WEST OXFORDSHIRE DISTRICT COUNCIL

# STATEMENT OF ACCOUNTS 2017/2018

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## West Oxfordshire District Council

West Oxfordshire District Council combines beautiful countryside with a thriving local economy and enviable visitor attractions. The District has high job growth and, despite an expanding population, rates of unemployment and crime are among the lowest in the Country.

The population is approximately 108,000; the three largest towns are Witney, Carterton and Chipping Norton, thought the majority of the population (57%) live in rural areas. The District also has an ageing population and estimates from 2014-2024 show the 65 years and over age group increasing by a further 5,300 people with two-thirds of this being outside the main towns.

Priorities for the Council include improving the provision of affordable housing, facilitating effective road and transport networks and improving access to key services such as GP surgeries and schools. The Council is also committed to the provision of free car parking within its car parks across the district. At the same time the Council aims to ensure the environment is protected and improved where possible. All this has to be achieved in the most cost-effective way.

## Our Aim and Priorities

**To maintain and enhance West Oxfordshire as one of the best places to live, work and visit in Great Britain**

**Protect the environment whilst supporting the local economy**

**Working with Communities to meet the current and future needs of residents**

**Provide efficient and value for money services, whilst delivering quality front line services**

The Council Plan 2016 to 2019 sets out the Council's aim, priorities and objectives. Under each priority are the 'key tasks' which show what we will do to achieve each priority and objective. Service Delivery Plans have been developed for each of our services; and include a summary of what the service does, and how it supports the Council's aim, priorities and objectives. They link the priorities and objectives in the Council Plan to the activities that demonstrate what we will do to achieve them.

During the year, we monitor the progress of the Council Plan and activities and performance measures in the Service Delivery Plans to ensure that the Council stays on track, and achieves what it set out to do.

The full Council Plan 2016 to 2019 can be found on the Council website.

## Publica Group (Support) Limited

In June 2014, Cotswold, Forest of Dean and West Oxfordshire District Councils, along with Cheltenham Borough Council agreed to form a four council partnership – known as the 2020 Vision Partnership - to make substantial savings whilst continuing to deliver services locally. The partnership was guided by the vision, *"A number of Council's retaining their independence and identity but working together and sharing resources to maximise mutual benefit leading to more efficient effective delivery of local services."*

Cotswold District Council and West Oxfordshire District Council began sharing officers in 2008, initially by sharing a Chief Executive. Over time the two Councils shared Strategic Directors and Senior Managers and then some services. From 2012 the partner councils shared HR and Finance services through GOSS (Gloucester Oxfordshire Shared Services). Building on this in April 2016 shared services were extended to include a wider range of service areas. The partners set up a Joint Committee in early 2016 to oversee the next stage of the 2020 Vision Programme, culminating in the establishment of Publica Group (Support) Limited.

Publica Group (Support) Limited ['Publica'] is wholly owned by Cotswold District Council along with West Oxfordshire and Forest of Dean District Councils and Cheltenham Borough Council. It is a not-for-profit company limited by guarantee with no share capital and operates with Mutual Trading Status to deliver services on behalf of the Member councils under contract.

Publica is a Teckal company fulfilling the conditions set out in Regulation 12(4) of the Public Contracts Regulations 2015. The Company is subject to management supervision by the Members. As such, the Company is a body governed by public law as defined in the Public Contracts Regulations 2015.

While Publica works closely with the Council, the company has its own board of Directors, its own Management team, and operates independently from the Council.

The company approach provides a mechanism to bring employees from across the partner Councils under a single employment arrangement. The company is independent of individual councils but accountable equally to all partners.

Creating one employer for all four councils will:

- Reduce the cost of management and administration;
- Deliver a better, more cost-effective service to communities;
- Allow Publica to offer new staff an employment package that is flexible and modern for them and sustainable for the council
- Provide the opportunity to share workloads, learn from each other and benefit from shared expertise, resources and knowledge.

This partnership will bring cost savings of £5.6m a year by 2020 and £41m over 10 years.

Residents and businesses will continue to deal with their local Council as they always have because services will be unaffected. However, the aim is to improve the customer experience and improve services through the implementation of the transformation programme.

Each council will retain its independence, identity and responsibility for the services it provides and will:

- Still have its own elected councillors
- Continue to make policy, strategies and decisions taking account of the needs of the local community
- Have staff working in the same locations
- Retain the same contact details and branding.

**Impact on the Statement of Accounts**
The main impact of Publica on the Statement of Accounts is the transfer of costs from 'employee benefits expenses' to a contract payment (*B2 Expenditure & Income Analysed by Nature*).

With the transfer of staff the Council's senior management now consists solely of retained officers with statutory responsibility (*B8 Officer Remuneration*) and the Councils legal officers.

The pension disclosures (F*1 Defined Benefit Pension Scheme*) continue to include the staff transferred to Publica; all staff are pooled as the Council continues to underwrite the pension liabilities on the whole scheme.

Other impacts are described throughout the notes to the Statement of Accounts where appropriate.

## Medium Term Financial Strategy (MTFS)

The Council operates a rolling 10 year MTFS, the latest being approved by Cabinet on 14th February 2018. This latest update reflected:

- The effect of business rates revaluation and changes in rateable values
- The expected reduction of Revenue Support Grant (RSG) over the coming 4-years
- reforms to the New Homes Bonus;
- an update on the change in Government plans from 100% business rates retention to a 75% scheme
- changes in assumptions on tax base growth and inflation
- 2020 Programme/Publica savings targets

The Council has robust and affordable plans to ensure that the Council remains financially viable for the duration of the coming 10-year period.

The latest incarnation of the Medium Term Financial Strategy can be found on the Council's website and viewing the documents of the Cabinet meeting of 14th February 2018.

## Financial Performance

The Council's 2017/18 budget strategy assumed a balanced budget with a use of £2,611 of General Fund (Unallocated) balances. The outturn position resulted in a surplus, and contribution to balances, of £587.

The full Q4 outturn report can be viewed visiting the Council website and reading the Cabinet papers of 13th June 2018.

## Capital Programme

The Council maintains a capital programme to support investment and manage its assets. In 2017/18 the Council invested £6.1m in:

| Capital Investment in the year | £000 |
|---|---|
| Property, Plant and Equipment | 4,750 |
| Granting capital loans | 500 |
| Capital grants and flooding works | 865 |
| | 6,115 |

The most significant of these was the purchase of a new fleet of waste and recycling vehicles at a cost of £3.5m.

## Financial Position

The Council continues to maintain a strong Balance Sheet despite financial challenges. Net Assets increased in the year by approximately £7.4m. The major contributing factors was an increase in the value of the pension fund assets, leading to a positive movement in the pension fund valuation £2.9m, and increases in asset values of approximately £2.8m.

| | |
|---|---|
| **Net Assets 16/17** | **£81.938m** |
| **Net Assets 17/18** | **£89,347m** |
| **Movement** | **£7,409m** |

## Pension Liability

West Oxfordshire District Council is a member of the Oxfordshire County Council Pension Fund, for which Oxfordshire County Council is the administering authority. The scheme is a defined benefit statutory scheme that is administered in accordance with the Local Government Pension Scheme Regulations 1997 (as amended).

At the balance sheet date the actuarial valuation had the pension fund in deficit (liabilities exceed assets). The valuation is represented as follows:

| Pension assets and liabilities | £000 |
|---|---|
| Fair value of employer assets | 54,023 |
| Present value of obligations | (88,566) |
| Surplus / (deficit) on the pension fund | (34,543) |

This compared to a deficit at 31st March 2017 of £37,440,000. Whilst the scheme is in deficit it represents the net value of what the Council owes across all future years. Publica and the Council is making contributions to cover liabilities accruing for employees that are current members and lump-sum payments to fund the deficit.

## Operational Performance and Efficiency

The Council has three Overview and Scrutiny Committees – Finance and Management; Economic and Social; and Environment – to monitor the Council's progress towards achieving the aims and priorities as set out in the Corporate Strategy and Plan.

The Council has 12 core performance indicators that it reports on. Of the ten indicators that the Council was able to report on for 2017/18 [the remaining two related to staff sickness and are now irrelevant with the majority of the Council's staff TUPE-transferring to Publica Group in November 2017), all ten achieved their target.

In addition to the core basket of indicators, the Council collates data on performance across the services. 25 out of 32 (78%) of indicators achieved their targets, slightly down upon the position (85%) a year ago.

Of the 'key tasks' set out for 2017/18 in the Council Plan (2016-2019), nine of the 13 key tasks had been achieved or partly achieved.

Reports for 2017/18 giving more details on the year's performance are available from the Council website.

## Explanation of the Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March. It comprises core and supplementary statements, together with supporting notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, which in turn is underpinned by International Financial Reporting Standards. A glossary of key terms and abbreviations can be found at the end of this publication.

The **Core Statements** are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area / directorate. The bottom half of the statement deals with corporate transactions and funding.

The **Movement in Reserves Statement** is a summary of the changes that have taken place in the bottom-half of the Balance Sheet over the financial year.

Reserves are divided into "usable", which can be invested in service improvements or capital investment, and "unusable" which must be set aside for specific purposes.

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves as at the year-end, 31 March 2018.

The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment or financing activities (such as borrowing or other long term liabilities).

The **Supplementary Statements** are:

The **Collection Fund** summarises the transactions relating to council tax and business rates collection, and the redistribution of that money.

Business Rates is distributed to Central Government, Oxfordshire County Council and West Oxfordshire District Council. Council Tax is distributed between Oxfordshire County Council, the Police & Crime Commissioner for Thames Valley, West Oxfordshire District Council and the Town & Parish Councils within the West Oxfordshire district.

The **Annual Governance Statement** which sets out the governance structures of the Council and its key internal controls.

## Facing the Challenges Ahead

The UK economy grew by 1.8% in the 2017 calendar year, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies. The imposition of tariffs on a broadening range of goods initiated by the US, which has led to retaliation by China, could escalate into a deep-rooted trade war having broader economic consequences including inflation rising rapidly, warranting more interest rate hikes

The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018. Weak UK business investment was not helped by political uncertainty following the surprise General Election in June 2017 and by the lack of clarity on Brexit, the UK and the EU only reaching an agreement in March 2018 on a transition which will run to 2020. The Withdrawal Treaty is yet to be ratified by the UK parliament and those of the other 27 EU member states and new international trading arrangements are yet to be negotiated and agreed.

The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate hike in ten years. The February Inflation Report indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening (increases to interest rates).

One of the biggest financial challenges the Council faces is the change to central government funding which is due to be implemented from the 2020/21 financial year. For the period to 2020/21, the Council has entered into an agreement with the Government which sets out minimum levels of funding for certain funding streams (Revenue Support Grant and Rural Services Delivery Grant). For the period post 2020/21, the future is far less certain as a number of significant changes will come into effect:

- the Government will implement the outcome of the Local Government Fairer Funding Review;
- the new 75% Business Rates Retention system will come into effect;
- the Business Rate baseline will be reset and there is the potential for the Council to lose its share of the financial benefit from growth in business rates in the District since 2013;
- the Government will have completed a new Spending Review to establish its spending priorities post 2020;

In addition, while some changes to New Homes Bonus have been announced, changing the award period from six years to four years and introducing a baseline for housing growth baseline of 0.4%, further changes may be introduced from 2019/20 which would reduce the value of the grant to the Council.

The impact of the changes to central government financing, set out in the bullets above, are still uncertain with progress at national government stalling as a result of the government's focus upon Brexit. The Council updated its Medium Term Financial Strategy in February 2018 to include the latest forecast implications and will continue to keep the Strategy under review as further information becomes available.

Operationally, the Council will be working with its service delivery company, Publica, to implement a transformation programme which aims to deliver savings of £710,000 to the Council's revenue budget over the next four years. In addition to significant savings, the transformation programme also aims to improve services to customers by utilising new technology and designing services putting the customer needs first.

One of the Council's top tasks over the medium term is work with all of the Oxfordshire authorities to deliver the Oxfordshire Growth Deal. The Growth Deal has secured government investment of £215 million in Oxfordshire primarily for infrastructure improvements and affordable housing.

Locally, one of the Council's top tasks over the medium term is to deliver enhancements to Carterton Leisure Centre, an investment of over £7 million. The implications of this significant investment have been included in the Council's Capital Strategy, Treasury

Management Strategy and Medium Term Financial Plan.

Overall, the Council is in a strong financial position. The Medium Term Financial Strategy indicates that the Council will be able to weather the change to government funding in 2020/21 and has financial capacity to be able to set a balanced budget over the next ten years.

In terms of risk, the Council (like the rest of the country) wait and see how the implications of Brexit evolve over the coming year.

**Further information**

For further information on the accounts please contact: Jenny Poole, Chief Finance Officer, West Oxfordshire District Council, Woodgreen, Witney, Oxfordshire OX28 1NB; or via email at Jenny.poole@cotswold.gov.uk.

Jenny Poole CPFA
Chief Finance Officer

# STATEMENT OF RESPONSIBILITIES

**The Authority's responsibilities**

The Authority is required to:

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

**The Chief Finance Officer's responsibility**

The 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 Code).

In preparing this statement of accounts, the Chief Finance Officer has:

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

The 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.

**CERTIFICATE**

I certify that the Statement of Accounts presented here gives a true and fair view of the financial position of the authority at the accounting date and of its income and expenditure for the year ended 31st March 2018.

