	(15)	(93)	14	**251**
Land	1	0	7,620	(1,854)	665	(1,084)	3,285	**8,633**
Other	463	0	1,591	3,865	1,906	(7,300)	215	**740**
	969	**5,753**	**10,155**	**3,245**	**2,507**	**(11,371)**	**5,416**	**16,674**

The non-operational portfolio was revalued at 31 March 2009 by Cluttons (FRICS).

All operational properties were revalued at 31 March 2008 by Cluttons (FRICS). The valuations are generally based on either the net realisable value of the assets in their existing use, i.e. market value (MV) or depreciated replacement cost (DRC) for operational property where no market comparables exist. In addition, the two mobile home parks were revalued as at 31 March 2008 by Lambert Smith Hampton (FRICS).

The investment portfolio with the exception of the mobile home parks was formally revalued as at 31 March 2010 by Cluttons (FRICS).

For the purposes of the 2008/09 accounts, the values for the investment properties and part of the operational property portfolio (notably car parks and council offices) were adjusted from their original valuations to reflect the reduction in value due to the prevailing economic uncertainties and its affect on the property market. IPD indices were used to estimate the level of impairment. For the purposes of the 2009/10 accounts indices have again been used to reflect the recovery in values that has occurred, although where new formal valuations have been provided this is of course unnecessary.

13. Depreciation methodologies

All assets are currently depreciated on a straight line basis over an estimate of their useful lives. 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:

Total depreciation charged for 2008/09	Asset type	Useful life (for depreciation purposes)	Total depreciation charged for 2009/10
£000			£000
	Land & buildings		
223	Car parks	15 years	160
44	Public conveniences	10-55 years	44
106	Leisure assets - swimming pools	15-60 years	238
0	Camping and caravan site	nil	0
10	Cemeteries (building only)	20-40 years	10
95	Offices	35 years	66
2	Recycling bank	25 years	2
480			520
	Vehicles, plant and equipment		
135	Computer hardware	5 years	130
1	Lawn Mower	5 years	2
3	Car parking machines	5 years	7
1	Cigarette litter bins	2 years	3
165	CCTV	7 years	170
10	Vehicles	nil	9
315			321
	Infrastructure assets		
0	Housing Act Works	nil	264
795			**1,105**

Non-operational assets held for investment are exempt from depreciation.

14. Commitments under capital contracts

The council has authorised and contractually agreed significant expenditure in future years of £1.5 million under its capital programme. These commitments relate to the following schemes.

Capital commitments as at 31 March 2010	£000
Capital grants awarded	878
Leisure centres refurbishment	12
Financial services contract	132
Town centre initiatives	207
Riverside moorings	241
Total capital commitments	**1,470**

15. Analysis of net assets employed

The council is required to disclose the net assets employed by the general fund in the councils' balance sheet statement.

2008/09 £000	Net assets employed	2009/10 £000
92,320	General fund	75,715
10,843	Trading operations	15,919
103,163		**91,634**

16. Details of provisions and movements in the year

Insurance provisions

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

Provisions

The following table shows the provisions that the council has established to meet know future liabilities where the amounts or timing of the liability is unknown.

The deposit guarantee provision is to cover the cost of meeting claims from landlords for providing accommodation to the homeless.

	1 April 2009 £000	Transfers in £000	Transfers out £000	31 March 2010 £000
Deposit guarantee provision	(15)	0	0	(15)
Balance carried forward	**(15)**	**0**	**0**	**(15)**

17. Capital grants unapplied

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

2008/09 £000	Capital grants unapplied	2009/10 £000
(422)	Opening balance on 1 April	**(152)**
(1,129)	Amounts received	(1,103)
1,399	Applied in year	723
(152)		**(532)**

18. 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.

2008/09 £000	Deferred government grants	2009/10 £000
(178)	Opening balance on 1 April	(184)
(20)	New capital grants and contributions deferred	0
14	Written off to capital financing	169
(184)		**(15)**

19. Reserves

19.1. Summary of general fund balance and earmarked reserves

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

Reserves	1 Apr 2009 £000	Interest £000	Transfers in £000	Transfers out £000	31 Mar 2010 £000	Purpose
General fund balance						
General fund balance	(750)	0	0	0	(750)	
Enabling fund - unallocated	(16,120)	0	(2,640)	2,543	(16,217)	Accumulated surpluses in previous years, which have not yet been earmarked.
Interest allocated as principal	(10,609)	0	0	0	(10,609)	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.
Total general fund balance	**(27,479)**	**0**	**(2,640)**	**2,543**	**(27,576)**	
Earmarked reserves						
Vacancy reserve	(878)	0	(512)	270	(1,120)	Accumulated savings on employee costs in previous years, which are used to fund future revenue expenditure
CIF Interest - capital unallocated	(12,068)	0	0	6,605	(5,463)	To hold interest distributed on CIF balances for capital expenditure
Job evaluation reserve	(50)	0	0	25	(25)	As a contribution towards the future salary costs of employees who have been re-graded downwards and whose salary is subject to protection.
Revenue funding	(1,000)	(1,500)	0	1,000	(1,500)	From CIF interest earnings in previous years, which will be used to support the general fund revenue budget.
CIF interest - distributed	(4,929)	(500)	0	1,252	(4,177)	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 inquires that have to be set up as a result of the updating of the local plan.
Carry forwards	(511)	0	(352)	511	(352)	By departments from underspends 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	53	0	(55)	0	(2)	From ring fencing the building control trading account.
Commuted lump sum	(123)	0	0	0	(123)	To fund expenditure covered from commuted sums paid by developers
Pension revaluation reserve	(200)	(512)	0	100	(612)	To fund future costs of pension regulation changes
Performance reward grant reserve	0	0	(48)	0	(48)	To fold performance reward grant income received
Didcot Arts Centre reserve	(25)	0	0	0	(25)	To fund future running costs of the Arts Centre
Total earmarked reserves	**(19,937)**	**(2,512)**	**(967)**	**9,763**	**(13,653)**	

19.2. Capital adjustment account

The capital adjustment account records the historical cost of acquiring, creating or enhancing fixed assets and the resources set aside to finance capital expenditure.

2008/09 £000	Capital adjustment account	2009/10 £000
(59,928)	Opening balance as at 1 April	**(50,273)**
826	Less depreciation and amortisation of intangible assets	1,316
(1,359)	Government grant amortisation	(892)
5,310	Revenue expenditure funded from capital under statute	6,760
11,330	Revaluation and impairment of assets	(4,603)
3	Disposals in year	54
(6,455)	Resources set aside to finance capital expenditure	(6,354)
0	Resources set aside to purchase financial instruments	(672)
(50,273)		**(54,664)**

19.3. Usable capital receipts reserve

The usable capital receipts reserve holds the proceeds from the sale of fixed assets pending their use to finance future capital expenditure.

2008/09 £000	Usable Capital Receipts Reserve	2009/10 £000
(38,692)	Opening balance on 1 April	**(32,372)**
	Capital receipts	
	Transfer from other reserves	(1,423)
(69)	SOHA sales	(196)
(92)	Other	(874)
6,455	Applied in year	0
26	Pooled receipts	37
(32,372)		**(34,828)**

19.4. Deferred capital receipts reserve

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

2008/09 £000	Deferred Capital Receipts Reserve	2009/10 £000
(2,556)	Opening balance on 1 April	**(2,749)**
(217)	New loans raised	(232)
24	Repaid in year	502
(2,749)		**(2,479)**

19.5. Pensions reserve

The pension reserve represents an estimate of the councils' current liability of the Oxfordshire County Council pension fund.

Funded 2008/09 £'000	Unfunded 2008/09 £'000	Pension Liability	Funded 2009/10 £'000	Unfunded 2009/10 £'000
13,920	3,640	Opening Balance as at 1st April	25,950	3,550
		Revenue Account Costs		
890	0	Current service cost	785	0
0	0	Loss (gain) on curtailments and settlements	255	0
(6,440)	(230)	Employer's contribution payable	(1,420)	(244)
220	0	Past service cost	0	0
4,620	240	Interest on Pension Scheme Liabilities	4,056	838
(4,150)	0	Expected return on Employer Assets	(2,551)	0
(4,860)	10		1,125	594
		Actuarial Gain/(Loss) in year		
16,890	(100)	Actual return less expected return on assets	16,947	0
12,030	(90)	Total movement in Reserve	18,072	594
25,950	**3,550**		**44,022**	**4,144**

Further disclosures relating to the pension scheme can be found in note 25.

19.6. Revaluation reserve

The revaluation reserve records the unrealised net gain from revaluations made to the council's assets after 1 April 2007. Details of revaluations are shown in note 12.2.

2008/09 £000	Revaluation reserve	2009/10 £000
(4,297)	Opening balance as at 1 April	**(4,436)**
(3,774)	Revaluation upwards	(1,545)
155	Depreciation on assets previously revalued	93
3,480	Revaluation downwards and impairment	0
(4,436)		**(5,888)**

19.7. Available-for-sale financial instrument reserve

The available-for-sale financial instrument reserve records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets.

2008/09 £000	Available for sale financial instrument reserve	2009/10 £000
(674)	Opening balance on 1 April	4,730
1,511	(Gain) / Loss revaluation of corporate bonds	(1,066)
3,893	(Gain) / Loss on revaluation of unit trusts	(4,292)
4,730		**(628)**

19.8. Financial instrument adjustment account

The financial instrument adjustment account records the full value of the premium or discount on long-term investments only payable on maturity.

2008/09 £000	Financial instrument adjustment account	2009/10 £000
(109)	Opening balance on 1 April	(109)
0	Re-measurement of long term investments	109
(109)		**0**

20. Financial instruments

The purpose of the financial instruments disclosures is to provide information that enables readers to evaluate:

- the significance of financial instruments for the authority's financial position and performance
- the nature and extent of risks arising from financial instruments to which the authority is exposed and how the authority manages those risks.

Categories of financial assets and financial liabilities

Financial assets	Financial liabilities
Bank deposits	Trade payables
Trade receivables	Borrowings
Loan receivable	Financial guarantees
Other receivables and advances	
Investments	

20.1. Investments

The investments disclosed on the balance sheet are made up of the following categories of financial instruments:

	Long-term		Current	
	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000
Total borrowings	**0**	**0**	**0**	**0**
Loans and receivables (principal amount)				
This is the actual value excluding any adjustments	13,500	3,494	63,510	73,979
Plus accrued interest		4		799
Loans and receivables at amortised cost (see note)	**13,500**	**3,498**	**63,510**	**74,778**
Available-for-sale financial assets	**14,641**	**20,745**	**0**	**0**
Financial assets at fair value through the I & E	0	0	0	0
Total investments	**28,141**	**24,243**	**63,510**	**74,778**

(1) Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs including accrued interest. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of and premiums or discounts reflected in the purchase price.