Date: 31st July 2018

Philip Alway
Deputy s.151 Officer

In accordance with regulation 10(3) Accounts and Audit Regulations 2016, the statement of accounts is approved by the Chairman of the Audit and General purposes Committee, on behalf of West Oxfordshire District Council.

Date: 31st July 2018

Cllr. Alvin Adams
Chairman of the Audit and General Purposes Committee

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2016/2017 Gross Expenditure £ | 2016/2017 Gross Income £ | 2016/2017 Net Expenditure £ | | Note | 2017/2018 Gross Expenditure £ | 2017/2018 Gross Income £ | 2017/2018 Net Expenditure £ |
|---|---|---|---|---|---|---|---|
| | | | Joint Committee | | | | |
| 1,413,394 | (869,156) | 544,238 | Environmental and Regulatory Services | | 1,414,647 | (809,822) | 604,825 |
| 861,450 | (26,715) | 834,735 | GO Shared Services | | 895,888 | (1,225) | 894,663 |
| 2,815,885 | (1,229,985) | 1,585,900 | ICT, Change and Customer Services | | 4,128,851 | (2,461,023) | 1,667,828 |
| 1,147,377 | (361,757) | 785,620 | Land, Legal and Property Services | | 1,438,836 | (677,919) | 760,917 |
| 20,408 | 140,006 | 160,414 | Partnership MD and 2020 Programme Costs | | 906,884 | (138,584) | 768,300 |
| 27,021,845 | (26,722,424) | 299,421 | Revenues and Housing Support Services | | 25,934,657 | (25,148,330) | 786,327 |
| | | | Strategic Directors | | | | |
| 1,087,025 | (239,858) | 847,167 | Democratic Services | | 1,124,596 | (245,761) | 878,835 |
| 7,526,050 | (2,725,476) | 4,800,574 | Environmental Services | | 9,383,428 | (3,500,915) | 5,882,513 |
| 2,363,372 | (463,272) | 1,900,100 | Leisure and Communities Services | | 2,625,572 | (377,200) | 2,248,372 |
| 2,276,379 | (1,758,886) | 517,493 | Planning and Strategic Housing Services | | 2,336,010 | (1,779,420) | 556,590 |
| 879,428 | (107,976) | 771,452 | Other Retained Services | | 437,610 | (61,687) | 375,923 |
| **47,412,613** | **(34,365,499)** | **13,047,114** | **Cost of Services** | | **50,626,979** | **(35,201,886)** | **15,425,093** |
| 4,167,584 | (312,537) | 3,855,047 | Other Operating Expenditure | *B3* | 4,571,637 | (523,900) | 4,047,737 |
| 6,177,567 | (4,122,727) | 2,054,840 | Financing and Investment Income and Expenditure | *B4* | 1,296,587 | (6,299,715) | (5,003,128) |
| 0 | (15,522,265) | (15,522,265) | Taxation and Non-Specific Grant Income | *B5* | | (15,268,449) | (15,268,449) |
| **57,757,764** | **(54,323,028)** | **3,434,736** | **(Surplus) / Deficit on Provision of Services** | *B1 / B2* | **56,495,203** | **(57,293,950)** | **(798,747)** |
| | | (6,807,924) | (Surplus) / deficit on revaluation of non current assets | | | | (2,954,046) |
| | | (1,126,595) | (Surplus) / deficit on revaluation of available for sale financial assets | | | | 326,190 |
| | | 6,956,000 | Remeasurement of the net defined benefit liability | | | | (3,982,000) |
| | | **(978,519)** | **Other Comprehensive Income and Expenditure** | | | | **(6,609,856)** |
| | | **2,456,217** | **Total Comprehensive Income and Expenditure** | | | | **(7,408,603)** |

# THE MOVEMENT IN RESERVES STATEMENT

| | Note | Usable Reserves | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | General Fund - Unallocated £ | General Fund - Earmarked £ | Capital Receipts Reserve £ | Capital Grants Unapplied £ | Total Usable Reserves £ | Unusable Reserves £ | TOTAL RESERVES £ |
| **Balance at 31 March 2016** | | **(11,259,011)** | **(7,980,804)** | **(4,737,613)** | **(2,540,556)** | **(26,517,984)** | **(57,876,267)** | **(84,394,251)** |
| Movements in reserves 2016/17 | | 1,581,048 | (1,581,048) | 0 | 0 | 0 | 0 | **0** |
| Total Comprehensive Income and Expenditure | | 3,434,736 | 0 | 0 | 0 | 3,434,736 | (978,519) | **2,456,217** |
| Adjustments between accounting basis & funding basis under regulations | *C1* | (5,510,230) | 1,118,400 | 259,650 | (690,291) | (4,822,471) | 4,822,471 | **0** |
| **(Increase) / Decrease in Reserves 2016/17** | | **(494,446)** | **(462,648)** | **259,650** | **(690,291)** | **(1,387,735)** | **3,843,952** | **2,456,217** |
| **Balance at 31 March 2017** | | **(11,753,457)** | **(8,443,452)** | **(4,477,963)** | **(3,230,847)** | **(27,905,719)** | **(54,032,315)** | **(81,938,034)** |
| Movements in reserves 2017/18 | | 1,404,201 | (1,414,007) | 0 | 0 | (9,806) | 9,806 | **0** |
| Total Comprehensive Income and Expenditure | | (798,747) | 0 | 0 | 0 | (798,747) | (6,609,856) | **(7,408,603)** |
| Adjustments between accounting basis & funding basis under regulations | *C1* | (606,041) | 0 | (546,234) | (205,664) | (1,357,939) | 1,357,939 | **0** |
| **(Increase) / Decrease in Reserves 2017/18** | | **(587)** | **(1,414,007)** | **(546,234)** | **(205,664)** | **(2,166,492)** | **(5,242,111)** | **(7,408,603)** |
| **Balance at 31 March 2018** | | **(11,754,044)** | **(9,857,459)** | **(5,024,197)** | **(3,436,511)** | **(30,072,211)** | **(59,274,426)** | **(89,346,637)** |

# BALANCE SHEET

| 31st March 2017 £ | | Note | 31st March 2018 £ |
|---|---|---|---|
| 50,830,888 | Property, Plant & Equipment | *D1* | 52,293,543 |
| 91,084 | Heritage Assets | | 91,084 |
| 43,340,552 | Investment Property | *D2* | 45,146,140 |
| 246,224 | Intangible Assets | *D3* | 172,228 |
| 20,687,147 | Long Term Investments | *F2* | 15,402,155 |
| 608,815 | Long Term Debtors | *D7* | 3,686,157 |
| **115,804,710** | **Long Term Assets** | | **116,791,307** |
| 5,869,999 | Short Term Investments | *F2* | 11,104,301 |
| 0 | Assets held for sale | | 0 |
| 36,871 | Inventories | | 35,883 |
| 4,334,831 | Short Term Debtors | *D4* | 7,243,445 |
| 7,015,144 | Cash and Cash Equivalents | | 3,413,860 |
| **17,256,845** | **Current Assets** | | **21,797,489** |
| (9,939,279) | Short Term Creditors | *D5* | (10,286,110) |
| (1,895,874) | Short Term Creditors - s.106 balances | *D5* | (2,473,285) |
| (1,102,544) | Provisions | *D6* | (1,582,745) |
| **(12,937,697)** | **Current Liabilities** | | **(14,342,140)** |
| (37,440,000) | Defined Benefit Pension Liability | *F1b* | (34,543,000) |
| (17,924) | Other Long Term Liabilities | | 0 |
| (727,900) | Capital Grants Receipts in Advance | *B9b* | (357,019) |
| **(38,185,824)** | **Long Term Liabilities** | | **(34,900,019)** |
| **81,938,034** | **Net Assets** | | **89,346,637** |
| (27,905,719) | Usable reserves | | (30,072,211) |
| (54,032,315) | Unusable Reserves | | (59,274,426) |
| **(81,938,034)** | **Total Reserves** | | **(89,346,637)** |

These financial statements replace the unaudited statements that were certified on 31st May 2018.

Philip Alway
Deputy s.151 Officer

# CASH FLOW STATEMENT

| | Note | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|---|
| Net surplus or (deficit) on provision of services | | (3,434,736) | 798,747 |
| Adjustments to net surplus or (deficit) on the provision of services to exclude non-cash movements | *E1a* | 16,780,084 | 6,291,359 |
| Adjustments for items included in the net surplus or (defecit) on the provision of services that are investing or financing activities | *E1b* | (961,095) | (4,189,736) |
| **Net cash flows from Operating Activites** | | **12,384,253** | **2,900,371** |
| Investing Activities | *E1c* | (8,768,722) | (6,483,732) |
| Financing Activities | *E1d* | (583,565) | (17,923) |
| **Net increase or (decrease) in cash and cash equivalents** | | **3,031,967** | **(3,601,285)** |
| Cash and cash equivalents at 1 April | | 3,983,177 | 7,015,144 |
| **Cash and cash equivalents at 31 March** | | **7,015,144** | **3,413,860** |
| Comprising: | | | |
| Cash and bank current accounts | | 446,926 | 463,651 |
| Short term investments | | 6,568,218 | 2,950,209 |
| | | **7,015,144** | **3,413,860** |

### B1. Expenditure and Funding Analysis

| | 2017 / 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Net Expenditure in CI&ES £ | Adjs. between accounting and funding basis £ | Transfers to /(from) GF Earmarked Reserves £ | Net Exp. Chargeable to the General Fund £ | Management Reporting Adjs. £ | Outturn Reported to Management £ |
| Joint Committee | | | | | | |
| Environmental and Regulatory Services | 604,825 | (699,404) | 0 | (94,579) | 511,472 | 416,893 |
| GO Shared Services | 894,663 | (7,503) | 0 | 887,160 | 7,503 | 894,663 |
| ICT, Change and Customer Services | 1,667,828 | (385,938) | 0 | 1,281,890 | 128,136 | 1,410,026 |
| Land, Legal and Property Services | 760,917 | (288,543) | 0 | 472,374 | 155,630 | 628,004 |
| Partnership MD and 2020 Programme Costs | 768,300 | (13,440) | 0 | 754,860 | 0 | 754,860 |
| Revenues and Housing Support Services | 786,327 | (218,729) | 0 | 567,598 | 6,532 | 574,130 |
| Strategic Directors | | | | | | |
| Democratic Services | 878,835 | (37,749) | 0 | 841,086 | 0 | 841,086 |
| Environmental Services | 5,882,513 | (370,493) | 0 | 5,512,020 | 232,838 | 5,744,858 |
| Leisure and Communities Services | 2,248,372 | (798,417) | 0 | 1,449,955 | 335,466 | 1,785,421 |
| Planning and Strategic Housing Services | 556,590 | (204,032) | 0 | 352,558 | 27,184 | 379,742 |
| Other Retained Services | 375,923 | 1,259,722 | 0 | 1,635,645 | (3,501,669) | (1,866,024) |
| **Cost of Services** | **15,425,093** | **(1,764,526)** | **0** | **13,660,567** | **(2,096,908)** | **11,563,659** |
| Other Income and Expenditure | (16,223,840) | 1,158,485 | 1,404,201 | (13,661,154) | 2,096,908 | (11,564,246) |
| **(Surplus) / Deficit on Provision of Services** | **(798,747)** | **(606,041)** | **1,404,201** | **(587)** | **0** | **(587)** |
| Opening General Fund Balance (Unallocated) at 1 April | | | | (11,753,457) | | |
| (Surplus) / Deficit for the year | | | | (587) | | |
| **Closing General Fund Balance (Unallocated) at 31 March** | | | | **(11,754,044)** | | |

| | 2016 / 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Net Expenditure in CI&ES £ | Adjs. between accounting and funding basis £ | Transfers to /(from) GF Earmarked Reserves £ | Net Exp. Chargeable to the General Fund £ | Management Reporting Adjs. £ | Outturn Reported to Management £ |
| Joint Committee | | | | | | |
| Environmental and Regulatory Services | 544,238 | (96,946) | 0 | 447,292 | 298,741 | 746,033 |
| GO Shared Services | 834,735 | (38,326) | 0 | 796,409 | (796,409) | 0 |
| ICT, Change and Customer Services | 1,585,900 | (197,254) | 0 | 1,388,646 | (1,225,020) | 163,626 |
| Land, Legal and Property Services | 785,620 | (131,706) | 0 | 653,914 | (713,907) | (59,993) |
| Partnership MD and 2020 Programme Costs | 160,414 | (20,504) | 0 | 139,910 | (118,560) | 21,350 |
| Revenues and Housing Support Services | 299,421 | (138,611) | 0 | 160,810 | 695,610 | 856,420 |
| | | | | | | |
| Strategic Directors | | | | | | |
| Democratic Services | 847,167 | (338) | 0 | 846,829 | 27,362 | 874,191 |
| Environmental Services | 4,800,574 | (691,216) | 0 | 4,109,358 | 1,391,080 | 5,500,438 |
| Leisure and Communities Services | 1,900,100 | (903,966) | 0 | 996,134 | 667,243 | 1,663,377 |
| Planning and Strategic Housing Services | 517,493 | (162,162) | 0 | 355,331 | 563,028 | 918,359 |
| Other Retained Services | 771,452 | (930,142) | 0 | (158,690) | (1,002,910) | (1,161,600) |
| | | | | | | |
| **Cost of Services** | **13,047,114** | **(3,311,171)** | **0** | **9,735,943** | **(213,742)** | **9,522,201** |
| | | | | | | |
| Other Income and Expenditure | (9,612,378) | (2,199,059) | 1,581,048 | (10,230,389) | 656,742 | (9,573,647) |
| | | | | | | |
| **(Surplus) / Deficit on Provision of Services** | **3,434,736** | **(5,510,230)** | **1,581,048** | **(494,446)** | **443,000** | **(51,446)** |
| | | | | | | |
| Opening General Fund Balance (Unallocated) at 1 April | | | | (11,259,011) | | |
| (Surplus) / Deficit for the year | | | | (51,446) | | |
| Budgeted contribution to GF | | | | (443,000) | | |
| **Closing General Fund Balance (Unallocated) at 31 March** | | | | **(11,753,457)** | | |

Adjustments between accounting basis and funding basis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded compared with the resources consumed or earned by the Council in accordance with generally accepted accounting practices as shown in the Comprehensive Income and Expenditure Account. It also shows how these amounts are allocated for decision making purposes across the Council's Directorates and Services. The adjustments between these amounts are detailed below:

| | 2017 / 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Adjustments between funding and accounting basis (see MiRS Note C1) | | | | Adjustments between amounts chargeable to the General Fund and Management Reporting | | |
| | Capital Adjs £ | Pension Adjs £ | Other Adjs £ | Total adjs between funding and accounting £ | Depreciation £ | Other Segment Adjs. £ | Total Management Reporting Adjustments £ |
| Joint Committee | | | | | | | |
| Environmental and Regulatory Services | 562,994 | 136,410 | 0 | 699,404 | 562,994 | (51,522) | 511,472 |
| GO Shared Services | 7,503 | 0 | 0 | 7,503 | 7,503 | 0 | 7,503 |
| ICT, Change and Customer Services | 128,136 | 257,802 | 0 | 385,938 | 128,136 | 0 | 128,136 |
| Land, Legal and Property Services | 251,179 | 37,364 | 0 | 288,543 | 251,179 | (95,549) | 155,630 |
| Partnership MD and 2020 Programme Costs | 0 | 13,440 | 0 | 13,440 | 0 | 0 | 0 |
| Revenues and Housing Support Services | 6,532 | 212,197 | 0 | 218,729 | 6,532 | 0 | 6,532 |
| Strategic Directors | | | | | | | |
| Democratic Services | 0 | 37,749 | 0 | 37,749 | 0 | 0 | 0 |
| Environmental Services | 0 | 370,493 | 0 | 370,493 | 0 | 232,838 | 232,838 |
| Leisure and Communities Services | 707,998 | 90,419 | 0 | 798,417 | 526,519 | (191,053) | 335,466 |
| Planning and Strategic Housing Services | 27,184 | 176,848 | 0 | 204,032 | 27,184 | 0 | 27,184 |
| Other Retained Services | 0 | (1,259,722) | 0 | (1,259,722) | 2,120 | (3,503,789) | (3,501,669) |
| **Cost of Services** | **1,691,526** | **73,000** | **0** | **1,764,526** | **1,512,167** | **(3,609,075)** | **(2,096,908)** |
| Other Income and Expenditure | (2,385,361) | 1,012,000 | 214,876 | (1,158,485) | (1,512,167) | 3,609,075 | 2,096,908 |
| **(Surplus) / Deficit on Provision of Services** | **(693,835)** | **1,085,000** | **214,876** | **606,041** | **0** | **0** | **0** |

| | 2016 / 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Adjustments between funding and accounting basis (see MiRS Note C1) | | | | chargeable to the General Fund and Management Reporting | | | |
| | Capital Adjs<br>£ | Pension Adjs<br>£ | Other Adjs<br>£ | Total adjs between funding and accounting<br>£ | Support Services<br>£ | Depreciation<br>£ | Other Segment Adjs.<br>£ | Total Management Reporting Adjustments<br>£ |
| Joint Committee | | | | | | | | |
| Environmental and Regulatory Services | 791 | 96,155 | 0 | 96,946 | 328,498 | 791 | (30,548) | 298,741 |
| GO Shared Services | 38,326 | 0 | 0 | 38,326 | (834,735) | 38,326 | 0 | (796,409) |
| ICT, Change and Customer Services | 188,013 | 9,241 | 0 | 197,254 | (1,413,033) | 188,013 | 0 | (1,225,020) |
| Land, Legal and Property Services | 115,067 | 16,639 | 0 | 131,706 | (772,532) | 115,067 | (56,442) | (713,907) |
| Partnership MD and 2020 Programme Costs | 0 | 20,504 | 0 | 20,504 | (118,560) | 0 | 0 | (118,560) |
| Revenues and Housing Support Services | 6,471 | 132,140 | 0 | 138,611 | 689,139 | 6,471 | 0 | 695,610 |
| Strategic Directors | | | | | | | | |
| Democratic Services | 0 | 338 | 0 | 338 | 27,362 | 0 | 0 | 27,362 |
| Environmental Services | 629,882 | 61,334 | 0 | 691,216 | 431,237 | 566,833 | 393,010 | 1,391,080 |
| Leisure and Communities Services | 844,937 | 59,029 | 0 | 903,966 | 73,264 | 593,979 | 0 | 667,243 |
| Planning and Strategic Housing Services | 47,307 | 114,855 | 0 | 162,162 | 515,721 | 47,307 | 0 | 563,028 |
| Other Retained Services | 483,377 | 446,765 | 0 | 930,142 | 976,449 | 0 | (1,979,359) | (1,002,910) |
| **Cost of Services** | **2,354,171** | **957,000** | **0** | **3,311,171** | **(97,190)** | **1,556,787** | **(1,673,339)** | **(213,742)** |
| Other Income and Expenditure | 2,508,888 | 1,045,000 | (1,354,829) | 2,199,059 | 97,190 | (1,556,787) | 2,116,339 | 656,742 |
| **(Surplus) / Deficit on Provision of Services** | **4,863,059** | **2,002,000** | **(1,354,829)** | **5,510,230** | **0** | **0** | **443,000** | **443,000** |

**Capital Adjustments**
This column adjusts for depreciation and impairment, revaluations gains and losses in service lines and for transfers of income / net value of assets written off on disposals in Other Operating Income and Expenditure. Taxation and Non Specific Grant Income is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Pension Adjustments**
This column removes the impact of IAS19 Employee Benefits. For services, this is the removal of current or past service costs and replaces them with the actual employer pension contributions payable. In Financing and Investment Income and Expenditure, the net interest on the net defined benefit liability is removed.

**Other Adjustments**
This adjustment represents the difference between the amounts chargeable under statutory regulations for Council Tax and Non Domestic Rates and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

**Support Services**
In 2017/18 the decision was taken not to allocate overhead and support services costs within the amounts reported to Management; therefore there is no adjustment required between the management accounts and the figures presented in the Comprehensive Income and Expenditure Statement.

### B2. Expenditure and Income Analysed by Nature

| | 2016/17 £ | 2017/18 £ |
|---|---|---|
| **Expenditure** | | |
| Employee benefits expenses | 9,185,334 | 7,026,768 |
| Publica Contract Charges | 0 | 3,471,494 |
| Housing Benefit & Other Transfer Payments | 24,371,394 | 23,063,070 |
| Other service expenses | 11,804,427 | 14,876,460 |
| Depreciation, amortisation and impairment | 1,564,343 | 1,512,167 |
| Interest payments and similar expense | 1,065,169 | 1,016,697 |
| Precepts and Levies | 3,242,905 | 3,483,742 |
| Other expenditure | 6,524,192 | 1,952,805 |
| **Total Expenditure** | **57,757,764** | **56,403,203** |
| **Income** | | |
| Fees, charges & other service income | (9,257,326) | (14,228,132) |
| Housing Benefit Subsidy | (24,305,913) | (22,996,041) |
| Other Government Grants | (5,544,229) | (5,237,525) |
| Income from Council Tax | (7,282,083) | (7,428,694) |
| Income from Non Domestic Rates | (2,999,554) | (3,265,933) |
| Non Government Grants & Contributions | (3,878,089) | (1,149,969) |
| Investment Interest and similar income | (743,297) | (2,467,059) |
| Other income | (312,537) | (428,597) |
| **Total Income** | **(54,323,028)** | **(57,201,950)** |
| **(Surplus) / Deficit on Provision of Services** | **3,434,736** | **(798,747)** |

### B3. Other Operating Income and Expenditure

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| (Gains) / losses on disposal of non current assets | 795,914 | 999,895 |
| Unattached capital reciepts | (312,537) | (523,899) |
| Town and Parish Council support grant | 128,765 | 88,000 |
| Town and Parish Council precepts | 3,242,905 | 3,483,742 |
| | **3,855,047** | **4,047,737** |

### B4. Financing and Investment Income and Expenditure

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| Interest payable and similar charges | 20,169 | 4,696 |
| Interest receivable and similar income | (743,718) | (783,985) |
| Loss on disposal of investment | 450,143 | 0 |
| Movement in the fair value of investment property | 4,316,719 | (1,685,203) |
| Net investment property (income) / expenditure | (2,992,438) | (3,496,250) |
| Net interest on the net defined benefit pension liability | 1,045,000 | 1,012,000 |
| Trading activities - Markets & Fairs | (41,035) | (54,386) |
| | **2,054,840** | **(5,003,128)** |

### B5. Taxation and Non Specific Grant Income

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| National Non Domestic Rates | | |
| - Redistribution | (3,037,781) | (3,783,696) |
| - Renewable Energy | (260,832) | (239,063) |
| - Business rates levy | 949,462 | 1,343,021 |
| - Surplus from the pool | (650,403) | (846,309) |
| - (Surplus) / Deficit | (442,991) | 380,673 |
| | (3,442,545) | (3,145,374) |
| Council Tax income (Council and Town/Parish Council shares) | (6,839,092) | (7,385,412) |
| Revenue Support Grant | (1,057,445) | (636,593) |
| New Homes Bonus | (2,245,057) | (1,872,606) |
| S31 NDR Compensation Grant | (375,705) | (1,379,121) |
| Capital grants and contributions | (833,938) | (542,183) |
| Other non-ringfenced government grants | (728,483) | (307,160) |
| | **(15,522,265)** | **(15,268,449)** |

### B6. Members' Allowances

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| Basic and Special Responsibility Allowances | 331,165 | 337,779 |
| Expenses | 9,435 | 7,130 |
| | **340,600** | **344,909** |

### B7. External Audit Costs

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

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| External audit services carried out by the appointed auditor | 46,139 | 46,139 |
| Certification of grant claims and returns | 11,963 | 14,508 |
| | **58,102** | **60,647** |

In addition to the statutory audit fees listed above, GO Shared Services [as part of Cotswold District Council] subscribed to Grant Thornton "CFO Insights" platform – an online tool containing financial, socio-economic and outcomes data from local authorities across the Country. The tool is used to provide insight to drive and evidence to support, financial decision making using benchmarking, segmentation and comparison. The cost of this service was £15,000 for the four Councils (Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council). This Council's share of the cost is £3,750.

## B8. Officer Remuneration

Senior Officer Remuneration

The Council’s senior employees are those represented on the Corporate Management Team and those with statutory responsibility.

| | 2017/2018 | | |
|---|---|---|---|
| Post | Salary, allowances & other benefits £ | Pension Contributions £ | Total Remuneration £ |
| Partnership Managing Director[1] | 63,583 | 8,865 | 72,448 |
| Head of Paid Service[2] | 70,932 | 10,372 | 81,304 |
| Strategic Director - Planning[3] | 56,517 | 9,382 | 65,899 |
| Chief Finance Officer[4] | 75,750 | 12,575 | 88,325 |
| Monitoring Officer | 63,832 | 9,730 | 73,563 |
| | **330,615** | **50,925** | **381,540** |

| | 2016/2017 | | |
|---|---|---|---|
| Post | Salary, allowances & other benefits £ | Pension Contributions £ | Total Remuneration £ |
| Partnership Managing Director[1] | 133,040 | 18,223 | 151,263 |
| Strategic Director - Resources (and Head of Paid Service)[1] | 101,277 | 13,712 | 114,989 |
| Strategic Director - Planning[2] | 94,726 | 11,590 | 106,316 |
| Strategic Director - Environment[2] | 0 | 0 | 0 |
| Monitoring Officer | 66,252 | 8,366 | 74,618 |
| | **395,295** | **51,891** | **447,186** |

1. Between 1st April and 31st October 2017, this officer was employed by West Oxfordshire District Council and seconded to Cotswold District Council for a proportion of their time. From 1st November, this post was removed and no longer forms part of the Council's senior management structure; the employee was TUPE transferred to Publica Group (Support) Limited. The figures shown above represent the full salary, allowances and pension costs incurred by West Oxfordshire District Council as the employing authority for the 7 months 1st April to 31st October 2017.

2. This officer is employed by West Oxfordshire District Council and became the Head of Paid Service from the 1st November 2017. The cost shown represents the remuneration for the full 12-month period despite the officer only having responsibility as Head of Paid Service for 5-months of the year.

3. Between 1st April and 31st October 2017, this officer was employed by Cotswold District Council and seconded to West Oxfordshire District Council for a proportion of their time. From 1st November, this post was removed and no longer forms part of the Council's senior management structure. The figures shown above represent the full salary, allowances and pension costs incurred by Cotswold District Council as the employing authority for the 7 months 1st April to 31st October 2017.