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

20.2. Long term debtors

31 March 2009 £000		31 March 2010 £000
94	Mortgages	45
1,889	Transferred loan debt	1,657
1,983		**1,702**
52	Staff loans	16
651	Housing loans	882
0	Other loans	1
2,686	**Total long term debtors**	**2,601**

20.3. Debtors

31 March 2009 £000	31 March 2009 Restated £000		31 March 2010 £000
5,528	459	Local tax	510
3,144	2,828	Central government	2,504
1,173	1,173	Other local authorities	1,483
104	104	Payments in advance	110
61	61	Interest on investments	49
0	0	SOHA capital receipts	46
0	0	Housing loans	42
43	43	Staff loans	25
2,225	2,225	Sundry debtors	2,721
12,278	6,893		7,490
		Less provision for bad debts	
(2,794)	(253)	Local tax	(291)
(1,546)	(1,546)	Other	(1,553)
(4,340)	(1,799)		(1,844)
7,938	**5,094**	**Total debtors**	**5,646**

The table below analyses the debtor figure of £7.49 million above by age of debt

	Local tax: Council tax £000	Local tax: NNDR £000	Other £000	Total £000
Less than three months	0	0	4,892	4,892
Three months to six months	0	0	400	400
Six months to one year	1,205	793	399	2,397
Over one year	2,807	1638	1,289	5,734
Transfer to OCC & TVP	(3,502)	0	0	(3,502)
Transfer to govt agency	0	(2,431)	0	(2,431)
Total	**510**	**0**	**6,980**	**7,490**

The table below analyses the provision for bad debts figure of £1.844 million above by age of debt

	Local tax		Other	Total
	Council tax	NNDR		
	£000	£000	£000	£000
Less than six months	0	0	188	188
Six months to one year	121	40	218	379
Over one year	2,173	1,029	1,147	4,349
Transfer to OCC & TVP	(2,003)	0	0	(2,003)
Transfer to Govt. Agency	0	(1,069)	0	(1,069)
Total	**291**	**0**	**1,553**	**1,844**

20.4. Receipts in advance and creditors

31 March 2009	31 March 2009 Restated		31 March 2010
£000	£000		£000
		Receipts in advance	
(691)	(691)	General	(986)
(2,893)	(378)	Local tax	(1,908)
(3,584)	**(1,069)**		**(2,894)**
		Creditors	
(287)	(287)	Central government	(241)
(2,599)	(1,395)	Local tax	(746)
(1,518)	(2,290)	Other local authorities	(1,462)
(23)	(23)	House purchasers	0
(2,845)	(2,948)	Sundry creditors	(3,093)
(7,272)	**(6,943)**		**(5,542)**

20.5. Soft loans

The following table summarises the soft loans that the council has made. These figures are also included within the analysis of long term and current debtors:

Long term 31 March 2009	Current 31 March 2009		Long term 31 March 2010	Current 31 March 2010
£000	£000		£000	£000
52	43	Car loans to employee's	16	25
105	84	Loans to local residents for rent deposits	105	42
1	0	Others	1	0
158	**127**	**Total soft loans**	**122**	**67**

20.6. Financial instrument gains/losses

The gains and losses on financial instruments are summarised in the financial instrument available-for-sale reserve note 19.7.

20.7. Impairment of financial assets

On the 2 July 2007 the council agreed to deposit £2.5 million with Kaupthing Singer & Friedlander Ltd for the period 14 December 2007 to 12 December 2008 at an interest rate of 6.41%. The bank went into administration at the start of October 2008, and as a result the repayment of the deposit has not been made.

At December 2008, the amount due to be repaid was the principal amount of £2,500,000 plus interest of £159,811, giving a total amount of £2,659,810.96. However the insolvency regulations only allow a claim up to the date that KSF went into administration on 7 October 2008. This means that the authority can only claim for £2,630,834.

At 31 March 2009, the total amount to be received was estimated to be 50% of the claim. The creditor progress report issued by the administrators Ernst & Young on 27 April 2010 now indicates that the estimated return to creditors to be in the range of 65p and 78p in the pound.

Since July 2009 three dividend payments have been paid, which bring the total dividends paid to date to 35% of the claim. The dividends received in 2009/10 are as follows:

	£
July 2009	526,254.66
9 December 2010	263,127.33
30 March 2010	131,563.66
Total received in 2009/10	920,945.65

In view of the latest information and dividend payments received to date, CIPFA Local Authority Accounting Panel bulletin 82 recommends that the following payment schedule is used to estimate the recoverable amount at 31 March 2010. The schedule is based on a recovery of 71% of the claim. Therefore, the council recognises an impairment based on a recovery of 71p in the pound up to January 2013. The authority estimates it will receive payments based on the following schedule:

Date:	%	Repayment	Discount factor	Present value
July 2010	6%	£157,850.06	0.97892	£154,522
January 2011	6%	£157,850.06	0.94812	£149,661
July 2011	6%	£157,850.06	0.91829	£144,953
January 2012	6%	£157,850.06	0.88940	£140,392
July 2013	6%	£157,850.06	0.86142	£135,976
January 2013	6%	£157,850.06	0.83432	£131,698
Total – recoverable amount				**£857,202**

The authority recognises the impairment at the balance sheet date (31 March 2010). The carrying amount of the deposit at the balance sheet date prior to any reassessment is:

The balance at 31 March 2009

Plus interest credited to the I & E account in 2009/10

Less any repayments received during 2009/10

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

The difference between the carrying amount and the revised recoverable amount is to be recognised as an impairment in the 2009/10 accounts and the carrying amount of the deposit is written down to the recoverable amount as follows:

Carrying Amount b/fwd 31 March 2009			A	2,659,810
Plus interest credited to the I & E a/c in 2009/10			A1	0
Less: Repayments received in 2009/10			A2	
	22 July 2009	(£526,254.66)		
	9 December 2009	(£263,127.33)		
	30 March 2010	(£131,563.66)		(£920,945)
				£1,738,865
Less: Revised Recoverable Amount			C	(857,201)
Impairment			D	881,663

20.8. Disclosure of nature and extent of risks arising from financial instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the council;
- liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments;
- re-financing risk – the possibility that the council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- market risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rate movements, market prices, foreign currency exchange rates, etc.

20.8.1. Overall procedures for managing risk

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

- by formally adopting the requirements of the code of practice;
- by approving annually, in advance, prudential indicators for the following three years limiting:
    - the council's overall borrowing;
    - its maximum and minimum exposures to fixed and variable rates;
    - its maximum and minimum exposures to the maturity structure of its debt;
    - its maximum annual exposures to investments maturing beyond a year; and
- by approving an investment strategy for the forthcoming year setting our criteria for both investing and selecting investment counterparties in compliance with the government guidance.

These are required to be reported and approved at or before the council's annual council tax setting budget and reported and approved with the council's annual treasury management strategy which outlines the detailed approach to managing risk in relation to the council's financial instrument exposure. Actual performance is also reported semi-annually to members.

The annual treasury management strategy which incorporates the prudential indicators was approved by council on 18 February 2010 and is available on the council website. The key issues within the strategy were:

- The authorised limit for 2009/10 was set at £10m. This is the maximum limit of external borrowings and other long term liabilities.
- The operational boundary was expected to be £5m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure for borrowing were set at £10m.

These policies are implemented by a central treasury team. The council maintains written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk, and the investment of surplus cash through the Treasury Management Practices (TMPs). These TMPs are a requirement of the code of practice and are reviewed periodically.

20.8.2. Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria set out within the Annual Investment Strategy. The criteria is in accordance with the Fitch, Moody's and Standard & Poors credit ratings services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not placed unless they meet the minimum requirements of the investment criteria. Additional selection criteria is also applied after the initial minimum criteria is applied. Details of the investment strategy can be found on the council's website.

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

Financial asset category	Criteria	S/Term	L/Term	Support	Maximum Investment	Maturity limit
Deposits with banks	Short Term:	F1	A	3	80% of portfolio	1 year
	Long Term:	F1	A	3	20% of portfolio	2 year
	Long Term:	F1	A+	2	20% of portfolio	3 year
	Long Term:	F1	AA-	2	20% of portfolio	4 year
	Long Term:	F1	AA+	1	50% of portfolio	5 year
	Active in sterling markets					
	Sovereign Guarantee AAA					Term of guarantee
Deposits with building societies	Short Term:	F1+			20% of portfolio	1 Year
	Long Term:	A				
	Minimum total assets - £500m				20% of portfolio	6 months
	Minimum total assets - £1bn				20% of portfolio	9 months
	Sovereign Guarantee – UK only 'Eligible Institution'					6 months
Deposits with money market funds	AAA				£10m	

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

31 March 2009 Invested amount	31 March 2009 Estimated maximum exposure to default	Deposits with banks and financial institutions	31 March 2010 Invested amount	Historical experience of default	Adjustment for market conditions at 31 March 2010	Estimated maximum exposure to default
£000	£000		£000	%	%	£000
0	0	AAA rated counterparties	6,000	0.00%	0.00%	0
0	0	AA+ rated counterparties (1 year)	2,000	0.00%	0.00%	0
35,510	0	AA rated counterparties (1 year)	3,000	0.00%	0.00%	0
0	0	AA- rated counterparties (1year)	29,477	0.07%	0.07%	21
10,500	0	AA- rated counterparties (2 year)	2,500	0.07%	0.07%	2
3,000	0	A rated counterparties (3 year)	0	0.00%	0.00%	0
25,500	153	A rated counterparties (1 year)	13,500	0.07%	0.07%	9
0	0	A- rated counterparties (1 year)	7,500	0.22%	0.22%	17
0	0	BBB+ rated counterparties (1 year)	2,000	0.18%	0.18%	4
0	0	BBB- rated counterparties (1year)	6,000	0.14%	0.14%	8
2,500	17	Other counterparties	4,500	1.24%	1.24%	56
77,010	**170**		***76,477**			**117**

*Excludes the deposit made with Kaupting Singer and Friedlander , as this deposit is already in default.

The historical experience of default has been taken from Fitch, a credit rating organisation used by the council and applies to the period 1990 – 2009.

The council also uses non credit rated institutions (for instance smaller building societies or bank subsidiaries where the parent has a satisfactory rating). In these circumstances these investments have been classified as other counterparties.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £2.5million invested in this sector at that time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. The impact of the principal invested has been mitigated in the accounts according to government regulations. Further details are shown in note 24.7. This investment is therefore excluded to calculate the risk exposure, as it is already in default.

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

Whilst the council's deposits are made through the London Money markets, the allocation of investments between institutions domiciled in foreign countries were as follows:

	31 March 2010		31 March 2009	
	£000s	%	£000s	%
United Kingdom:	72,466	0.936	55,510	0.721
Europe: Ireland	2,000	0.026	13,500	0.175
Europe: France	0	0.000	2,500	0.032
Non EU : Australia	3,000	0.038	3,000	0.039
Non EU: Canada	0	0.000	2,500	0.032
Total	**77,466**		**77,010**	

20.8.3. Liquidity risk

The council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

In the event of an unexpected cash requirement the council has ready access to borrowings from the money markets to cover any day to day cash flow need. The council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

20.8.4. Refinancing and maturity risk

The council maintains an investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer term financial assets.

The approved prudential indicator limits investments placed for greater than one year in duration are the key parameters used to address this risk. The council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes the monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The council has no longer term financial liabilities. The maturity analysis of financial assets is as follows:

2008/09 £000	**Maturity analysis of financial assets**	**2009/10 £000**
63,510	Less than one year	74,966
4,500	Between one and two years	0
6,000	Between two and three years	2,500
3,000	More than three years	0
77,010		**77,466**

20.8.5. Market risk

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

- investments at variable rates – the interest income credited to the income and expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Changes in interest payable and receivable on variable rate investments will be posted to the income and expenditure account and will affect the general fund balance, subject to influences from government grants. Movements in the fair value of fixed rate investments will be reflected in the statement of total □ecognized gains and losses, unless the investments have been designated as at fair value through the income and expenditure account.

The council has a number of strategies for managing interest rate risk. The annual treasury management strategy draws together council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

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

2008/09 £000		**2009/10 £000**
(19)	Increase in interest receivable on variable rate investments	(17)
(19)	Impact on income and expenditure account	(17)
95	Decrease in fair value of fixed rate investment assets	170
95	Impact on statement of total recognized gains and losses	170

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

20.8.6. Price risk – The council, excluding the pension fund, holds an investment in equity shares to the value of £14m in unit trusts. Whilst this investment holding is generally liquid, the council is exposed to losses arising from movements in the prices of the unit trusts.

The council is not in a position to limit its exposure to price movements by diversifying its portfolio.

The shares are all classified as available-for-sale, meaning that all movements in price will impact on gains and losses recognised in the statement of total recognized gains and losses. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £650,000 gain or loss being recognised in the statement of total recognized gains and losses for 2009/10.

20.8.7 Foreign exchange risk – The council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

21. Local Government Pension Scheme (disclosures under Financial Reporting Standard 17)

The council is required to disclose certain information concerning the assets, liabilities, income and expenditure related to pension scheme employees.

As part of the terms and conditions of employment, the council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that the employees earn their future entitlement.

Employees of the council are entitled to join the Local Government Pension Scheme (LGPS) which is administered by Oxfordshire County Council (OCC). Under the regulations governing the LGPS a defined benefit based on final pensionable salary. This is a funded pension scheme which means that the council and employees pay contributions into a fund at a level calculated to balance the pensions' liabilities with investment assets.

Transactions relating to retirement benefits

The cost of retirement benefits is recognised in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so that the real cost of retirement benefits is reversed out in the statement of movement in the general fund balance. The following transactions have been made in the income and expenditure account and statement of movement in the general fund balance during the year:

2008/09			2009/10	
Funded	**Unfunded**	**FRS17 transactions in I&E and in SMGFB accounts**	**Funded**	**Unfunded**
£000	**£000**		**£000**	**£000**
		Income and expenditure account		
		Net cost of services		
890	0	Current service cost	785	0
220	0	Past service cost	0	0
		Loss (gain) on curtailments and settlements	255	
		Net operating expenditure		
4,620	240	Interest cost	4,056	838
(4,150)	0	Expected return on scheme assets	(2,551)	0
1,580	**240**	**Net charge to the income and expenditure account**	**2,545**	**838**
		Statement of movement on the general fund balance		
(1,580)	(240)	Reversal of net charges made for retirement benefits in accordance with FRS17	(2,545)	(838)
6,440	**230**	**Actual amount charged against the general fund balance for pensions in the year (employers contributions payable to the scheme)**	**1,420**	**244**

In addition to the recognised gains and losses recognised in the income and expenditure account, actuarial losses in respect of both the funded and unfunded liabilities of £16.9 million (2008/09 £16.8 million) were included in the statement of total recognised gains and losses. The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £33.7 million.

Assets and liabilities in relation to retirement benefits

- **Reconciliation of present value of the scheme liabilities**

2008/09 Restated Funded £000	2008/09 Restated Unfunded £000	Reconciliation of scheme liabilities	2009/10 Funded £000	2009/10 Unfunded £000
(68,640)	(3,640)	Opening balance on 1 April	(70,330)	(3,550)
(890)	0	Current service cost	(785)	0
(4,620)	(240)	Interest cost	(4,056)	(838)
(510)	0	Contributions by scheme participants	(526)	0
1,430	100	Actuarial gains and losses	(30,340)	0
		Losses (gains) on curtailments	(255)	0
3,120	230	Benefits paid	2767	244
(220)	0	Past service costs	0	0
(70,330)	**(3,550)**	**Closing balance on 31 March**	**(103,525)**	**(4,144)**

- **Reconciliation of fair value of the scheme assets**

2008/09 Restated £000	Reconciliation of scheme assets	2009/10 £000
54,720	Opening balance on 1 April	44,380
4,150	Expected rate of return	2,551
(18,320)	Actuarial gains and losses	13,393
6,440	Employer contributions	1,664
510	Contributions by scheme participants	526
(3,120)	Benefits paid	(3,011)
44,380	**Closing balance on 31 March**	**59,503**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual profit on scheme assets in the year was £15.9 million (2008/09 £14.2 million loss)

Scheme history

	2005/06 not restated £000	2006/07 restated £000	2007/08 restated £000	2008/09 £000	2009/10 £000
Present value of liabilities					
• Funded	(75,420)	(74,520)	(68,640)	(70,330)	(103,525)
• Unfunded			(3,640)	(3,550)	(4,144)
Fair value of assets	58,280	60,680	54,720	44,380	59,503
Surplus/(deficit)	**(17,140)**	**(13,840)**	**(17,560)**	**(29,500)**	**(48,166)**

The council has elected not to restate the fair value of scheme assets for 2005/06 as permitted by FRS17 (as revised). In accordance with FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. For periods ending prior to this date liabilities are not separated into funded and unfunded.

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £48,166 m has a substantial impact on the net worth of the council as recorded in the balance sheet, resulting in reduction in net worth of 34%. However, statutory arrangements for funding the deficit, which will require increased employer contributions over the remaining working life of the employees, as assessed by the scheme actuary, mean that the financial position of the council remains healthy.

The total contribution expected to be made to the scheme by the council in the year to 31 March 2011 towards both the funded and the unfunded benefits is £1.385m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, and other factors. The liabilities have been assessed by Barnett Waddingham, and independent firm of actuaries. For the funded benefits, this is based on the latest full actuarial valuation of the scheme as at 31 March 2007. For the unfunded benefits the latest actuarial valuation took place as at 31 March 2009.

The principal assumptions used by the actuary are as follows:

2008/09	Principal actuarial assumptions	2009/10
	Long-term expected rate of return on assets in the scheme: (see note below)	
7.0%	Equities	7.5%
6.0%	Property	6.5%
4.0%	Government bonds	4.5%
5.8%	Corporate bonds	5.5%
1.6%	Cash/other	3.0%
5.8%	**Total**	**6.8%**
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
23.1 yrs	• Men	23.1yrs
25.0 yrs	• Women	25.0yrs
	Longevity at 65 for future pensioners:	
25.4 yrs	• Men	25.4yrs
27.3 yrs	• Women	27.3yrs
	Other assumptions	
3.3%	Inflation	3.9%
4.8%	Rate of general increase in salaries	5.4%
3.3%	Rate of increase to pensions	3.9%
6.7%	Discount rate	5.5%

Note: South Oxfordshire District Council employs a building block approach in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out above. The total expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at 31 March 2010.

The scheme's assets consist of the following categories, by proportion of the total assets held:

2008/09 %	Scheme assets by category	2009/10 %
62.3	Equities	73.0
4.5	Property	5.0
14.0	Government bonds	12.0
7.9	Corporate bonds	6.0
11.3	Cash/other	4.0
100		**100**

History of experience gains and losses

The actuarial gains and losses identified as movements on the pensions reserve in 2009/10 can be analysed into the following categories:

	2005/06 not restated £000	2006/07 not restated £000	2007/08 restated £000	2008/09 restated £000	2009/10 £000
Differences between the expected and actual return on assets	7,870	330	(8,760)	(18,320)	13,393
Experience gains/(losses) on liabilities (excluding changes in liabilities in respect of changes to actuarial assumptions)					
• Funded liabilities	40	(210)	190	(400)	(29)
• Unfunded liabilities			(350)	80	0

In accordance with FRS17 (as revised), unfunded liabilities are disclosed separately for financial years beginning on or after 6 April 2007. The history of experience gains / (losses) on liabilities shown has not been restated for periods ending 2007 and 2006 and includes the experience relating to unfunded liabilities.

22. Contingent liabilities and contingent assets

For 2009/10 the council has the following contingent assets and contingent liabilities:

Contingent asset

During 2007/08 the council sold off a sports ground at Bishopwood. Under the terms of the sale, if planning permission is subsequently granted for further development of the site then the following sums will be payable to the council:

- floodlighting - £10,000;
- all weather pitch - £30,000.

Contingent liability

One operator under the council's concessionary fares scheme for 2007/08 is in the course of judicially reviewing the decision of the Secretary of State in respect of the outcome of its appeal against the level of reimbursement in the council's scheme. The finding in the Judicial Review proceedings may result in a financial liability.

A compensation claim arising from the development of Didcot town centre may result in the council paying £25,000.

23. Post balance sheet event

In the emergency budget on 22 June 2010 the government announced that, in future, the pension increase order applied to public service pension schemes' pensions in payment will be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This change represents a non-adjusting post balance sheet event.

Both the RPI and CPI measure the change in prices of various consumer items. However, there are some specific differences in the commodity coverage of the CPI and RPI indices. Over the last 20 years RPI has been on average 0.5% per annum higher than CPI. If this past trend continues then future price increases would be expected to be 0.5% less than previously projected.