4. Between 1st April and 31st October 2017, this officer was employed by Cotswold District Council as Group Manager, GO Shared Services; 50% of this role fulfilled the statutory s151 responsibility with the remaining 50% combined with all other costs of GO Shared Services and shared with partner authorities. From 1st November 2017, the post of Group Manager, GO Shared Services was transferred to Publica Group (Support) Limited, however, the officer continued to be employed by Cotswold District Council. The figures shown above represent the full salary, allowances and pensions costs incurred by Cotswold District Council as the employing authority for the whole year. With effect from 1st April 2018, the officer will no longer undertake the role of Group Manager, GO Shared Services.

On a monthly basis the cost of any shared officers is re-charged between Cotswold District Council and West Oxfordshire District Council, between the employing authority and the authority buying the service.

<u>Other Officer Remuneration</u>

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

| | 2016/17 | 2017/18 |
|---|---|---|
| | Number of Officers | |
| £50,000 to £54,999 | 8 | 1 |
| £55,000 to £59,999 | 2 | 0 |
| £60,000 to £64,999 | 1 | 0 |
| £65,000 to £69,999 | 0 | 0 |
| £70,000 to £74,999 | 5 | 1 |
| £75,000 to £79,999 | 1 | 0 |

The number of employees receiving salaries in excess of £50,000 has decreased between years due to the majority of the Council’s staff TUPE-transferring to Publica Group (Support) Limited on 1st November 2017.

### B9. Grant Income

The following significant grants and contributions were credited to the Comprehensive Income and Expenditure Statement during the year.

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| Revenue grants credited to Cost of Services | | |
| Housing Benefit Subsidy | (24,687,016) | (22,981,417) |
| Housing Benefit Administration Subsidy | (259,502) | (305,578) |
| Other grants | (496,934) | (900,309) |
| | **(25,443,452)** | **(24,187,304)** |
| Revenue grants credited to Taxation and Non Specific Grant Income | | |
| Revenue Support Grant | (1,057,445) | (636,593) |
| New Homes Bonus | (2,245,057) | (1,872,606) |
| Section 31 NNDR Compensation / Tariff | (396,729) | (1,379,121) |
| Rural Services Delivery Grant | 0 | (101,878) |
| Other grants | (728,483) | (205,285) |
| | **(4,427,714)** | **(4,195,483)** |
| Capital grants credited to the Comprehensive Income and Expenditure | | |
| Better Care Funding | (525,276) | (452,865) |
| S.106 Receipts & other capital grants | (833,938) | (697,087) |
| | **(1,359,214)** | **(1,149,952)** |

Where the Council has been given grants or contributions with conditions attached, which the Council has yet to meet, these grants are treated as receipts in advance until the conditions are met. The grants and contributions held at the balance sheet date are as follows:

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| Environment Agency Grant [for specific Land drainage works] | (174,266) | (174,266) |
| Better Care Grant Funding | (28,743) | (182,753) |
| Long Term Capital Receipt in advance | (203,009) | (357,019) |
| S106 Capital Contributions [due to third parties] | (524,891) | (639,176) |
| Short Term Capital Receipt in advance | (524,891) | (639,176) |
| Total Capital Receipt in Advance | **(727,900)** | **(996,195)** |

## B10. Termination Benefits

Redundancy and Compensation

An amount of £7,178 (2016/17 £32,114) has been reflected within the Comprehensive Income and Expenditure Statement in respect of severance payments during the year. All payments are within the limits permitted by statute and the superannuation and compensation regulations, applicable at the time of the payment.

Pension Strain

No pensions strain cost in 2017/18 (2016/17 £27,341) was charged to services in the Comprehensive Income and Expenditure Statement. Any additional contributions (strain contributions and augmentation contributions) that are due to be paid in the year by the Council, under any agreement with the pension fund, are recognised immediately as an expense.

The total amount charged and accrued for in the Comprehensive Income & Expenditure Statement is as follows:

| | 2016/17 | | 2017/18 | |
|---|---|---|---|---|
| | **No. of packages** | **£** | **No. of packages** | **£** |
| Severance Payments | 2 | 32,114 | 1 | 7,178 |
| Pension Strain Costs | 1 | 27,341 | 0 | 0 |
| | **3** | **59,455** | **1** | **7,178** |

Exit Packages

The total cost of £7,178 (2017/18 £32,114) shown above reflects the value of the exit packages which have been charged to the Council's Comprehensive Income and Expenditure Statement for the current year.

The total number and value of the exit packages, grouped into bands of £20,000 up to £100,000 and bands of £50,000 thereafter, are as follows:

| | 2016/17 | | 2017/18 | |
|---|---|---|---|---|
| | **No. of packages** | **£** | **No. of packages** | **£** |
| £0 - £20,000 | 0 | 0 | 1 | 7,178 |
| £20,001 - £40,000 | 2 | 32,114 | 0 | 0 |
| £40,001 - £60,000 | 0 | 0 | 0 | 0 |
| £60,001 - £80,000 | 0 | 0 | 0 | 0 |
| | **2** | **32,114** | **1** | **7,178** |

### C1. Adjustments Between Accounting Basis and Funding Basis Under Regulations

| | 2017/2018 | | | |
|---|---|---|---|---|
| | General Fund - Unallocated £ | General Fund - Earmarked £ | Capital Receipts Reserve £ | Capital Grants Unapplied £ |
| **Capital Adjustments** | | | | |
| Reversal of entries included in the CI&ES relating to Capital Expenditure | | | | |
| Charges for depreciation, amortisation and impairment | (1,512,168) | 0 | 0 | 0 |
| Revaluation losses on Property, Plant and Equipment | 0 | 0 | 0 | 0 |
| Movements in the fair value of Investment Properties | 1,685,203 | 0 | 0 | 0 |
| Capital Grants and Contributions applied | 640,168 | | 0 | 0 |
| Revenue Expenditure funded from Capital Under Statute | (864,904) | 0 | 0 | 0 |
| Non current assets written off on disposal or sale | (4,683,415) | 0 | 0 | 0 |
| Adjustments between Capital & Revenue Resources | | | | |
| Transfer of cash sale proceeds from disposal of non current assets | 3,683,521 | 0 | (178,282) | 0 |
| Capital expenditure charged against General Fund Balance | 517,478 | 0 | 0 | 0 |
| Statutory provision for the repayment of debt | 405,402 | 0 | 0 | 0 |
| Capital grants and contributions credited to CI&ES | 393,959 | 0 | 0 | (393,959) |
| Unattached Capital Receipts | 428,591 | 0 | (458,880) | 0 |
| Adjustments to Capital Resources | | | | |
| Application of grants to capital financing tfrd to CAA | | 0 | 0 | 188,295 |
| Use of capital receipts reserve to finance new capital expenditure | 0 | 0 | 500,000 | 0 |
| Transfer from Deferred Capital Receipts on receipt of cash | 0 | 0 | (409,072) | 0 |
| **Pension Adjustments** | | | | |
| Pension costs transferred to / (from) the Pensions Reserve | (1,085,000) | 0 | 0 | 0 |
| **Other Adjustments** | | | | |
| Council Tax and NDR transfers to / (from) the Collection Fund Adjustment Account | (334,876) | 0 | 0 | 0 |
| Reversal of Accumulated Absences from CI&ES | 120,000 | | | |
| | **(606,041)** | **0** | **(546,234)** | **(205,664)** |

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

| | 2016/2017 | | | |
|---|---|---|---|---|
| | General Fund - Unallocated £ | General Fund - Earmarked £ | Capital Receipts Reserve £ | Capital Grants Unapplied £ |
| **Capital Adjustments** | | | | |
| Reversal of entries included in the CI&ES relating to Capital Expenditure | | | | |
| Charges for depreciation, amortisation and impairment | (1,564,343) | 0 | 0 | 0 |
| Revaluation losses on Property, Plant and Equipment | (86,853) | 0 | 0 | 0 |
| Movements in the fair value of Investment Properties | (4,316,719) | 0 | 0 | 0 |
| Capital Grants and Contributions applied | 525,925 | 1,118,400 | 0 | 0 |
| Revenue Expenditure funded from Capital Under Statute | (752,431) | 0 | 0 | 0 |
| Non current assets written off on disposal or sale | (915,914) | 0 | 0 | 0 |
| Adjustments between Capital & Revenue Resources | | | | |
| Transfer of cash sale proceeds from disposal of non current assets | 120,000 | 0 | (120,000) | 0 |
| Capital expenditure charged against General Fund Balance | 600,658 | 0 | 0 | 0 |
| Statutory provision for the repayment of debt | 372,986 | 0 | 0 | 0 |
| Capital grants and contributions credited to CI&ES | 841,095 | 0 | 0 | (833,290) |
| Unattached Capital Reciepts | 312,537 | 0 | (312,537) | 0 |
| Adjustments to Capital Resources | | | | |
| Application of grants to capital financing tfrd to CAA | 0 | 0 | 0 | 142,999 |
| Use of capital reciepts reserve to finance new capital expenditure | 0 | 0 | 815,000 | 0 |
| Transfer from Deferred Capital Receipts on reciept of cash | 0 | 0 | (122,813) | 0 |
| **Pension Adjustments** | | | | |
| Pension costs transferred to / (from) the Pensions Reserve | (2,002,000) | 0 | 0 | 0 |
| **Other Adjustments** | | | | |
| Council Tax and NDR transfers to / (from) the Collection Fund Adjustment Account | 1,354,829 | 0 | 0 | 0 |
| | **(5,510,230)** | **1,118,400** | **259,650** | **(690,291)** |

## C2. Usable Reserves

**Earmarked Reserves**

The Council's General Fund comprises an unallocated element, used to meet day-to-day spending and 'Earmarked Reserves' – amounts set aside to provide financing for future specific expenditure or projects.

Movements in 'Earmarked Reserves' during the year are shown below:

| Earmarked Reserves | **Balance 1 April 2017 £** | **Transfers between reserves £** | **Transfers Out £** | **Transfers in £** | **Balance 31 March 2018 £** |
|---|---|---|---|---|---|
| Improvement & Change Management | (72,055) | 0 | 0 | 0 | **(72,055)** |
| High Speed Broadband | (1,578,851) | 0 | 0 | 0 | **(1,578,851)** |
| Investment Property Improvement | (610,785) | 0 | 0 | 0 | **(610,785)** |
| Business Rate Movement | (1,500,000) | 0 | 0 | 0 | **(1,500,000)** |
| 2020 Programme | (1,227,000) | 0 | 592,113 | 0 | **(634,887)** |
| Carterton LC Phase 2 | (413,626) | 0 | 0 | 0 | **(413,626)** |
| DCLG community housing fund | (376,966) | 0 | 0 | 0 | **(376,966)** |
| Garden Village Grant | (214,285) | 0 | 0 | (161,000) | **(375,285)** |
| Leisure contract 17/18 budget gap | (190,000) | 0 | 160,000 | 0 | **(30,000)** |
| Benefits subsidy smoothing reserve | (100,000) | 0 | 0 | (100,000) | **(200,000)** |
| Leisure capital funding reserve | (500,000) | 0 | 0 | 0 | **(500,000)** |
| Service resilience reserve | (150,000) | 0 | 0 | (50,000) | **(200,000)** |
| Environment service reserve | (150,000) | 0 | 0 | 0 | **(150,000)** |
| Capital Development Reserve | 0 | 0 | 0 | (272,606) | **(272,606)** |
| Flexible Homelessness Support Grant | 0 | 0 | 0 | (72,546) | **(72,546)** |
| Rev & Bens one-off grant funding | 0 | 0 | 0 | (251,789) | **(251,789)** |
| Invest to Save Reserve (1718 outturn) | 0 | 0 | 0 | (1,000,000) | **(1,000,000)** |
| Delivery of Council Priorities | 0 | 0 | 0 | (1,000,000) | **(1,000,000)** |
| Other earmarked reserves | (1,359,883) | (9,806) | 1,019,240 | (267,613) | **(618,063)** |
| | **(8,443,451)** | **(9,806)** | **1,771,353** | **(3,175,554)** | **(9,857,459)** |

## C3. Unusable Reserves

**Summary of Unusable Reserves**

| | **2016/17 £** | **2017/18 £** |
|---|---|---|
| Revaluation Reserve | (21,779,486) | (24,297,784) |
| Capital Adjustment Account | (67,864,656) | (64,676,463) |
| Pension Reserve | 37,440,000 | 34,543,000 |
| Deferred Capital Receipts Reserve | (561,162) | (4,127,040) |
| Collection Fund Adjustment Account | (218,387) | 116,489 |
| Accumulated Absences Account | 126,648 | 6,648 |
| Available for Sale Financial Instruments Reserve | (1,165,466) | (839,276) |
| Unequal Pay Back Pay Account | (9,806) | 0 |
| | **(54,032,315)** | **(59,274,426)** |

Revaluation Reserve

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

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

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

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| Opening Balance - 1 April | (15,844,359) | (21,779,486) |
| Upward revaluation of assets | (6,966,235) | (2,974,419) |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 158,311 | 20,373 |
| *Surplus / deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services* | *(6,807,924)* | *(2,954,046)* |
| Difference between fair value and historic cost depreciation | 336,538 | 424,678 |
| Balances written out on disposal | 536,259 | 11,070 |
| *Amount written off to the Capital Adjustment Account* | *872,797* | *435,748* |
| **Closing Balance - 31 March** | **(21,779,486)** | **(24,297,784)** |