Reducing the assumption for future levels of pension increases by 0.5% per annum has the following effect on the pension liability:

Net pension liability at 31 March 2010	**RPI £000**	**CPI £000**	**Difference £000**
Local government pension scheme (funded)	44,022	38,548	(5,474)
Local government pension scheme (unfunded)	4,144	3,914	(230)
Total net pension liability	**48,166**	**42,462**	**(5,704)**

In 2008/09, the council disclosed the following post balance sheet event:

Compensation relating to the compulsory purchase of land at Broadways public house in Didcot has now been agreed. A further £160,000 was paid in August 2009 to the landlord and tenant in full and final settlement of their compensation claim. A contingent liability was agreed by the council on 2 December 2003 allowing for an adverse award of compensation to be made from the council's capital programme.

Notes to the cash flow statement

24. Reconciliation of net (surplus)/deficit on the income & expenditure account to net cash flow

2008/09 £000	2008/09 Restated £000		2008/09 £000
		(Surplus)/deficit for year	
15,826	15,772	On the income and expenditure account	1,374
		Non cash transactions	
(898)	1,643	Movement in debtors provisions	(125)
4,850	4,850	Pensions cost adjustment per FRS17	(1,719)
(187)	(187)	Amortisation of intangible assets	(303)
(795)	(795)	Depreciation & impairment charges	(1,105)
(4,706)	(4,706)	Revenue expenditure financed from capital under statute	(6,759)
(11,935)	(11,935)	Revaluation of assets downwards	4,603
0	0	Gain/loss on disposal of fixed assets	3
(1,561)	(1,561)	Revaluation of investments downwards	688
69	69	Income from sale of housing to SOHA	196
1,359	1,359	Government grants deferred	892
		Revenue accruals	
(19)	(19)	(Decrease)/increase in stock	109
(1,659)	2,248	Decrease/(increase) in revenue creditors	(175)
430	(5,381)	(Decrease)/Increase in revenue debtors	1,272
		Items included under other classifications	
7,167	7,167	Interest received	2,906
7,941	**8,524**	**Net movement in cash**	**1,857**

25. Reconciliation of the movement in cash to the movement in net debt.

2008/09 £000		2009/10 £000
63	Balance on 1 April	(33)
(96)	Cash flow	314
(33)	**Balance on 31 March**	**281**

26. 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

	31/03/2009 £000	31/03/2010 £000	Movement £000
Short term investments	51,010	55,684	4,674
Investments re-categorised from long term last year	15,000	15,000	0
Short term investments - cash	66,010	70,684	4,674
KSF deposit impairment	(1,486)	0	1,486
Accrued interest and other non-cash movements	2,504	4,094	1,590
Short term investments	**67,028**	**74,778**	**7,750**

27. Analysis of government grants included in the cash flow statement

2008/09 £000		2009/10 £000
	Revenue Grants	
6,828	Non Domestic Rate Grant	6,352
23	Area Based Grant	23
0	Housing Planning Delivery Grant	9
0	LABGI	89
951	Revenue Support Grant	1,466
7,802		**7,939**
23,648	Housing Benefit - Subsidy	30,098
612	Housing Benefit - Admin	676
24,260	**Total DWP Grant for Benefits**	**30,774**
199	NNDR Collection Allowance	197
40	Affordable Housing	0
39	Homelessness Prevention/Rent Deposit Guarantee	32
37	Safer Stronger Communities	163
46	Defective Housing Grant	0
21	Performance Reward Grant	0
317	Concessionary Travel Grant	324
22	SALIX Energy Efficiency Grant	0
55	Parliamentary Elections	46
275	Growth Point CLG	569
9	Other	44
1,060	**Total Other Government Grants**	**1,374**
33,122	**Total Revenue Grants**	**40,087**
	Capital grants	
480	Improving grant subsidy	480
222	Growth Point CLG	949
34	Other	0
736	**Total capital grants**	**1,429**
33,858	**Total grants**	**41,516**

*Local Authority Business Growth Incentive Scheme

Other notes to the statement of accounts

28. Related party transactions

The council is required to disclose material transactions with related parties. These are bodies 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
Central government is responsible for providing the statutory framework, within which the council operates, provides the majority of it funding in the form of grants and prescribes the terms of many of the transactions the council has with other parties (for example housing benefits). Details of transactions with government departments are set out in note 27 – analysis of government grants shown in the cash flow statement.

Members of the council
Members 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 material interests are recorded in the register of members' Interests, which is open to public inspection. The following relationships were declared:

Name of member	Details of relationship declared
Councillor Mrs C Collett MBE	Personal connection with Oxfordshire Rural Community Council who receive a grant from the council.

Name of member	Details of relationship declared
Councillor Mrs J Murphy	Personal connection with Total Pest Control (UK) Ltd who have a contract to undertake works for the council

Senior officers
The senior officers of the council have control over the day to day management of the council and all heads of service and management team members have been asked to declare any related party transactions.

In 2009/10 no relationships were declared.

Assisted organisations

In 2009/10 the council did not materially assist any organisations.

29. Authorisation of accounts for issue

There is a requirement to disclose the date that the statement of accounts are authorised for use. This establishes the date after which events will not have been recognised in the accounts. The Audit and Corporate Governance Committee approved the accounts on Tuesday 29 June 2010.

30. Trust funds

The council acted as custodian trustee for an old staff benevolent fund which closed down in 1983. There is a small remaining balance and the council is seeking access to the fund details in order to clear this amount in an appropriate way.

COLLECTION FUND ACCOUNT

The council is 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.

2008/09 £000		2009/10 £000	Notes
	Income		
(73,754)	Council tax	(76,282)	
(38,550)	Income collectable from business ratepayers	(40,286)	
(4,963)	Transfers from general fund – council tax benefits	(5,633)	
	Expenditure		
77,604	Precepts and demands	80,913	*2*
	Business ratepayers:		
38,355	Payment to national pool	40,089	
195	Collection costs allowance	197	
196	Contributions towards previous year's estimated collection fund surplus	622	*2*
362	Provision for bad and doubtful debts	159	
(555)	**Deficit/(surplus) for year**	**(222)**	
123	Balance b/f	(432)	
(555)	Deficit/(surplus) for year	(222)	
(432)	**Collection fund deficit/(surplus)**	**(654)**	*4*

Notes to the collection fund account

1. Business rates (national non-domestic rates)

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

	£
NNDR rateable value as at 1 April 2009	99,467,982
NNDR rateable value as at 31 March 2010	98,335,252

National multipliers:	**2008/09**	**2009/10**
Small business non-domestic rating multiplier	45.8p	48.1p
Non-domestic rating multiplier	46.2p	48.5p

2. Precepts and demands

Precept	**2008/09 Share of estimated surplus**	**Total**		**Precept**	**2009/10 Share of estimated surplus**	**Total**
£	**£**	**£**		**£**	**£**	**£**
59,643,871	150,559	59,794,430	Oxfordshire County Council	62,179,238	478,215	62,657,453
7,922,821	19,976	7,942,797	Thames Valley Police Authority	8,319,424	63,524	8,382,948
			South Oxfordshire District Council:			
6,580,940	25,278	6,606,218	District Council requirement	6,804,618	80,679	6,885,297
3,456,235		3,456,235	Parish Precepts	3,609,376		3,609,376
10,037,175	25,278	10,062,453		10,413,994	80,679	10,494,673
77,603,867	**195,813**	**77,799,680**		**80,912,656**	**622,418**	**81,535,074**

3. Council tax base calculation

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

Band	Number of Properties	Band Multiplier	Band D Equivalent
A	1,858	6/9	1,239
B	4,117	7/9	3,202
C	12,731	8/9	11,317
D	11,611	9/9	11,611
E	8,482	11/9	10,367
F	5,406	13/9	7,809
G	5,134	15/9	8,557
H	713	18/9	1,426
	50,052		55,528
Class O *			579
Sub total			56,107
Assumed losses on collection			(1,111)
Council tax base			54,996

* = Class O dwellings are those owned by the Secretary of State for Defence and held for the purpose of armed forces accommodation.

4. Surplus/deficit on the collection fund

Any surplus or deficit in respect of council tax at the end of the year is, during the next year, apportioned between the council, Oxfordshire County Council and the Thames Valley Police Authority in proportion to their precepts in the year. For Oxfordshire County Council and Thames Valley Police Authority the following amounts are included within the debtors/creditors in respect of the share of the deficit/(surplus) due to the them. For the council, in 2008/09 the share was included in the balance sheet as balances – collection fund. For 2009/10, this is shown instead in the collection fund adjustment account.

2008/09 £000		2009/10 £000
(348)	Oxfordshire County Council	(503)
(46)	Thames Valley Police Authority	(67)
(38)	South Oxfordshire District Council	(84)
(432)	**Debtor/(creditor)**	**(654)**

Annual Governance Statement 2009/10

1.0 Scope of responsibility

South Oxfordshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The council approved and adopted its first local code of corporate governance in 2003. The council adopted a revised local code of governance with effect from 1 April 2008. This local code of governance is consistent with the "*Delivering Good Governance in Local Government*" publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), which was published in July 2007.

This statement explains how South Oxfordshire District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

Our website at www.southoxon.gov.uk has a copy of the local code of corporate governance within its Constitution or it can be obtained from:

Democratic Services
South Oxfordshire District Council
Benson Lane
Crowmarsh Gifford
Oxon
OX10 8QS

2.0 The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The council has had the governance framework described below in place for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

3.0 The governance framework

The purpose of the governance framework is to do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Full council is responsible for directing and controlling the organisation in this manner. Full council's responsibilities include agreeing the Constitution and key governance documents, the policy framework and key strategies including the community strategy and agreeing the budget.

South Oxfordshire District Council has executive arrangements in place consisting of a Cabinet and, until May 2010, two scrutiny committees. From May 2010 one scrutiny committee will exist. Cabinet is responsible for proposing the policy framework and key strategies, proposing the budget and implementing the policy framework and key strategies. The scrutiny function allows a committee to question and challenge the policy and performance of the executive and promote public debate.

The chief executive, who was appointed joint chief executive of this council and Vale of White Horse District Council in September 2008, advises councillors on policy and procedures to drive the aims and objectives of the authority. As head of the officer staff, the chief executive oversees the employment and conditions of staff. The chief executive leads a management team that is shared with Vale of White Horse District Council. The chief finance officer, the monitoring officer and heads of service are responsible for advising the executive and scrutiny committees on legislative, financial and other policy considerations to achieve South Oxfordshire District Council's objectives and are responsible for implementing councillors' decisions. Our management structure is at appendix 1 to this document:

Our governance framework for 2009/10 was based on our local code of governance, which was adopted in 2008. Within the framework we aim to meet the principles of good governance in all aspects of the council's work giving particular attention to the main principles, which are:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Councillors and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- Developing the capacity and capability of councillors and officers to be effective

- Engaging with local people and other stakeholders to ensure robust public accountability

THE STRATEGIC PLANNING FRAMEWORK

To ensure we do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner, our strategic planning framework incorporates residents' and service-providers' views as well as national and local priorities.

Our Statement of Strategic Intent sets out our long term vision, which is "**to work in partnership to maintain and improve the quality of life in South Oxfordshire**". It complements that of the South Oxfordshire Partnership (SOP) and reflects our desire to work in partnership to achieve the best services possible for South Oxfordshire.

Our strategic planning framework incorporates the Local Strategic Partnership's sustainable communities strategy for the area. It also takes account of the priority indicators within the Local Area Agreement for Oxfordshire. The local development framework, a set of planning policy documents that set out how we will use land, has been the basis to achieve both our partners' and our wider objectives. We also carry out regular consultation with residents and service-users to identify their priorities for service improvement and how satisfied they are with our services.

Our Corporate Plan sets out the council's strategic objectives and corporate priorities, which are as follows:

STRATEGIC OBJECTIVE	CORPORATE PRIORITIES
Managing our business effectively	• Provide value for money services that meet the needs of our residents and service users • Provide equality of access to our services
Protecting our environment	• Reduce the amount of waste we send to landfill • Reduce energy use from our own operations • Keep the district clean and tidy, and tackle environmental crime such as litter, graffiti, fly tipping and abandoned cars
Delivering homes for all	• Increase the supply of housing in the district, including affordable housing • Prevent homelessness and improve housing options, particularly for vulnerable groups such as young people and older people
Supporting economic growth	• Support creation of vibrant market towns • Promote business growth and the creation of new jobs
Transforming Didcot	• Plan for the expansion of Didcot as a major centre of population and employment in Southern Oxfordshire • Develop a thriving town centre with a wider range of facilities
Helping people feel safe and secure	• Tackle crime and antisocial behaviour • Maintain low levels of fear of crime and antisocial behaviour • Take action to alleviate the risk of flooding to properties

STRATEGIC OBJECTIVE	CORPORATE PRIORITIES
Improving opportunities, activities and support for young people	• Increase access to a wide range of activities for young people, which meet their needs; and support young people at risk of committing antisocial behaviour and crime
Strengthening local communities	• Support local groups to provide services and solutions in their local communities • Advocate and influence on behalf of our communities on important local issues for which we are not the main provider

Our four year Corporate Plan, along with Oxfordshire-wide plans, guides our decisions on how we invest our financial and staffing resources. These plans determine the types of projects we support through grant funding. Arising from the Corporate Plan each service team has a detailed service plan and workplan which identifies how they will undertake specific activities, which will deliver our priorities.

PERFORMANCE MANAGEMENT FRAMEWORK

In order to know that we are achieving the strategic objectives and corporate priorities in the Corporate Plan, we monitor performance against national indicators and set local performance targets. To ensure we meet these targets and objectives, we have one-year service plans, workplans and, from 2009/10, service targets, thus ensuring that the work of all individuals is aligned to the council's top level objectives through a *golden thread*.

The council's targets and actions are monitored via its performance management system. 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. Where targets are not being met, heads of service discuss these on a monthly basis with their strategic director. Corporate Improvement Scrutiny Committee considered quarterly performance monitoring reports with Cabinet members and officers attending to account for under-performing targets. Thereafter Cabinet receives the quarterly performance monitoring reports.

Our individual performance review scheme focuses on agreement of targets linked to service plans between managers and individuals. 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.

As the council outsources a significant number of services, we have operated since 2002 a formal framework for monitoring the performance of contractors, and reporting these to a scrutiny committee.

LEGAL FRAMEWORK

Our Constitution sets out how South Oxfordshire District Council is managed and guides decision-making towards objectives. The monitoring officer is responsible for ensuring the lawfulness of decision-making and maintaining the Constitution. 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. In addition the Constitution contains a planning code of conduct for councillors and a code of conduct for officers.

All decisions are made in accordance with the requirements of the Constitution and the scheme of delegation which forms part of the Constitution. The monitoring officer will report to full Council or to Cabinet if she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration.

In the role of monitoring officer, the head of legal and democratic services contributes to the promotion and maintenance of high standards of conduct through support to the Standards Committee.

The Constitution includes our code of conduct for councillors which came into effect from 1 July 2007. It incorporates the mandatory requirements of the model code of conduct.

FINANCIAL FRAMEWORK

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, after consultation with heads of service. Any new or amended financial systems, procedures or practices are agreed with the section 151 officer before implementation.

The full council is responsible for approving the following:

- MEDIUM TERM FINANCIAL STRATEGY

The medium term financial strategy sets a stable financial framework within which the council operates, and it is reviewed annually. It is linked to a medium term financial plan that is reported to councillors during the budget setting process.

- TREASURY MANAGEMENT STRATEGY

The treasury management strategy governs the operation of the council's treasury function, and is reviewed at least annually or during the year if it becomes necessary to do so. This strategy includes parameters for lending and borrowing, and identifies the risks of treasury activity.

- CAPITAL STRATEGY

The capital strategy governs the council's capital programme.

- REVENUE AND CAPITAL BUDGET SETTING

Both revenue and capital budgets are set by full council. Revenue budget setting includes both the calculation of the council tax base and the surplus or deficit arising from the collection fund.

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.

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 the head of legal and democratic services on the financial and legal implications of any report that they are proposing to submit to the full Council, a committee (or sub-committee), or Cabinet.

RISK MANAGEMENT FRAMEWORK

Risk management is important to the successful delivery of our objectives. An effective risk management system identifies and assesses risks, decides on appropriate responses and provides assurance that the chosen responses are effective. Our risk management approach has been in effect since 2003. The overall responsibility for effective risk management in the council lies with the chief executive supported by the management team. We use a standard risk management methodology which encompasses the identification, analysis, prioritisation, management and monitoring of risks.

Councillors have a responsibility to understand the strategic risks that the council faces, and are made aware of how these risks are being managed through six-monthly reports to the Audit and Corporate Governance Committee.

Management team is responsible for the identification, analysis and management of strategic risks and undertakes a quarterly review of those risks. The operational risk registers are reviewed by management team on a quarterly basis.

We have operational risk registers in place for each service area and all heads of service are responsible for ensuring that risks are identified and prioritised and entered onto the risk register. We review and refresh the operational risk registers each quarter. We have mainstreamed and integrated the annual refresh of our risk registers with the annual service planning cycle, so that risk mitigation actions can be included in service plans.

All line managers are responsible for implementing strategies at team level by ensuring adequate communication, training and the assessment and monitoring of risks. All officers are responsible for considering risk as part of everyday activities and provide input to the risk management process.

We also have a robust approach to business continuity to ensure that priority services can continue to be delivered to our customers in the event of an unforeseen disruption.

4.0 Review of effectiveness of the governance framework

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the council who have responsibility for the development and maintenance of the governance environment, the internal audit manager's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The following highlights our review of our governance framework and sets out the assurances of committees, officers and external organisations.

REVIEW OF OBJECTIVES

To ensure that we are doing the right things in the right way and for the right people, in 2007/08 South Oxfordshire District Council undertook a major review of the Corporate Plan. In doing this, the annual residents' survey asked customers to set out their priorities for improvement. In addition, workshops took place across the district when people were asked what they thought the council's priorities should be. Their feedback helped to guide the development of our four-year Corporate Plan and shape the new strategic objectives and corporate priorities. Each year the council reviews the Corporate Plan to ensure that it remains current in the years leading up to the four-yearly redrafting of the plan. We have a set of strategic objectives and 16 corporate priorities which provide a framework for the council's work over the next three years, as set out in Section 3.

PERFORMANCE MANAGEMENT AND SERVICE PLANNING

In recent years, we have looked to improve the consistency of performance management throughout the council. To do this, we published a performance management handbook, and promoted its uptake via an interactive intranet site. In our 2008/09 Annual Governance Statement, we said that we would update the handbook to reflect the new management structure and future harmonisation of performance management with Vale of White Horse

District Council. This was achieved in 2009/10. The updated performance management handbook is now available on the intranet. Together, these highlight the links between related functions such as corporate planning, service planning, reporting, risk management, budget planning and individual performance review. They also clarify the annual cycle of all of the above, with a dynamic display of what actions are required in the current month, together with links to all months that show when various actions are due. The handbook also lists the key responsibilities of specific roles, reflecting the new management structure and future harmonisation of performance management with Vale of White Horse District Council.

The performance management handbook contains a data security policy. We implement this policy by assigning data owners to every National Indicator (NI) and Local Performance Target (LPT). For each NI, the performance officer collects signed statements each year from heads of service covering the methodology, calculation and outturn.

We make performance reports available on the website. This year we reviewed and improved public documents by presenting clearer graphical pie charts summarising overall performance. We also took the view that it would be helpful for committees and the public to see the progress of all targets rather than just the exceptions (those 'below target') so we changed the structure of reports to include all NIs and LPTs. At the same time, we have asked target owners to provide explanations in plain English which are jargon free to make the reports more readable by the public. Both Corporate Improvement Scrutiny Committee and Cabinet commented favourably on the new format.

We have continued our approach of asking target and action owners to forecast whether they are on track to deliver year end outcomes. For each target or action that is 'below target', we ask the owner to provide an action to get back on track. Management team review these actions and we present them to Corporate Improvement Scrutiny Committee who challenge data owners on underperformance and the robustness of their proposed actions.

The council's approach to performance management has received critical acclaim from an independent report by the Advanced Performance Institute. South Oxfordshire District Council has made significant progress over the past years and has implemented a performance management system based on clearly defined output deliverables and priorities.

Our latest innovation is to respond to a request from management team to create a dashboard of real time management information. We have now agreed these lists with management team, selected some free software to deliver the system, and the corporate information officer has already delivered a version of this.

As details of the shared management team emerged, the business improvement team was asked to take on responsibility for managing and reporting performance for Vale of White Horse District Council as well. The council is working with the Vale to harmonise the two councils' approaches to performance reporting, which should achieve some economies of effort.

In the meantime, we have improved our approach to service planning. In January 2009, we held two externally facilitated workshops for all (the then) heads of service and service managers, designed to make targets and actions SMART. Following the management restructure, we then needed to combine the two councils' approaches to service planning, with the objective of creating joint service plans for 2009/10.

We have continued to improve our performance management system to ensure that managers receive information to help them manage. We have created 'programmes' for cross-cutting themes such as equality and sustainability. This enables the programme managers to oversee actions owned by others and thus maximise the chances of the programme meeting its targets.