Capital Adjustment Account

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

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

| | 2016/17 £ | 2017/18 £ |
|---|---|---|
| Opening Balance - 1 April | (71,044,346) | (67,864,656) |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement | | |
| Charges for depreciation of non current assets | 1,564,343 | 1,512,168 |
| Revaluation losses on Property, Plant and Equipment | 86,853 | 0 |
| Revenue expenditure funded from capital under statute | 752,431 | 864,904 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure | 915,914 | 4,683,415 |
| | 3,319,541 | 7,060,487 |
| Adjusting amounts written out of the Revaluation Reserve | | |
| Amounts written out on disposal or sale of non current assets | (536,259) | (11,070) |
| Historical cost depreciation adjustment | (336,538) | (424,678) |
| | (872,797) | (435,748) |
| **Net written out amount of the cost of non current assets consumed in year** | **2,446,744** | **6,624,739** |
| Capital financing applied in year | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (815,000) | 0 |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (533,730) | (640,168) |
| Earmarked Reserves credited to Ci&ES to capital financing | (1,118,400) | 0 |
| Application of grants to capital financing from the Capital Grants Unapplied Account | (142,999) | (188,295) |
| Statutory provision for the repayment of debt | (372,986) | (405,402) |
| Capital expenditure charged against the General Fund Balance | (600,658) | (517,478) |
| | (3,583,773) | (1,751,343) |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | 4,316,719 | (1,685,203) |
| **Closing Balance - 31 March** | **(67,864,656)** | **(64,676,463)** |

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

Statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or pays any pensions for which it is directly responsible. The negative balance on the Pensions Reserve represents a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| Opening Balance - 1 April | 28,482,000 | 37,440,000 |
| Return on plan assets | (8,190,000) | (338,000) |
| Remeasurement of the net defined benefit liability | 15,146,000 | (3,644,000) |
| Reversal of items debited or credited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement | 2,983,000 | 3,456,000 |
| Employers' pension contributions | (981,000) | (2,371,000) |
| **Closing Balance - 31 March** | **37,440,000** | **34,543,000** |

Deferred Capital Receipts Reserve

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

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| Opening Balance - 1 April | (683,975) | (561,162) |
| New loans / new deferred receipt | 0 | (4,005,239) |
| Transfer to the Capital Receipts Reserve on receipt of cash | 122,813 | 439,361 |
| **Closing Balance - 31 March** | **(561,162)** | **(4,127,040)** |

Collection Fund Adjustment Account

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

| | Balance 1 April 2017 £ | Transfers in £ | Balance 31 March 2018 £ |
|---|---|---|---|
| Amounts by which income credited to the Comprehensive Income and Expenditure Statement is different from income calcuated for the year in accordance with statutory requirements: | | | |
| Council Tax | (92,166) | 55,464 | (36,702) |
| NNDR | (126,221) | 279,412 | 153,191 |
| | **(218,387)** | **334,876** | **116,489** |

Accumulated Absences Adjustment Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year [the cost of the annual leave entitlement still owed by the Council to its employees at 31st March].

On 1st November 2017 substantially all of the Council's employees were TUPE transferred to Publica Group (Support) Limited apart from three retained employees. The reduction of £120,000 on the Accumulated Absences Adjustment Account has therefore been written back to the Movement in Reserves Statement.

| | 2016/17 £ | 2017/18 £ |
|---|---|---|
| Opening Balance - 1 April | 126,648 | 126,648 |
| Movement in year | 0 | (120,000) |
| **Closing Balance - 31 March** | **126,648** | **6,648** |

Available-for-Sale Financial Instruments Reserve

The available for sale financial instruments reserve contains the gains made by the Council arising from changes in the value of its investments that have quoted marked prices or otherwise do not have fixed or determined payments. The balance is reduced when investments with accumulated gains are either revalued downwards and the gains are lost, or the investments are disposed of and the gains are realised.

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| Opening Balance - 1 April | (38,871) | (1,165,466) |
| Upward revaluation of investments | (917,837) | 0 |
| Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | 0 | 326,190 |
| *Surplus / deficit on revaluation of investments not posted to the Surplus/Deficit on the Provision of Services* | *(917,837)* | *326,190* |
| Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income | (208,758) | 0 |
| **Closing Balance - 31 March** | **(1,165,466)** | **(839,276)** |

## D1. Property, Plant and Equipment

| Movements in 2017/18 | Land & Buildings £ | Vehicles, Plant & Equipment £ | Infrastructure Assets £ | Community Assets £ | Surplus Assets £ | TOTAL P&P&E £ |
|---|---|---|---|---|---|---|
| **Asset Cost or Valuation** | | | | | | |
| Asset values at 1 April 2017 | 42,318,216 | 3,781,115 | 1,142,177 | 917,659 | 5,806,710 | **53,965,877** |
| Additions | 323,462 | 4,427,119 | | | | 4,750,581 |
| Revaluation increases / (decreases) | 2,340,489 | | | | | 2,340,489 |
| Derecognition - disposals | (39,000) | (3,808,914) | (1,142,177) | | | (4,990,091) |
| Transfers and reclassifications | (120,385) | | | | | (120,385) |
| **Asset values at 31 March 2018** | **44,822,782** | **4,399,320** | **0** | **917,659** | **5,806,710** | **55,946,471** |
| **Depreciation** | | | | | | |
| Accumulated depreciation at 1 April 2017 | (232,092) | (2,902,897) | 0 | 0 | 0 | **(3,134,989)** |
| Depreciation charge for the year | (923,373) | (514,798) | 0 | 0 | 0 | (1,438,171) |
| Depreciation written out on revaluation | 613,557 | | 0 | 0 | 0 | 613,557 |
| Derecognition - disposals | 3,000 | 303,675 | 0 | 0 | 0 | 306,675 |
| other movment | | | 0 | 0 | 0 | 0 |
| **Accumulated depreciation at 31 March 2018** | **(538,908)** | **(3,114,020)** | **0** | **0** | **0** | **(3,652,928)** |
| **Net Book Value of Assets** | | | | | | |
| 1st April 2017 | 42,086,124 | 878,218 | 1,142,177 | 917,659 | 5,806,710 | 50,830,888 |
| 31st March 2018 | **44,283,874** | **1,285,300** | **0** | **917,659** | **5,806,710** | **52,293,543** |

## NOTES TO THE BALANCE SHEET

| Movements in 2016/17 | Land & Buildings £ | Vehicles, Plant & Equipment £ | Infrastructure Assets £ | Community Assets £ | Surplus Assets £ | TOTAL P&P&E £ |
|---|---|---|---|---|---|---|
| **Asset Cost or Valuation** | | | | | | |
| Asset values at 1 April 2016 | 40,646,470 | 5,880,728 | 1,521,831 | 769,659 | 2,373,230 | **51,191,918** |
| Additions | 305,310 | 106,275 | 0 | 0 | 0 | 411,585 |
| Revaluation increases / (decreases) | 1,398,436 | 0 | 0 | 148,000 | 3,915,480 | 5,461,916 |
| Derecognition - disposals | 0 | (2,205,888) | (379,654) | 0 | (536,260) | (3,121,802) |
| Transfers and reclassifications | (32,000) | 0 | 0 | 0 | 54,260 | 22,260 |
| **Asset values at 31 March 2017** | **42,318,216** | **3,781,115** | **1,142,177** | **917,659** | **5,806,710** | **53,965,877** |
| **Depreciation** | | | | | | |
| Accumulated depreciation at 1 April 2016 | (624,069) | (4,517,856) | 0 | 0 | 0 | **(5,141,925)** |
| Depreciation charge for the | (857,164) | (600,943) | 0 | 0 | 0 | (1,458,107) |
| Depreciation written out on revaluation | 1,259,155 | 0 | 0 | 0 | 0 | 1,259,155 |
| Derecognition - disposals | | 2,205,888 | 0 | 0 | 0 | 2,205,888 |
| | (10,014) | 10,014 | | | | |
| **Accumulated depreciation at 31 March 2017** | **(222,078)** | **(2,912,911)** | **0** | **0** | **0** | **(3,134,989)** |
| **Net Book Value of Assets** | | | | | | |
| 1st April 2016 | 40,022,401 | 1,362,872 | 1,521,831 | 769,659 | 2,373,230 | 46,049,993 |
| 31st March 2017 | **42,096,138** | **868,204** | **1,142,177** | **917,659** | **5,806,710** | **50,830,888** |

The Code requires that assets are formally revalued at least every 5-years. Assets are revalued more frequently is there is evidence that asset values may have changed. The table below summarises valuations undertaken, by year:

| | Land & Buildings £000 | Vehicles, Plant & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Total PPE £000 |
|---|---|---|---|---|---|---|
| Carried at (depreciated) historic cost | 0 | 1,285 | 1,142 | 770 | 0 | 3,197 |
| Valued at current value as at 31 March: | | | | | | |
| 2016 | 10,549 | 0 | 0 | 0 | 2,377 | 12,926 |
| 2017 | 29,531 | 0 | 0 | 148 | 3,430 | 33,109 |
| 2018 | 1,316 | 0 | 0 | 0 | 0 | 1,316 |
| Total cost or valuation | 41,396 | 1,285 | 1,142 | 918 | 5,807 | 50,548 |

Asset valuation, amortisation and depreciation

Service areas are charged depreciation to represent the real cost of holding and using non-current assets. The value of an asset (less any residual value) will be written-down on a straight-line basis over the useful economic life of the asset. The following useful lives have been used in the calculation of depreciation and amortisation:

- Land assets are generally not depreciated
- Operational buildings are typically depreciated over 30 to 60 years useful lives, depending upon the particular asset and an estimate of the asset life from the Council's valuer
- Car Parks – over 20-years or lifetime agreed with the Council's valuer
- Vehicles, Plant and Equipment are depreciated over 5 to 7 years as appropriate
- Infrastructure Assets are depreciated over a period of up to 25 years, depending upon the particular asset and as estimate of the asset life from the Council's valuer.
- Surplus assets will have lives based upon the type of asset – eg. Buildings 30 to 60 years, land indefinite lifespans. Useful economic lives will be agreed with the valuer.
- Heritage and Community Assets are not depreciated

Capital Commitments

The Council has no capital commitments at the balance sheet date.

Effects of changes in estimates

The Council has not made any changes in its accounting estimates in either the life or depreciation methods of assets during the year.

Revaluations

Since 2010 the Council has adopted a methodology of revaluing approximately 20% of its assets each year. The 2017/18 valuations and impairment review were undertaken by Mr. D. Thurlow BSc (Hons) MRICS, of West Oxfordshire District Council, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors and the Code of Practice on Local Authority Accounting in the United Kingdom .

Assets are valued as part of a rolling programme of revaluations. All assets are valued at least every 5-years with annual valuations for all assets classified as investment properties.

In estimating asset values it has been assumed that:

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

With the introduction and application of IFRS13 in 2015/16, the Council's surplus assets have been reviewed and measured at fair value based upon 'highest and best use'. The surplus assets that the Council owns are strips of land and therefore there are not depreciated. Within the fair-value hierarchy, the Council's Surplus Assets are deemed as 'level 2' category. The Surplus Assets valuation were undertaken by Mr. D. Thurlow (Hons) MRICS, of West Oxfordshire District Council.

**D2. Investment Properties**

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

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| Rental income | (3,305,773) | (3,751,393) |
| Direct operating expenses | 313,335 | 255,143 |
| Net (gains) / losses from fair value adjustments | 4,316,719 | (1,685,203) |
| | **1,324,281** | **(5,181,453)** |

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

The 2017/18 Investment Property valuations were undertaken by Mr. D. Thurlow BSc (Hons) MRICS, of West Oxfordshire District Council, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (as outlined in Note D1 above).

Under the CIPFA Code the Council's Investment Properties are classified as 'level 2' within the fair-value hierarchy. The assets have been suitably valued, based upon current market conditions, sale prices for similar assets, or contractual income for the properties. These observable inputs have been used to classify the assets accordingly. There have been no movements between categories within the hierarchy during the year.

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

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| Opening Balance - 1 April | 41,046,367 | 43,340,552 |
| Additions | 6,633,164 | 0 |
| Net gains / (losses) from fair value adjustments | (4,316,719) | 1,685,203 |
| Reclassification - transfer to Property, Plant & Equipment | (22,260) | 120,385 |
| **Closing Balance - 31 March** | **43,340,552** | **45,146,140** |

**Fair value hierarchy**

International Financial Reporting Standard 13 (IFRS13) *'Fair Values'* requires all assets measured at fair value to be classified into one of three levels, depending upon the basis of valuation. The 'fair value' of an asset is the price that would be received if it were sold.

The Council's Investment Property assets are deemed to be categorised as Level 2 in the valuation hierarchy, as the fair value of the assets have been derived primarily from income streams. Authorities are required to maximise the use of level 1 inputs (available prices) and minimise the use of level 3 inputs (calculations based upon non-market data such as cash-flow forecasts and other non-market data).

## D3. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased software only, as the Authority has no internally generated software.