We are also working more widely with all the councils and other partners in Oxfordshire to harmonise our approach to performance management. In this work, we have jointly authored a partnership performance guide and a data sharing protocol to map the flows of data between organisations, and clarify roles.
By this means, we can eliminate the risk of data inconsistency and duplication of effort, and provide a consistent set of management information that partners can use to drive improvement.

The combination of all of the approaches listed above is that the council has a strong focus on delivering priorities, managing performance against targets, and progressing actions.

Action:
To continue to update the handbook in 2010/11 to reflect the new management structure and future harmonisation of performance management with Vale of White Horse District Council.

LEGAL FRAMEWORK

At its meeting on 16 July 2008, Council approved the creation of a shared senior management team with Vale of White Horse District Council. In September 2008, South Oxfordshire District Council's chief executive was appointed to the post of shared chief executive. In December 2008, strategic directors were appointed to the shared management team, in February 2009 heads of service were appointed and in early 2010 service managers were appointed to posts ready to take up their positions in April 2010. At the outset of this shared process, the council's monitoring officer was satisfied that the procedure adopted in the recruitment process complied with all relevant legislation.

Section 113 of the Local Government Act 1972 allows a local authority to enter into an agreement with another local authority to place its officers at the disposal of another authority. Staff who are made available under such an arrangement are able to take binding decisions on behalf of the council at whose disposal they are placed, although they remain an employee of their original authority for employment and superannuation purposes. This legislation therefore allows officers to be shared between the two councils. Council authorised the head of legal and democratic services to enter into an agreement under section 113 of the Local Government Act 1972 for this joint arrangement. The section 113 agreement was completed on 26 September 2008.

In September 2008, Council was asked to agree that all references to the chief executive, head of paid service, electoral registration officer and returning officer contained in the Constitution should apply to the shared chief executive when acting in those roles for each council with effect from 17 September 2008. Following the appointment of the strategic directors and heads of service in 2008 and 2009 respectively, a harmonised scheme of delegation to officers and harmonised contract procedure rules were introduced to meet the requirements of joint working with Vale of White Horse District Council.

Otherwise, the Constitution was reviewed twice during the year to ensure it is up to date. During the year, a review of the scheme of delegation was undertaken. In order to enhance the efficiency of decision-making within the budget and policy framework agreed by full council, more decision-making has been delegated to Cabinet members and officers.

The monitoring officer did not need to use her statutory powers during the year.

Part 3 of the Local Government and Public Involvement in Health Act 2007 (the Act) requires all principal authorities to adopt either an elected mayor and cabinet or a new style 'strong' leader and cabinet executive. The council must review its own arrangements by

31 December 2010 with changes implemented three days after the date of the May 2011 local elections. The council will take reasonable steps to consult the local government electors for, and other interested persons in, the council's area before drawing up its proposals for agreeing its preferred governance model.

In 2009 and 2010 the Legal Services team was again 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.

Action(s):
- To further review the Constitution to meet the requirements of joint working with Vale of White Horse District Council and to meet the requirement to review its executive arrangements under Part 3 of the Local Government and Public Involvement in Health Act 2007

FINANCIAL FRAMEWORK

FINANCIAL REPORTING

We produce budget monitoring information for both revenue and capital expenditure every month from June onwards during the financial year. We distribute budget monitoring reports from the financial management system, which are profiled, to heads of service and managers every month, within a week of the end of the period. This allows accountancy to ensure that the information is as up to date as possible, for example by ensuring that all cash received up to the end of the previous period is reflected in the figures.

Every quarter, heads of service are required to submit a return to accountancy, which provides reasons for current variances, and forecasts the end of year outturn position.

We collate the heads of services' returns into a budget monitoring report which is considered by Cabinet. The layout and contents of the reports were developed to meet the specific requirements of the Cabinet member with responsibility for finance. These reports highlight the key variances being reported by each service, allowing management and Cabinet to focus on them. The quarterly budget monitoring reports to Cabinet are considered on the same Cabinet agenda as the quarterly performance monitoring reports, enabling Cabinet to consider the council's performance at the same time as it considers its budgetary position.

The Cabinet budget monitoring reports include details of any virements considered necessary within the quarterly budget monitoring reports. By making budget transfers in-year, we are able to realign resources to ensure that overspends do not impact on our ability to deliver other services. This is assisted by the prudent inclusion of a £300,000 contingency budget.

Budgetary control is subject to internal audit review every two years.

For all committee reports for which a decision is required, a "financial implications" section is included which details the actual, and potential, financial consequences of the decision being taken. We ensure that this information is accurate and relevant by clearing it through an accountant.

On 29 June 2009, Audit and Corporate Governance Committee approved the council's financial statements for 2008/09, and an unqualified audit opinion was received on 29 September 2009, within the statutory deadline. This was the first time that this opinion had been received on time since 2006.

Officers keep up to date with the latest developments in accounting, which enable them to be prepared for the changes in accounting practice that affect the preparation and presentation of the financial statements. The chief accountant and two of the council's principal accountants attended a chief accountants' workshop, held by the Audit Commission in January and February 2010, which focussed on the 2009/10 accounts, on international financial reporting standards (IFRS), under which the council's accounts will have to be prepared in future. The council also subscribes to the CIPFA finance advisory network (FAN) and accountants regularly attend FAN events, which enable them to be prepared for changes to the accounts. The chief accountant attended a FAN event in October 2009 on IFRS and did a presentation to the rest of the accountancy team on the content of the course. A principal accountant attended a FAN event in March 2010 regarding the 2009/10 closedown.

The 2008/09 accounts and annual audit letter are available to the public and are published on the council's web site. We can make them available in accessible formats. To assist the public in understanding the accounts, we have included an explanatory foreword in the financial statements that explains the purpose of the accounts and summarises the key messages arising from them. We have included a glossary of terms within the accounts to aid understanding.

BUDGET MONITORING

Accountants meet with all service heads or their staff at least every quarter, during the financial year to discuss performance against budget and to highlight areas of potentially significant over or under spend. We use this information to prepare the quarterly budget monitoring reports presented to Cabinet, and to substantiate any in-year budget transfers or supplementary estimates required to meet changing circumstances. The in-year monitoring of budgets enables the budget setting process to be based on the very latest estimates of expenditure.

Every year the council sets a comprehensive and balanced budget, which is proved to be realistic by the absence of overspends against total budget in recent years.

The council's budget planning cycle is well established. We complete the annual budget for consideration by Cabinet in early February, before it is discussed and approved at full Council later that month. Corporate Improvement Scrutiny Committee reviewed the budget during December, and also in the period between its consideration by Cabinet and full Council during February. Throughout the budget setting process the council's financial position, and budget proposals, are regularly discussed informally by Cabinet and management team, which ensures that they have a good understanding of the financial situation.

When the budget is set, the monitoring of expenditure against budget continues throughout the financial year by both the corporate management team and councillors. Cabinet formally receives budget monitoring reports every quarter, culminating in an outturn report that reflects on the overall performance against budget for the previous year. These are based on returns provided by the heads of service.

MEDIUM TERM FINANCIAL STRATEGY AND MEDIUM TERM FINANCIAL PLAN

Supporting the annual budget setting process, we produce a medium term financial strategy (MTFS), and a medium term financial plan (MTFP) annually. The MTFS identifies the parameters within which the council's finances are managed, and states that new or additional expenditure will be agreed with reference to the council's priorities. We update it annually and it therefore keeps abreast of changes in the political and economic climate. We discuss its preparation with the Cabinet member for finance, and both Cabinet and Council agree it. It also underpins other council strategies, such as the capital strategy.

The MTFP provides a forward-looking budget model that estimates the council's budgets in future years, and in the process also indicates the required level of savings needed in future years to balance the budget in accordance with the parameters enshrined in the MTFS. This is based on assumptions of the most likely levels of such critical factors as inflation, government grant funding, and the level of investment interest. The latter in particular is subject to current uncertainty. We highlighted the impact of fluctuating interest rates on the investment income the council will earn in the MTFS through a sensitivity analysis, which took into account both the expected levels of interest rates, and the future level of council reserves and balances. We have included the risk of fluctuating interest rates in our risk register.

Based on the MTFP produced for 2009/10 budget setting, we were able to identify the level of savings that would be required to set the 2010/11 council tax to reflect an increase in council tax that was within the parameters of the MTFS. To ensure that the council can continue to focus on delivering services more efficiently during difficult economic times, it has taken a pro-active approach to identifying and delivering efficiency savings. It has merged its management team with that of neighbouring district council Vale of White Horse and has embraced "Lean" business process re-engineering. This initiative, internally branded as "fit for the future", will come to embrace all services, with the specific intention of delivering the current level of service more efficiently. For the first phase of this project, three services were subject to review during 2008/09, and the outcome was that over £550,000 of ongoing savings were realised. In 2009/10, a wide-ranging function review across all services identified over £600,000 of ongoing savings that have been built into the 2010/11 budget. These savings and others generated by service managers themselves, ensured that there was no increase in council tax for 2010/11 and this met the requirements of the MTFS. All the savings identified to date are reasonable, having been subject to review by the management team and Cabinet.

The council's policy on reserves and balances is enshrined in the MTFS, which councillors approve. The budget report we present to Cabinet includes a summary of the estimated balance on key reserves at the end of the capital programme period. Assumptions underpinning the estimates of reserves are reasonable.

The council communicates key messages from its financial planning process to staff and stakeholders. New staff undertake an induction process that includes an introduction to local government finance module. This makes staff aware of how the council's budgets are constructed and of the financial pressures the council faces. For line managers, a separate module goes into more detail on the financial planning process, and covers their responsibilities. In 2009 we held a series of presentations for staff to explain the budget process and the pressures the council faces as part of the budget setting process. We also sought the views of stakeholders during the budget process. We held a consultation workshop for council taxpayers to discuss budget issues and, for the business community, we held a business breakfast. We seek feedback on all of these mechanisms to what value staff and stakeholders place on these activities.

TREASURY MANAGEMENT STRATEGY

The council's treasury management strategy, which council agrees annually, sets out the council's policy on managing its investments, which ensures that it has sufficient cash to meet its needs, and that returns are maximised whilst maintaining the security of the council's assets. The strategy makes regard to the Code of Practice for Treasury Management, and the CIPFA Prudential Code. We report performance against the strategy to Council annually.

The council enjoys a healthy financial position. We have significant reserves that generate interest income, which we use to support both the revenue budget and the capital programme. The council takes a prudent approach to its use of investment interest, by using it in the year after it is earned. This means that we will use the interest earned during the

2009/10 financial year to support the 2010/11 revenue budget. This provides a more stable platform on which to plan, and means that the dramatic falls in interest rates that have been experienced in recent times do not impact on in-year service delivery.