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

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

Movements in Intangible Assets

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| **Asset Cost or Valuation** | | |
| Asset values at 1 April | 549,436 | 605,433 |
| Additions | 107,196 | 0 |
| Derecognition | (51,199) | 0 |
| **Asset values at 31 March** | **605,433** | **605,433** |
| **Amortisation** | | |
| Accumulated Amortisation at 1 April | (304,171) | (359,209) |
| Amortisation charge for the year | (106,237) | (73,996) |
| Derecognition | 51,199 | 0 |
| **Accumulated Amortisation at 31 March** | **(359,209)** | **(433,205)** |
| **Net carrying amount at 31 March** | **246,224** | **172,228** |

### D4. Short Term Debtors

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| Government Departments | 444,723 | 2,266,188 |
| Other Local Authorities [Statutory] | 0 | 80,910 |
| Other Local Authorities [Trading] | 1,161,293 | 1,666,773 |
| Collection Fund debtors (WODC Share) | 827,047 | 728,066 |
| Housing Benefit recovery | 1,287,944 | 1,430,388 |
| Sundry Debtors | 1,960,153 | 1,971,707 |
| Finance Leases - principal outstanding | 36,167 | 514,962 |
| Other Debtors | 534,102 | 346,071 |
| Prepayments | 169,617 | 138,945 |
| | 6,421,046 | 9,144,010 |
| Less provision for impairment of receivables: | | |
| Collection Fund provisions (WODC share) | (285,470) | (268,047) |
| Housing Benefit recovery | (1,287,944) | (1,402,947) |
| Sundry Debtors | (512,801) | (229,571) |
| | **4,334,831** | **7,243,445** |

### D5. Short Term Creditors

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| Government Departments | (1,146,560) | (3,396,540) |
| Other Local Authorities [Statutory] | 0 | (329,391) |
| Other Local Authorities [Trading] | (2,067,469) | (1,666,044) |
| Collection Fund (WODC Share) | (1,665,306) | (465,506) |
| Sundry Creditors | (988,444) | (2,158,760) |
| Finance Lease liabilities | (208,508) | 0 |
| Receipts in advance: | | |
| Collection Fund - NNDR prepayment | (446,428) | (100,356) |
| Collection Fund - Council Tax prepayment | (1,460,581) | (56,828) |
| Sundry Creditors receipts in advance | (1,955,983) | (2,112,685) |
| | (9,939,279) | (10,286,110) |
| S106 Balances | (1,895,874) | (2,473,285) |
| | **(11,835,153)** | **(12,759,395)** |

### D6. Provisions

| | Opening Provision 1 April £ | New provisions in-year £ | Use of provisions £ | Provisions returned to revenue £ | Closing Provision 31 March £ |
|---|---|---|---|---|---|
| Property Searches Litigation | (15,468) | 0 | 0 | 0 | **(15,468)** |
| Business Rates (NDR) Appeals | (1,041,219) | (593,420) | 94,443 | 0 | **(1,540,196)** |
| Exit Packages | (45,857) | 0 | 18,776 | 0 | **(27,081)** |
| | **(1,102,544)** | **(593,420)** | **113,219** | **0** | **(1,582,745)** |

Property Searches Litigation

In 2013/14 the Council was named (along with all other English local authorities) in a litigation case regarding the charging of property searches. The Council has established a provision for its likely repayment of search fees. This case is now substantially completed. The remaining balance on the provision will be returned to revenue when any outstanding legal fees have been settled.

Business Rates (NNDR) appeals

The NNDR provision has been set aside for the potential cost to the Council in relation to outstanding appeals against property valuations.

Exit Packages

Provision for the cost of termination benefits payable to employees as a result of restructuring during the year.

### D7. Long Term Debtors

| | 31 March 2017 £ | 31 March 2018 £ |
|---|---|---|
| Equity Loans Scheme | 388,296 | 232,114 |
| Parish/Town Council Loans | 151,714 | 144,294 |
| Charge on former Unicorn Public House - Great Rollright | 33,820 | 31,498 |
| Vehicles Leases | 34,985 | 2,778,251 |
| | 608,815 | 3,186,157 |
| Southill Solar Loan | 0 | 500,000 |
| | **608,815** | **3,686,157** |

### D8. Capital Expenditure and Financing

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

The net movement in the Capital Financing Requirement illustrates the change in the underlying need for the Council to borrow during the year to fund capital investment which has not been funded immediately from resources such as grants, capital receipts and direct funding from revenue.

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| **Opening Capital Financing Requirement** | **543,592** | **4,864,151** |
| **Capital Investment in Year** | | |
| Property, Plant & Equipment | 7,044,705 | 4,750,582 |
| Intangible Assets | 107,196 | 0 |
| Loans from capital resources | 0 | 500,000 |
| Revenue Expenditure Funded from Capital under Statute | 752,431 | 864,904 |
| | 7,904,331 | 6,115,486 |
| **Sources of Finance** | | |
| Capital Reciepts | 815,000 | 500,000 |
| Government grants & other cotnributions | 676,728 | 828,464 |
| Minimum Revenue Provision | 372,986 | 405,785 |
| Earmarked reserves | 1,118,400 | 0 |
| Direct Revenue Contributions | 600,658 | 517,478 |
| | 3,583,772 | 2,251,728 |
| **Net Increase / (Decrease) in Capital Financing Requirement** | **4,320,559** | **3,863,759** |
| **Closing Capital Financing Requirement** | **4,864,151** | **8,727,909** |

## E1. Notes to the Cash Flow Statement

a. Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements

| | 2016/17 £ | 2017/18 £ |
|---|---|---|
| Depreciation, amortisation and impairment | 1,564,343 | 1,512,168 |
| Increase / (decrease) in creditors | 2,697,375 | (122,916) |
| (Increase) / decrease in debtors | 3,473,287 | (2,869,553) |
| Increase / (decrease) in provision for bad debts | 9,927 | 100,794 |
| (Increase) / decrease in inventories | 11,487 | 987 |
| Pensions' liability | 2,002,000 | 1,085,000 |
| Carrying amount of non current assets sold | 915,914 | 4,683,416 |
| Increase / (decrease) in provisions | 0 | 0 |
| Movements in the fair value of investment properties | 4,316,719 | 1,685,203 |
| Other non cash items charged to Surplus/Deficit on the Provision of Services | 1,789,032 | 216,261 |
| | **16,780,084** | **6,291,359** |

b. Adjustments for items included in the net surplus / (deficit) on the provision of services that are investing or financing activities

| | 2016/17 £ | 2017/18 £ |
|---|---|---|
| Capital grants and contributions | (841,095) | (3,647,553) |
| Proceeds from the sale of non current assets | (120,000) | (542,183) |
| | **(961,095)** | **(4,189,736)** |

c. Investing Activities

| | 2016/17 £ | 2017/18 £ |
|---|---|---|
| Purchase of property, plant & equipment and other capital investment | (7,153,120) | (5,250,582) |
| Purchase of short term and long term investments | (23,750,000) | (22,700,000) |
| Proceeds from the sale of non current assets | 436,247 | (2,194,123) |
| Proceeds from disposal of short term and long term investments | 19,843,093 | 22,420,316 |
| Other (reciepts) / payments from investing activities | 1,855,058 | 1,240,657 |
| | **(8,768,722)** | **(6,483,732)** |

d. Financing Activities

| | 2016/17 £ | 2017/18 £ |
|---|---|---|
| Finance lease repayments | (583,565) | (17,923) |
| | **(583,565)** | **(17,923)** |

## F1. Defined Benefit Pension Scheme

Participation in pension schemes

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme (LGPS) is administered locally by Oxfordshire County Council. It is a defined benefit scheme, based upon final salary scheme and length of service upon retirement. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Changes to the LGPS came into effect from 1st April 2014. Benefits accrued from this date are based on a career average revalued salary. Various protections will be in place for those members and benefits accrued in the scheme before the changes take effect.

The scheme is a defined benefit statutory scheme that is administered in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). It is contracted out of the State Second Pension.

Publica Group (Support) Limited

During 2017/18 the Council transferred the majority of its staff under TUPE legislation to Publica Group (Support) Limited, a wholly owned local authority company, limited by guarantee, operating with Mutual Trading Status to deliver services on behalf of the Council. The pension fund disclosure notes on the following pages include the staff transferred to Publica. All staff are pooled (counted as one scheme by the pension fund) as the Council continues to underwrite the pension liabilities on the whole scheme.

The results also include WODC-Ubico staff that are also pooled in the same way.

Pension advance-payment

In April 2017 the Council pre-paid Secondary Rate Contributions dated for 2017/18, 2018/19 & 2019/20 totalling £1,298,000. The three-year payment has been included within the employer contributions and is represented in the 2017/18 disclosures.

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge the Council makes to council tax is based upon the actual cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement (MiRS).

The following transactions have been charged to the Comprehensive Income & Expenditure account and General Fund Balance during the year:

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| **Comprehensive Income & Expenditure Statement** | | |
| *Cost of Services:* | | |
| Current Service Cost | 1,433,000 | 2,382,000 |
| Past Service Cost | 147,000 | 62,000 |
| (Gains)/loss from settlements | 358,000 | 0 |
| *Financing and Investment Income & Expenditure:* | | |
| Net Interest Expense | 1,045,000 | 1,012,000 |
| **Net Charge to Surplus or Deficit on Provision of Services** | **2,983,000** | **3,456,000** |
| *Other post employment benefit charged to Comprehensive Income & Expenditure Statement* | | |
| Remeasurment of the net defined benefit liability comprising: | | |
| Return on Plan Assets | (7,522,000) | (338,000) |
| Actuarial (gains) / losses arising on changes in financial assumptions | 17,247,000 | (3,706,000) |
| Actuarial gains and losses - demographic assumptions | (479,000) | 0 |
| Experience (gains) / losses on defined benefit obligation | (1,622,000) | 62,000 |
| Other actuarial (gains) / losses | (668,000) | 0 |
| | **6,956,000** | **(3,982,000)** |
| **Total post employment benefits charged to the Comprehensive Income & Expenditure Statement** | **9,939,000** | **(526,000)** |
| **Movement in Reserves Statement** | | |
| Reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code | **(2,983,000)** | **(3,456,000)** |
| **Actual amount charged against the General Fund Balance for pensions in the year** | | |
| Employers' contributions payable to the scheme | **981,000** | **2,371,000** |

Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| Present value of the defined benefit obligation - funded | (88,265,000) | (87,853,000) |
| Present value of unfunded obligations | (683,000) | (713,000) |
| Fair Value of Plan Assets | 51,508,000 | 54,023,000 |
| **Net liability arising from defined benefit obligation** | **(37,440,000)** | **(34,543,000)** |

Reconciliation of Movements in the Fair Value of Scheme (Plan) Assets

| | 2016/17 £ | 2017/18 £ |
|---|---|---|
| Opening Fair Value of Scheme Assets | 43,659,000 | 51,508,000 |
| Interest Income | 1,535,000 | 1,401,000 |
| Administration Expense | (29,000) | 0 |
| Remeasurement Gains / (Losses) | 7,522,000 | 338,000 |
| Other Actuarial gains/losses | 668,000 | 0 |
| Employers' Contributions [including Unfunded] | 981,000 | 2,371,000 |
| Employee Contributions | 471,000 | 404,000 |
| Benefits Paid [including Unfunded] | (2,679,000) | (1,999,000) |
| Settlement prices received /paid | (620,000) | 0 |
| **Closing Balance 31 March** | **51,508,000** | **54,023,000** |

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

| | | 2016/17 £ | 2017/18 £ |
|---|---|---|---|
| Opening Balance 1 April | | **(72,141,000)** | **(88,948,000)** |
| Current Service Cost | | (1,433,000) | (2,382,000) |
| Interest Cost | | (2,551,000) | (2,413,000) |
| Contributions from Scheme Participants | | (471,000) | (404,000) |
| Past Service Cost | | (147,000) | (62,000) |
| Remeasurement Gains / (Losses) | | (15,625,000) | 3,644,000 |
| Change in demographic assumptions | | 479,000 | 0 |
| Liabilities assumed/extinguished on settlements | | 262,000 | 0 |
| Benefits Paid | | 2,637,000 | 1,956,000 |
| Unfunded Benefits Paid | | 42,000 | 43,000 |
| **Closing Balance 31 March** | | **(88,948,000)** | **(88,566,000)** |
| | Funded | (88,265,000) | (87,853,000) |
| | Unfunded | (683,000) | (713,000) |

Composition of Scheme Assets

| | Period ended 31 March 2018 | | | |
|---|---|---|---|---|
| | Quoted<br>£000 | Unquoted<br>£000 | Total<br>£000 | Percentage of total assets<br>% |
| **Equity Securities:** | | | | |
| Consumer | 3,863.0 | 0.0 | 3,863.0 | 7.0% |
| Manufacturing | 3,784.5 | 0.0 | 3,784.5 | 7.0% |
| Energy and Utilities | 1,208.1 | 0.0 | 1,208.1 | 2.0% |
| Financial Institutions | 4,159.2 | 0.0 | 4,159.2 | 8.0% |
| Health and Care | 896.9 | 0.0 | 896.9 | 2.0% |
| Information technology | 805.6 | 0.0 | 805.6 | 1.0% |
| Other | 0.0 | 0.0 | 0.0 | 0.0% |
| **Debt Securities:** | | | | |
| Corporate Bonds (investment grade) | 0.0 | 0.0 | 0.0 | 0.0% |
| Corporate Bonds ( non-investment grade) | 0.0 | 0.0 | 0.0 | 0.0% |
| UK Government | 5,492.3 | 0.0 | 5,492.3 | 10.0% |
| Other | 962.8 | 0.0 | 962.8 | 2.0% |
| **Private Equity:** | | | | |
| All | 505.1 | 1,640.5 | 2,145.6 | 4.0% |
| **Real Estate:** | | | | |
| UK Property | 0.0 | 0.0 | 0.0 | 0.0% |
| Overseas Property | 0.0 | 0.0 | 0.0 | 0.0% |
| **Investment funds and unit trusts:** | | | | |
| Equities | 0.0 | 16,566.3 | 16,566.3 | 31.0% |
| Bonds | 0.0 | 4,018.4 | 4,018.4 | 7.0% |
| Hedge Funds | 0.0 | 0.0 | 0.0 | 0.0% |
| Commodities | 0.0 | 0.0 | 0.0 | 0.0% |
| Infrastructure | 0.0 | 82.5 | 82.5 | 0.0% |
| Other | 0.0 | 7,722.4 | 7,722.4 | 14.0% |
| **Derivatives:** | | | | |
| Inflation | 0.0 | 0.0 | 0.0 | 0.0% |
| Interest rate | 0.0 | 0.0 | 0.0 | 0.0% |
| Foreign exchange | 21.1 | 0.0 | 21.1 | 0.0% |
| Other | 0.0 | 0.0 | 0.0 | 0.0% |
| **Cash and cash equivalents** | | | | |
| All | 2,294.3 | 0.0 | 2,294.3 | 4.0% |
| **Total** | **23,993** | **30,030** | **54,023** | **100.0%** |

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, as an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, the financial assumptions are summarised below:

| Mortality Assumptions | Males | Females |
|---|---|---|
| Current Pensioners | 23.4 yrs | 25.5 yrs |
| Future Pensioners (those aged 45 at March 2018) | 25.6 yrs | 27.8 yrs |
| **Financial Assumptions** | **2016/17** | **2017/18** |
| Rate of increase in pensions | 2.7% | 2.4% |
| Rate of increase in salaries | 4.2% | 3.6% |
| Discount Rate | 2.7% | 2.6% |

CPI p.a to 31 March 2020, followed by CPI plus 1.5% thereafter. The figures shown are based on a weighted average of these rates using the Employer's average term to retirement of final salary linked benefits.

Sensitivity Analysis

IAS 19 requires disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| Change in assumption at 31 March 2018: | Approximate % increase to Employer Liability | Approximate monetary amount (£000) |
|---|---|---|
| 0.5% decrease in Real Discount Rate | 9% | 7,658 |
| 0.5% increase in the Salary increased Rate | 1% | 1,117 |
| 0.5% increase in the Pension increase Rate | 7% | 6,426 |

Pension Advance Payment

West Oxfordshire District Council made a prepayment of £1,298,000 pension past-service deficit contributions in 2017/18. The contribution covers the periods to 31 March 2020 and will remove the requirement to make contributions to the past service cost deficit in 2018/19 and 2019/20.

The estimated employer's contributions for the year to 31st March 2019 will be approximately £929,000.

## F2. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet.

| | Long Term | | Current | |
|---|---|---|---|---|
| | 2016/17 | 2017/18 | 2016/17 | 2017/18 |
| | £ | £ | £ | £ |
| **Loans and Receivables** | | | | |
| Investments - cash equivalents | 0 | 0 | 6,566,543 | 2,950,209 |
| Investments - investments | 5,039,321 | 0 | 4,783,814 | 9,048,741 |
| Debtors | 0 | 500,000 | 2,234,315 | 3,782,421 |
| | 5,039,321 | 500,000 | 13,584,672 | 15,781,371 |
| **Available for Sale Financial Assets** | | | | |
| Availbale-for-sale financial assets | 15,647,826 | 15,402,155 | 1,086,185 | 2,055,560 |
| **Total Financial Assets** | **20,687,147** | **15,902,155** | **14,670,857** | **17,836,931** |
| **Financial Liabilities at Amortised Cost** | | | | |
| Creditors | 0 | 0 | (1,453,003) | (3,824,806) |
| **Total Financial Liabilities** | **0** | **0** | **(1,453,003)** | **(3,824,806)** |

Not all short term debtors and creditors fall within the definition of financial instruments. The difference between the totals shown on the Balance Sheet and the values above is as follows:

| | Long Term Debtors | Long Term Creditors | Current Debtors | Current Creditors |
|---|---|---|---|---|
| | | | £ | £ |
| Total on Balance Sheet | 3,686,157 | 0 | 7,243,445 | (10,286,112) |
| Statutory & Government Debtors / Creditors | (407,906) | 0 | (2,807,117) | 4,191,437 |
| Prepayments / Receipts in Advance | 0 | 0 | (138,945) | 2,269,869 |
| Finance Lease Principal / Liabilities | (2,778,251) | 0 | (514,962) | 0 |
| **Total Financial Instruments** | **500,000** | **0** | **3,782,421** | **(3,824,806)** |

The Council has a number of investments invested in Pooled funds that under the strict guidance of the CIPFA Code would be classified as Available for Sale assets (short-term investments), due to the type and liquidity of the assets. The Council however has purchased these assets for the longer-term, looking towards their returns and capital appreciation over time. The Council has no intention of trading or disposing of the assets in the foreseeable future. The assets have therefore been included under the 'long-term' heading due to the reasons stated above.

Income, Expense, Gains and Losses

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

| 2016/2017 | | | | 2017/2018 | | |
|---|---|---|---|---|---|---|
| Financial Assets | | Financial Liabilities | | Financial Assets | | Financial Liabilities |
| Loans & Receivables | Available for Sale | Amortised Cost | | Loans & Receivables | Available for Sale | Amortised Cost |
| £ | £ | £ | | £ | £ | £ |
| 0 | 0 | 0 | Interest expense | 1 | 0 | 0 |
| 18,312 | 1,000 | 0 | Fee expense | 15,750 | 1,000 | 0 |
| **18,312** | **1,000** | **0** | **Total expense in Surplus / Deficit on Provision of Services** | **15,751** | **1,000** | **0** |
| (263,615) | (470,361) | 0 | Interest income | (238,781) | (481,190) | 0 |
| **(263,615)** | **(470,361)** | **0** | **Total income in Surplus / Deficit on Provision of Services** | **(238,781)** | **(481,190)** | **0** |
| **(245,303)** | **(469,361)** | **0** | **Net (Gain) / Loss for the Year** | **(223,030)** | **(480,190)** | **0** |

Fair Values of Assets and Liabilities

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

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

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

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

The fair values have been calculated as follows:

| | 2016/2017 Carrying Amount | 2016/2017 Fair Value | 2017/2018 Carrying Amount | 2017/2018 Fair Value |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Investments | 26,557,146 | 26,517,146 | 26,506,456 | 26,506,456 |
| Cash and cash equivalents | 6,566,543 | 6,566,543 | 2,950,209 | 2,950,209 |
| Debtors | 2,234,315 | 2,234,315 | 4,282,421 | 4,282,421 |
| **Total Financial Assets** | **35,358,004** | **35,318,004** | **33,739,086** | **33,739,086** |
| Creditors | (1,453,003) | (1,453,003) | (3,824,806) | (3,824,806) |
| **Total Financial Liabilities** | **(1,453,003)** | **(1,453,003)** | **(3,824,806)** | **(3,824,806)** |

Fair value hierarchy

International Financial Reporting Standard 13 (IFRS13) indicates that when measuring fair value, the following must be considered:

- The asset or liability being measured, including its condition, location and any restrictions on sale
- The principal (or most advantageous) market in which an orderly transaction would take place for the asset or liability
- For a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis
- The assumptions that market participants would use when pricing the asset or liability

The Code requires all assets measured at fair value to be classified into one of three levels, depending upon the basis of valuation.

- Level 1 - unadjusted quoted prices for identical assets and liabilities in active markets.
- Level 2 - other observable inputs for the asset or liability such as quoted prices in active markets for similar assets or liabilities or quoted prices for identical assets or liabilities in markets which are not active.
- Level 3 - unobservable inputs developed by an entity using the best information available where there is little or no market activity for the asset or liability at the measurement date.

The council’s financial assets and liabilities are deemed to be categorised as Level 1 in the valuation hierarchy, as the fair value of the assets have been derived primarily from active markets.

Soft Loans

Where loans are advanced at preferential or below market rates they are classed as 'Soft Loans'. The Code of Practice sets out specific accounting and disclosure requirements for soft loans.

The Council makes available loans at less than market rates to its employees for car purchases. These loans are included within the Councils debtor's balances. The value of loans outstanding at the balance sheet date is as follows:

| | 31 March 2017 £ | 31 March 2018 £ |
|---|---|---|
| Employee Car Loans [2% interest] | 46,019 | 59,998 |
| | **46,019** | **59,998** |

The Council is currently debt-free and does not have to borrow to finance its activities. Therefore, the notional cost of granting these loans equates to the investment interest which the Council would have made if the balance had been available to invest as part of its other treasury management investing activity.

However, the interest rate charged for staff car loan is at 2% which is higher than average gross return of 1.87% on the treasury investment activities. No adjustment has been made to the accounts to account for the difference.

**F3. 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 external borrowing. As such, the key risks are in relation to its financial assets. These are as follows:

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

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 through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA code of Practice for Treasury Management Services

- By approving annually in advance prudential indicators for the following three years limiting:
  - Limits on the Council's overall debt [external borrowing]
  - The Council's maturity structure of its external borrowing [currently £0]
  - The Council's upper limit for exposure to fixed and variable rate investments
  - The maximum exposure to investments maturing beyond a year

- By annually approving a Treasury Management Investment Strategy for the forthcoming year, setting out criteria for investments and specifying the minimum requirements for all counterparties

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

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

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

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

These policies are implemented by a central treasury team. The 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 Treasury Management Practices.

Credit Risk

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated money market funds and Banks and Building Societies of sufficiently high credit quality as set out in the Treasury Management Strategy. A limit of £7m of the total portfolio is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. No more than £15m in total can be invested for a period longer than one year.

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2017/18, approved by Full Council in February 2017. The 2017/18 Treasury Strategy can be found via the following web link: www.westoxon.gov.uk.

The ratings of the financial institutions holding Council investments (and investments classified as cash equivalents) at the Balance Sheet date is as follows:

| | **Investment Balance (£)** |
|---|---|
| Fixed duration deals | |
| Banks - Fitch rating F1 | 4,000,000 |
| Local Authorities | 2,000,000 |
| Hannover Housing Association | 5,000,000 |
| Call accounts and other 'cash equivalent' investments | |
| Bonds | 2,500,000 |
| Fitch rating AAAmmf | 2,950,000 |
| Pooled funds | |
| Non-rating agency rated pooled fund | 12,000,000 |
| *separately approved by the Council's Treasury Management advisors* | |

The table below summaries the nominal value of the Council's investment portfolio at 31st March 2018 and confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment:

| | **Investment values - maturing within:** | | | |
|---|---|---|---|---|
| | **0-3 mths** | **3-6 mths** | **6-12 mths** | **1 year +** |
| | ***£*** | ***£*** | ***£*** | ***£*** |
| Internally managed funds | | | | |
| Call Accounts | 2,950,000 | 0 | 0 | 0 |
| UK Banks | 2,000,000 | 0 | 0 | 0 |
| Foreign Banks | 0 | 1,000,000 | 1,000,000 | 0 |
| UK Building Societies | 0 | 0 | 0 | 0 |
| UK Local Authorities | 2,000,000 | 0 | 0 | 0 |
| Housing Assoc | 0 | 5,000,000 | 0 | 0 |
| Bonds | 0 | 0 | 0 | 2,500,000 |
| Externally managed funds | | | | |
| Pooled Funds | 0 | 0 | 0 | 12,000,000 |

Liquidity Risk

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

The Council also has to manage the risk so that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates. The Authority would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities. The Authority has no outstanding external borrowing as at 31st March 2018.

Market risk – interest rate risk

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 100% on external debt that can be subject to variable interest rates. It should be noted that 100% is a maximum proportion, but this is a reflection of the Council's debt-free status and minimal requirements to borrow.

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

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

| | **2017/18**<br>**£** |
|---|---|
| Increase in interest payable on borrowing | 0 |
| Increase in interest receivable from investments | 380,222 |
| Impact on the Surplus / Deficit on Provision of Services | **380,222** |

Foreign Exchange Risk

The Council holds one remaining balance of £3,544 with the Icelandic bank KSF. This investment, however is denominated in £ sterling. The Council deals in £ sterling wherever possible.

## F4. Leases

The Council as Lessee [obtaining assets under a leasing arrangement]

**Finance Leases**

The Council's 7 year contract for waste collection and recycling with May Gurney & Kier was finished on 30th September 2017. The contract was determined as an embedded finance lease and the asset acquired under this lease were carried as Property, Plant and Equipment in the Balance sheet. With the end of the contract, both lease liability and value of the corresponding assets have been written down to the zero.

| | 31 March 2017 £ | 31 March 2018 £ |
|---|---|---|
| Vehicles, Plant, Furniture & Equipment | **366,048** | **0** |

The Council has no future lease payment and the minimum lease payment below shown the amounts were paid in 2017/18:

| | 31 March 2017 £ | 31 March 2018 £ |
|---|---|---|
| Finance Lease liabilities | 228,502 | 0 |
| Finance costs payable in future years | 4,336 | 0 |
| **Minimum Lease Payments** | **232,838** | **0** |

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|---|---|---|---|
| | 31 March 2017 £ | 31 March 2018 £ | 31 March 2017 £ | 31 March 2018 £ |
| Not later than one year | 214,672 | 0 | 210,579 | 0 |
| Later than one year & not later than five years | 18,167 | 0 | 17,924 | 0 |
| | **232,839** | **0** | **228,503** | **0** |

**Operating Leases**

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

| | 31 March 2017 £ | 31 March 2018 £ |
|---|---|---|
| Not later than one year | 158,246 | 150,427 |
| Later than one year & not later than five years | 515,200 | 491,129 |
| Later than five years | 679,227 | 603,268 |
| | **1,352,673** | **1,244,824** |

The Council as Lessor [leasing assets out]

**Finance Leases**

The Council leases a number of waste and recycling vehicles to Ubico Ltd.