All the arrangements detailed above demonstrate that the Cabinet and corporate management team exercise collective responsibility for financial matters. All members of the corporate management team accept individual and collective responsibility for the stewardship of use of resources and financial accountability.

In February 2010, Cabinet agreed that the Audit and Corporate Governance Committee would take responsibility for ensuring effective scrutiny of the treasury management strategy, policies and performance in accordance with the CIPFA Prudential code and CIPFA Treasury management code, which were revised in December 2009.

COUNCILLORS' AND SENIOR OFFICERS' DEVELOPMENT

We offer councillors a comprehensive induction programme. In the months following the elections in 2007 we arranged, amongst other things, sessions on planning, licensing, scrutiny, finance, customer service, risk management and business continuity, equality and diversity and sustainable development. Thereafter the council provides ongoing training according to need. For example, in 2008/09 members of the Audit and Corporate Governance Committee undertook a self assessment of their training needs in relation to finance, internal and external audit, risk management and governance. This assessment helped the council to identify where to focus training. During the year, we offered committee members development sessions on risk, internal and external audit and governance. The committee also took the opportunity to observe another audit committee in action. In June 2009, the committee took part in a development session on the financial statements with the Vale of White Horse District Council's audit committee. In 2010/11, we will assess need and offer further development sessions.

Senior officers take part in induction sessions with all staff. Their development opportunities include support towards a nationally recognised qualification e.g. MBA. They can take part in the Common Purpose Matrix (a county wide senior management development programme) and they can attend programmes such as *aiming to be a corporate director*. Attendees evaluate these programmes; provide feedback at the end of each session and line managers review training during the appraisal and formal one to one process. We are launching a management development programme for middle managers in 2010/11.

The senior management team has attended some workshops to clarify their roles and responsibilities and their interactions between the politicians across the two councils. This was to ensure that they provided clear and consistent leadership for the two organisations.

Heads of Service attended a workshop to draw on experiences of other local authorities in developing approaches to shared services and to build consistency of approach amongst the Heads of Service in their service reviews.

Coaching opportunities are provided by the Milton Keynes, Oxfordshire and Buckinghamshire (MKOB) partnership and these opportunities have been offered to the recently appointed shared service managers to support them in their new role of managing services across two councils.

The council will continue to develop councillors' roles through a councillor and committee excellence review. It will be undertaken as a shared review with Vale of White Horse District Council. The review will result in actions to develop the effectiveness of councillors in their different roles. It will have the added objective of making decision making in Council and committee meetings more effective. The review will encourage councillors to engage in training to meet their needs as well as the council's needs.

Councillors, independent and parish members on the Standards Committee have continued to receive briefings on the code of conduct and attended a county-wide training event in March 2010. The chairman and vice chairman of the committee have access to the online standards forum, and they have also met with other chairmen and vice chairmen of Oxfordshire standards committees and intend meeting periodically to discuss topics of common interest.

INTERNAL AUDIT AND THE INTERNAL AUDIT MANAGER

Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the council's objectives. It assists the council by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary.

The internal audit manager contributes to the assurance process by commenting on the effectiveness and outcome of the programme of internal audits and comments on the effectiveness of the internal control environment of the council. The internal audit services are now completely harmonised with Vale of White Horse District Council.

The internal audit manager's overall opinion offers satisfactory assurance on the basis of its own work. There is basically a sound system of internal control in place, but there are some weaknesses which may put some system objectives at risk.

During the year the internal audit manager has noted the introduction of the Council's anti fraud and corruption policy by Democratic Services and the introduction of a strategy to further develop a robust anti fraud and corruption culture within the Council. Internal audit is committed to providing anti fraud and corruption training, however this has been postponed until the Audit Manager returns from maternity leave in January 2011. During 2009/2010, the Internal Audit team have undertaken proactive anti fraud compliance testing to evaluate whether the control environment is sufficiently robust to highlight areas of concern with regards to fraud and corruption issues.

Internal audit offers assurance that it has complied with the CIPFA Code and a formal quality assurance programme continues to be in place. Internal audit has completed a self-assessment against the code to identify areas for further improvement and actions arising from the self assessment have been incorporated into the activities of the internal audit team.

RISK MANAGEMENT

We have harmonised our risk management approach with Vale of White Horse District Council. The harmonisation process allowed us to enhance our approach to risk management by incorporating recommendations made by internal audit and considering the comments made by the Audit Commission during their recent use of resources review. We have revised our Risk Management Strategy to incorporate the harmonised approach and to create a joint strategy for both councils. Cabinet approved the strategy on 2 July 2009.

The new risk management approach ensures that all risks are linked to strategic objectives, the likelihood and impact is assessed, the gross and net risk are identified and assigns responsibility for mitigating actions to appropriate officers. We have designated risk champions for all services' areas that are currently refreshing the operational risk registers, which heads of service review. Any mitigating actions required for operational risks are included in service plans where appropriate. The process requires management team to review the operational risk registers on a quarterly basis and also requires us to present a report detailing the contents of operational risk registers to Audit and Corporate Governance Committee.

We have a strategic risk register, owned by management team, with clear links between risks and strategic objectives. The new process requires management team to review the strategic risk register on a quarterly basis. We updated the strategic risk register in August 2009 and assigned responsibility for implementing the required mitigating actions to either one of the strategic directors or the chief executive. We presented the strategic risk register to Audit and Corporate Governance Committee on 29 September 2009 with a further update in March 2010.

Members of Audit and Corporate Governance Committee have received training and risk management is included in the induction package given to new employees. Guidance documents and procedures are available to all staff via a designated risk management area on the council's intranet. The council has designated risk champions who receive training as required and the corporate risk officer supports the champions in their duties.

Management team has identified partnerships as a strategic risk and included this in the strategic risk register. It is likely we will undertake a separate exercise to address this strategic risk in that we look at the process of how we currently manage and respond to partnership risks and how we mainstream this process into the quarterly management review of existing operational risk registers. The council's partnership manager has included partnership risks within the service team's operational risk register.

Risk management has been incorporated into the council's approach to writing report synopses where officers are required to detail the risks that the council faces in making its decision.

ANTI-FRAUD AND CORRUPTION, WHISTLEBLOWING AND MONEY LAUNDERING

With the Vale of White Horse District Council the council reviewed, updated and strengthened its anti-fraud and corruption, whistleblowing and anti-money laundering policies during the year.

Internal audit reviews each service's anti-fraud and corruption awareness and arrangements as a standard part of all audits and makes recommendations to address any weaknesses that they identify. Internal audit's rolling audit plan includes areas such as gifts and hospitality and the register of interests. The 2010/11 audit plan includes a pro-active anti-fraud review with 15 days allocated to each council. The review will include the integration of dummy staff members and inappropriate significant payments by internal audit and testing will identify if existing management controls are sufficient. The council raised the profile of the anti-fraud and corruption and whistleblowing policies by increasing their visibility through inclusion on the council's website and the inclusion of anti-fraud and corruption arrangements in induction packages for new employees.

The council actively participates in the National Fraud Initiative; publicises successful cases of fraud; has effective working arrangements; and, shares intelligence with relevant partner organisations e.g. the Police, Department for Work and Pensions and the Housing Benefit Matching Service. The council has a good record of prosecuting fraudsters and administration of penalties and cautions. It undertakes active recovery of fraudulent overpayments and ensures policies are applied consistently.

The internal control arrangements in place include the Constitution, the provision of an internal audit service, the presence of an Audit and Corporate Governance Committee, transparent governance reporting through an assurance framework and compliance with relevant laws and regulations.

BUSINESS CONTINUITY

We started a full review of our business continuity arrangements during 2009/2010 to take into account the recent management restructure and the decision to rationalise the business continuity arrangements between South Oxfordshire District Council and Vale of White

Horse District Council. We have a project plan to guide us through the process and the review is included within our service plan. We produced a joint business continuity strategy with Vale of White Horse District Council, which is now in place and have business continuity plans supported by the disaster recovery plan and the crisis management plan. We have a timetable for the review of business continuity plans. We have undertaken work in relation to our disaster recovery site as our existing contract was coming to an end. We have extended the current contract for a year to allow time to look at the possibilities of having a joint disaster recovery site with Vale of White Horse District Council. We have scheduled a business impact assessment exercise in March and April 2010 to take into account the new structures of the service teams. All contract specifications include a requirement for potential suppliers to provide the council with details of their business continuity arrangements. As per our business continuity project plan, we will conduct a separate exercise to obtain business continuity details from the council's top suppliers during 2010/11.

GOVERNANCE CODE

South Oxfordshire District Council adopted its revised code from 1 April 2008. We noted the overlap between the governance code and the Audit Commission's comprehensive area assessment and use of resources assessment, which gives the council an indication of how well it performs against the governance code having achieved a score of 3 overall.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

Our Audit and Corporate Governance Committee undertakes the core functions of an audit committee as set out in CIPFA's Audit Committees – Practical Guidance for Local Authorities (2005), as set out below.

- To consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- To seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- Be satisfied that the authority's assurance statements, including the Statement on Internal Control (Annual Governance Statement), properly reflect the risk environment and any actions required to improve it.
- To approve (but not direct) internal audit's strategy, plan and monitor performance.
- To review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- To receive the annual report of the head of internal audit.
- To consider the reports of external audit and inspection agencies.
- To ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- To review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

From May 2008, the committee was reduced in size to seven members to accord with good practice guidance. In the council's 2008/09 Annual Governance Statement we undertook to:

- work with councillors on the committee to develop their understanding of roles and responsibilities and how they can contribute to monitoring and improving governance, risk management and internal control
- enable the committee to deliver robust challenge on governance and internal control
- develop councillors' understanding of the sources of assurance supporting the governance statements.

In undertaking to do this the new, smaller committee undertook a self assessment in the autumn of 2008. Committee members and substitutes, eligible to sit on the committee, responded to questions on their understanding of internal and external audit, risk management and finance and also evaluated their own skills and those of the committee in carrying out its role. Officers continued to deliver a programme of development sessions into 2009/10 targeting committee members' areas of greatest need.

CORPORATE IMPROVEMENT SCRUTINY COMMITTEE AND CUSTOMER AND COMMUNITY SCRUTINY COMMITTEE

In 2009/10 the scrutiny committees helped develop council policy and review performance in meeting council objectives.

Following a review of the scrutiny function in 2008, the council undertook to implement the action plan to improve the effectiveness of the scrutiny committees following publication of the report on the review of scrutiny. The recommendations were not for a fundamental change of the way we do scrutiny; rather they proposed a number of changes to processes, procedures and documents which, taken together, would bring scrutiny into the main planning and business processes of the council, in line with national and local expectations. Arising from the Fit for the Future review of functions, the council has further decided to improve the effectiveness of the scrutiny function and have one scrutiny committee with effect from May 2010.

Action:
To continue to improve the effectiveness of the council's scrutiny function with effect from May 2010.

STANDARDS COMMITTEE

The council adopted a new code of conduct in 2007. As the need arises, officers have delivered training on the code of conduct to district and parish and town councillors as well as parish and town clerks.

The committee continues to carry out the local assessment of code of conduct complaints. It has 10 members to carry out this role. The committee is made up of four district councillors, three parish representatives and three independent representatives. During the year the committee had a vacancy for an independent representative and undertook a recruitment exercise to appoint two new independent representatives to the committee, as one other member decided not to stand for reappointment on completion of her four-year term with the committee.

Table 1 overleaf summarises the actions taken by the Standards Committee on receipt of complaints against district, town and parish councillors from 2008 to 2010.

Table 1: Complaints and investigations: district and parish councillors, 2008 to 2010

		2008/09	2009/10
	PARISH COUNCILLORS		
1	Complaints against parish councillors *No investigation*	1	5
2	Complaints against parish councillors *Referred for investigation*	0	1
	DISTRICT COUNCILLORS		
3	Complaints against district councillors *No investigation*	29[2]	0
4	Complaints against district councillors *Referred for investigation*	1	0

Footnotes to the table

1. This was one complaint against 29 councillors, which had to be registered as 29 complaints with Standards for England.
2. In relation to 1 and 3 the complainant had a right to request a review of the assessment panel's decision not to refer the case for investigation. In 2008/09 no complainants requested a review of the assessment decision. In 2009/10 one complainant requested a review.
3. In relation to 4 (2008/09), at the subsequent hearing, the committee found that the councillor did fail to comply with the code of conduct. During 2009/10 one parish council investigation is ongoing.

During the year, Standards Committee members attended training events, facilitated by Standards for England, to help them in their role on the local filter of complaints. They will continue to take up training opportunities as they become available. The committee will continue to review its procedures in order to enable the smooth-running of the complaints process.

In November 2008, the committee responded to a further consultation on revisions to the model code of conduct. The 2008/09 Annual Governance Statement included an action to implement the provisions of the revised code of conduct. This code of conduct has not come forward during the period and the council will implement any revised code when it does arrive.

The Standards Committee is keen to uphold the high standards of ethical governance within the council and embarked on a project to enter the ethics and standards award at the LGC awards in 2011. A task group has been convened with the main project benefits being:

- to reinforce the culture of high standards of ethical governance amongst councillors
- to support members in the highest standards of conduct
- to raise awareness of ethical governance amongst officers, its partners and the general public
- the council is assessed as performing well on the use of resources assessment
- to improve links and understanding with town and parish councils and councillors.

The Standards Committee acknowledged that many projects that will enable it to be shortlisted at the LGC awards would be costly and it is not prepared to incur such costs. As such, the council's action plan that it undertook to prepare in anticipation of entry to the ethics and standards award in 2011 is based on the premise of minimal cost to the council. During the year, articles were published in the town and parish council newsletter with a section dedicated to code of conduct matters. A survey was included within the citizens'

[2] This was one complaint against 29 councillors, which had to be registered as 29 complaints with the SBE.

panel. The council's weekly information sheet for councillors includes briefings and reminders on the code of conduct.

Action(s):
- To adopt any new revisions to the code of conduct.

EXTERNAL SOURCES OF ASSURANCE ON THE GOVERNANCE FRAMEWORK

Issues raised by our external auditor, the Audit Commission, and other external inspectors are used to identify improvement areas in our governance arrangements. There was one issue identified in 2009/10 relating to the certification of grant claims.

The council receives more than £26 million funding from various grant-paying departments. The grant-paying departments attach conditions to these grants and the council must show that it has met these conditions. If the council cannot provide evidence, the funding can be at risk. It is therefore important that the council manages certification work properly and can demonstrate to the Audit Commission that the relevant conditions have been met.

In March 2010 the Audit and Corporate Governance Committee considered the Audit Commission's certification of annual claims and returns and action plan: the claim having been qualified for the second year due to inaccuracies in both benefits calculations and in classification of overpayments of benefits. The council may lose subsidy due to the extent of local authority error leading to overpayments in 2008/09. An action plan has been developed to ensure that the council meets the conditions relating to grants.

Action:
To implement the activities to ensure that the council meets the conditions relating to grants, as set out in the action plan presented to the Audit and Corporate Governance Committee in March 2010.

LOCAL GOVERNMENT OMBUDSMAN

The Local Government Ombudsman provides summary information on complaints about South Oxfordshire District Council to enable the council to incorporate any feedback into service improvement.

The letter dated 31 March 2009, considered by the Audit and Corporate Governance Committee in September 2009, shows that the Ombudsman *received* 22 complaints (16 in 2007/08) during the year. However, a change in the way the Ombudsman operates means that the statistics cannot be compared with previous years. Of the 22, 13 were sent to the investigative team.

Five complaints were *decided* during the year. In two cases, the Ombudsman found no evidence of maladministration, one was outside the Ombudsman's jurisdiction and one was not investigated as the complainant had not sustained significant injustice. The remaining case was decided as a *local settlement* with the council introducing new processes to keep complainants informed and the Ombudsman discontinuing his investigation.

The Ombudsman made enquiries to the council on eight complaints during the year and the average time for responding was 34.5 days (29.5 days in 2007/08), which remains outside the 28 day target.

The Ombudsman appreciated the readiness of the council to consider taking early action to resolve complaints and to consider local settlements early.

5.0 Significant governance issues

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

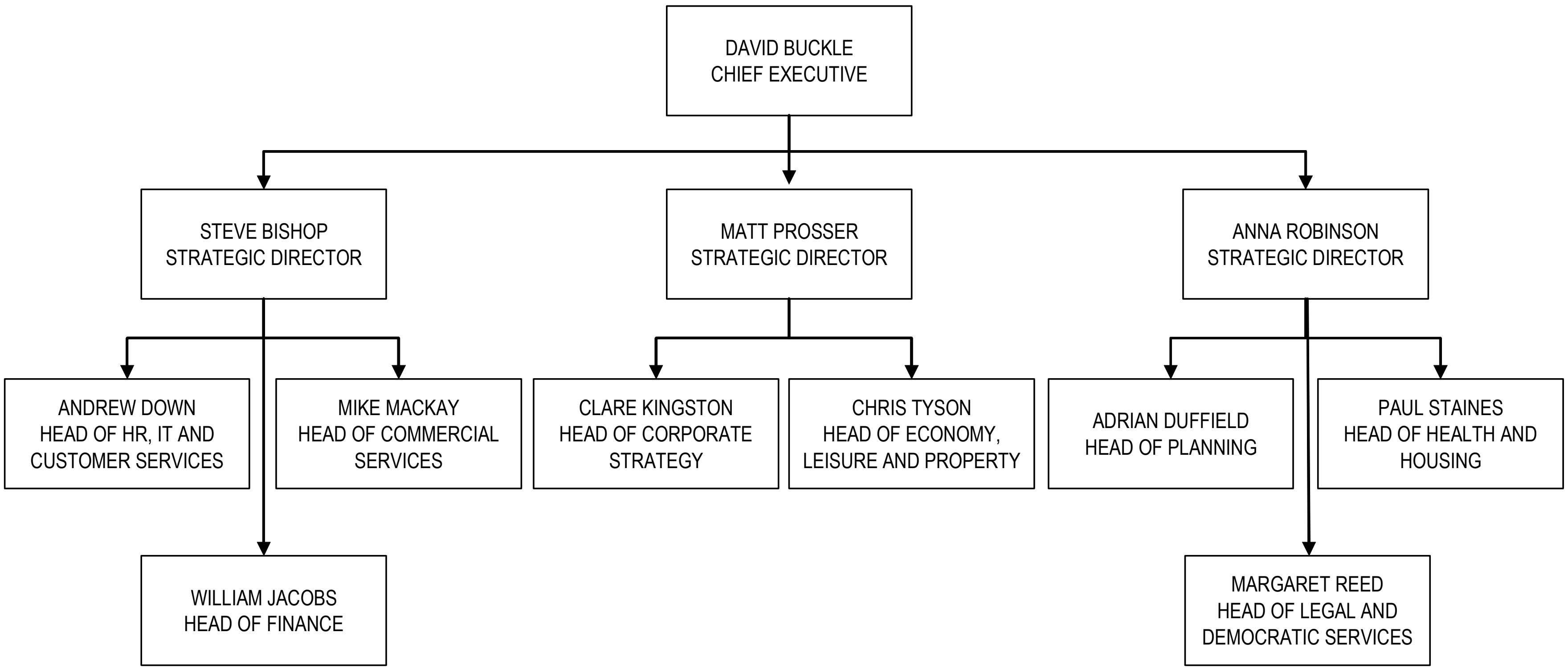
Signature ______________________________ Date ________________________

David Buckle
Chief Executive

Signature ______________________________ Date ________________________

Ann Ducker
Leader of the Council

Appendix 1: South Oxfordshire District Council management structure[3]



[3] All posts are shared with Vale of White Horse District Council.

GLOSSARY OF TERMS

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 pension 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.

Area based grant – This comprises part of the council's general government grant income.

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.

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

Balance sheet – The balance sheet is a statement of the assets and liabilities at the end of the accounting period.

Capital adjustment account – The capital adjustment account provides a balancing mechanism between the different rates at which assets are depreciated and financed through the capital control system.

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

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

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

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

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

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

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

Contingent asset – A contingent asset is a 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.

Contingent liability – 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; or

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

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

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 – A debtor is an amount due to the organisation within the accounting period not received by the balance sheet date.

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.

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

Events after the balance sheet date – Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date (normally 31 March) and the date when the statement of accounts is authorised for issue.

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

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

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

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

Financial instrument – A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

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

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

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.

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

Impairment – The unexpected or sudden decline in the value of a capital asset, such as property or vehicle.

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

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

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

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

Net book value – The amount at which fixed assets are included in the Balance Sheet; ie: their historical cost or current value less the cumulative amounts provided for depreciation.

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

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

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

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

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

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

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

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

Revaluation reserve – The revaluation reserve records unrealised revaluation gains arising (since 1 April 2007) from the council holding fixed assets.

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

Revenue expenditure funded from capital under statute – Revenue expenditure funded from capital under statute arises where:

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

(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.

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

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.

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

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

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

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