The minimum lease payments comprise settlement of the long-term debtor for the interest in the asset and finance income that will be earned by the Council for the period while the debt remains outstanding.

| | 31 March 2017 £ | 31 March 2018 £ |
|---|---|---|
| Present value of principal payments outstanding on non current assets | 71,153 | 3,293,213 |
| Unearned finance income | 2,598 | 226,861 |
| | **73,751** | **3,520,074** |

The gross investment in the lease and the minimum lease payments will be received over the following periods:

| | Gross Investment in the Lease | | Minimum Lease Payments (excl. int) | |
|---|---|---|---|---|
| | 31 March 2017 £ | 31 March 2018 £ | 31 March 2017 £ | 31 March 2018 £ |
| Not later than one year | 37,469 | 575,227 | 36,167 | 514,961 |
| Later than one year & not later than five years | 33,450 | 2,676,554 | 32,205 | 2,514,781 |
| Later than five years | 2,831 | 268,293 | 2,780 | 263,471 |
| | **73,750** | **3,520,074** | **71,152** | **3,293,213** |

The Council has not included any allowance for uncollectable debts in the table above. Any outstanding debts would be accounted for within the Sundry Debtors bad-debt provision calculation.

**Operating Leases**

The Council leases out a number of premises within the local area. The future minimum lease payment receivable under non – cancellable leases in future years are:

| | 31 March 2017 £ | 31 March 2018 £ |
|---|---|---|
| Not later than one year | 2,872,388 | 3,436,954 |
| Later than one year & not later than five years | 9,859,729 | 12,103,730 |
| Later than five years | 39,904,254 | 40,965,542 |
| | **52,636,371** | **56,506,226** |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the balance sheet date.

## F5. Accounting Policies

### i) General Principles

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the 31st March year-end. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, those regulations which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* supported by International Financial Reporting Standards (IFRS).

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

These accounts have been prepared on the basis that the Council is a going concern.

### ii) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption they are carried as inventories [stock] on the Balance Sheet, where the value is material.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument ('what is due') rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. For all debts outstanding at the balance sheet date the balance of debtors is written down and a charge made to revenue for the income that might not be collected (bad debts).

### iii) Cash and Cash Equivalents

Cash and cash equivalents are represented by cash in hand and deposits with financial institutions repayable, without penalty, on notice of not more than 24 hours. This includes bank call-accounts, Money Market Funds (MMF) and any other 'overnight-type' investments.

### iv) Charges to Revenue for Non-Current Assets

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

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

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

**v) Council Tax and Non-Domestic Rates (England)**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR
The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

**vi) Employee Benefits**

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

Overtime is only paid on limited occasions and requires prior Head of Service approval. Overtime is not contractual or regular, and therefore any holiday leave potentially accruing on overtime worked is not significant. The Council does not accrue for holiday pay due on overtime.

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or the employee in the year, not the amount calculated according to the relevant accounting standards.

**vii) Post-employment Benefits**

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

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

- The liabilities of the Oxfordshire County Council pension fund attributable to the 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 future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the gross redemption yield on the Iboxx Sterling Corporate Index, AA over 15 years, at the IAS19 valuation date. This is a high quality corporate bond of equivalent term and currency to the liability.
- The assets of the Oxfordshire County Council pension fund attributable to the Council are included in the balance sheet at their fair value.
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

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

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

**viii) Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

**ix) Financial Instruments**

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

Any borrowing that the Council may undertake would be presented in the Balance Sheet at the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, where material. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

**Financial assets** are classified into two types:

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

**Loans and receivables**
Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Where loans are repaid in advance of the settlement date the Council will recognise any interest paid in respect of the loan in the financial year in which settlement is received.

**x) Government Grants and Contributions**

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is only then credited to Comprehensive Income and Expenditure Statement.

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

Most Section 106 grant contributions which the Council holds have conditions which require the contribution to be returned if the contribution remains unspent after 5 years. Although it is highly probable that the conditions will be met, it is not guaranteed. Section 106 contributions are therefore held on the balance sheet as creditors. Similarly, where grants have been received for specific projects these are treated as grants with conditions [creditors] until the project has begun or the item of equipment to which the grant relates has been purchased.

**xi) Heritage Assets**

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

- Art Collection – this consists of public art such as sculptures and statues, and is reported in the Balance Sheet at historic cost which is deemed to be a proxy for market value. The Authority considers that obtaining valuations for its public art would involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The assets are deemed to have indeterminate lives and a high residual value, hence the authority does not consider it to be appropriate to charge depreciation.

- Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuation provided by the external valuers and with reference to appropriate commercial markets for the asset using the most relevant and recent information (eg. from sales at auctions).

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

The proceeds of any heritage asset disposal will be accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

**xii) Intangible Assets**

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

The depreciable amount of an intangible asset is amortised over its useful life (usually 5 years) to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. The Council carries no internally generated intangible assets on its balance sheet.

**xiii) Inventories and Long Term Contracts**

Inventories [stocks] are included in the Balance Sheet at cost.

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

**xiv) Investment Property**

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

Investment properties are measured initially at cost and subsequently at 'highest and best' valuation method. Properties are not depreciated but are subject to a review at year end to determine whether market conditions require properties to be revalued. Any gains or losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

**xv) Leases**

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

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

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

**The Council as Lessee**

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating leases
Lease payments made under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased asset.

**The Council as Lessor**

Finance leases
Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

Lease rentals receivable are apportioned between:

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

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

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

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

**xvi) Overheads and Support Services (updated)**

Prior to 1st April 2017 the costs of overheads and support services were charged to those internal reporting directorates that benefited or consumed the resources provided by the support function. The cost of support services were therefore re-charged across front-line services, based upon the level of support given to each department.
From 1st April 2017 the cost of support service functions will remain in the service area generating the cost. The policy will allow the cost of each service directorate to be reported in an open and transparent way.

**xvii) Property, Plant and Equipment**

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

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

The Council's capitalisation de minimis is £10,000, except for where the sum of a group of assets is significant, such as waste collection bins and boxes or ICT equipment.

<u>Measurement</u>
Assets are initially measured at cost, comprising:

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

The 'cost' of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition was for no monetary value. Where the purchase of an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

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

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

Items of equipment, which have short useful lives or low values (or both) are held on the balance sheet at depreciated historical cost, as an approximation of current value.

Assets included in the balance sheet at current value are revalued to ensure that their carrying amount is not materially different from their value at year-end. All land and buildings are revalued at least every 5-years as part of a rolling programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where items or property plant and equipment are revalued, and the valuers identifies an asset which has component parts that have significantly different useful lives, where one or more parts represent a significant proportion of the overall asset, then the asset may be componentised. With componentisation, one or more constituent parts may be identified, and the component parts separately valued for the accounts and depreciated over different useful lives to the main asset. Useful economic lives (and therefore depreciation calculations) will be based upon the asset lives recommended by the Council's valuers.

Upon revaluation, where decreases in value are identified, they are accounted for by:

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

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

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

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

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

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

Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets. Assets are written-down over the useful life of the asset. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are under construction (and not yet available for use).

Depreciation is calculated on the following bases:

- Operational buildings and surplus property – depreciated on a straight-line basis, over a 30 to 60 year useful lives, depending upon the particular asset and an estimate of the asset life from the Council’s valuer
- Car Park depreciable components (surface) – 20 years
- Land is not depreciated
- Vehicles, plant, furniture and equipment – depreciated on a straight-line basis, over a 5-year period
- Investment property is not depreciated
- Infrastructure Assets are depreciated over a period of up to 25 years, depending upon the particular asset and as estimate of the asset life from the Council’s valuer.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

**Disposals and non-current assets held for sale**
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell.

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

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

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

Amounts received for disposal in excess of £10,000 are categorised as capital receipts.

**xviii) Provisions, Contingent Liabilities and Contingent Assets**

Provisions

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

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

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

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

Contingent Liabilities

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

Any material contingent liabilities are disclosed in the notes to the accounts.

Contingent Assets

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

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

**xix) Reserves**

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

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

**xx) Revenue Expenditure Funded from Capital Under Statute**

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

**xxi) Value Added Tax**

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

## F6. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note F5 above, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council has a one-seventh share in Ubico Limited. The company provides a range of integrated environmental services including, commercial refuse collection and grounds maintenance services on behalf of the Council. The separate operating practices, management structure and the application of majority-voting on the Ubico Limited board do not constitute the Council having joint-control or significant influence over the company. The Council's interest has therefore been classified as an investment in Ubico and group accounts have not been prepared.
- The Council jointly owns (with Cotswold District Council, the Forest of Dean District Council and Cheltenham Borough Council) Publica Group (Support) Limited, a wholly owned company, limited by guarantee, operating with Mutual Trading Status to deliver services on behalf of the Council and services to other members Councils under contract. Publica can be considered to be merely an employment vehicle (in accounting terms only a 'holding account'), employing and paying staff and then recharging these costs to the Councils, via a contract sum. It does not trade and does not make a 'profit' as substantially all surpluses are redistributed back to the councils. While the Council has an interest in the Company, the Council's share of profit for the year and net assets at the balance sheet date have not been consolidated into the Council's single entity accounts. It is the view of management that the figures involved are not material and the production of group accounts will not enhance disclosure or provide any additional benefit to the reader of the accounts, and on that basis Group Accounts have not been prepared.
- No allowance has been made in the Councils' accounts for the transfer out of any Local Government Pension Scheme (LGPS) pension liability to Publica Group (Support) Limited. The service contract and tripartite agreement between the Council, Oxfordshire Pension Fund and Publica Group (Support) Limited mean that the pension liability and risk relating to the pension fund remains with the Council, following the TUPE transfer of the majority of the Council's staff to Publica on 1st November 2017. Therefore the Council is reporting the pension liability for both staff transferred to Publica, and the Councils retained staff, in the accounts. Although Publica, as the employer of many of the current staff may be initially responsible for paying any exit contributions (for example), for any of its staff that are members of the LGPS, such cost will be reimbursed by the relevant Council. The accounts have been prepared on the basis that the full pension fund liability for the LGPS sits in the Council's accounts. There are no separate disclosures for Publica as they are not responsible for any LGPS liability.
- Under International Financial Reporting Standards (IFRS) assessments have been made as to the correct accounting treatment for a number of lease agreements which the Council has entered into. Categorising leases as either operating or finance leases results in different accounting treatment depending upon the categorisation of the lease. In each case, a lease is classified based upon criteria contained within the Code and an assessment of the nature of the leasing arrangement in place.

  The Council has entered into a lease-type agreement whereby it provides environmental services vehicles to Ubico Limited. Ubico pay a market-rate for the use of the vehicles and are responsible for insuring and maintaining the vehicles and determining their deployment (including use across other Ubico contracts where necessary). Ubico pay for the vehicles over a period of 7-years for new vehicles, which is deemed to be the useful economic life of the assets. The transaction has been accounted for on the basis that the agreement is a finance lease, because: i) the sum of the lease payments equal the cost of purchasing the asset; ii) the length of the term represents 'substantially all' of the useful life of the asset; and iii) the rights and responsibilities of ownership (maintenance, insurance, deployment) in relation to the vehicle assets sit primarily with Ubico Ltd.

- There is a high degree of uncertainty about the future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council has therefore prepared its accounts on the basis that it is a going concern.
- A significant level of risk remains due to the volume of outstanding business rates appeals which are being processed by the Valuation Office. Where appeals are successful, refunds of business rates are generally repayable back to the latest valuation date which reduces the business rates yield in the year in which the refund is made. This set of accounts includes a provision for appeal losses. The value has been assessed using information of outstanding appeals supplied by the valuation office, as at 31st March, and using experience of previous appeals rates, and Government guidance upon appeals rates.

## F7. Accounting Standards not yet adopted

The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. There is also the requirement for an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

Changes to the 2018/19 code are limited to:

IFRS9 Financial Instruments
- Classification and measurement of financial assets
- New impairment model
- Major changes to hedge accounting

IFRS15 Revenue from Contracts with Customers including clarifications
- Changes to the methodology and timing of revenue recognition

Amendments to IAS12 – income taxes, recognition of deferred tax assets for unrealised losses.
Amendments to IAS7 – statement of cash flows disclosures.

IFRS15 and the amendments to IAS12 and IAS7 are not anticipated to have any material impact on the financial statements or balances of the Council.

Changes to IFRS9 will have a potential effect upon the classification and treatment of some of the Councils investments. The changes may require the reclassification of investments and changes to the carrying value of investments. These may affect *other comprehensive income* in the *CIES* and *movement in reserves statement* and the carrying value of investments on the *balance sheet*. While any changes will flow-through a number of the Council's core financial statements the figures involved are not expected to be material.

The regulation also requires earlier recognition of impairment of financial assets. The Council does not expect changes to the basis for calculating impairment of assets to affect the Council balances. Bank balances, certificates of deposit and short-term investments are unlikely to be affected, and the Council already makes provision for doubtful debts on its other current assets (trade debtors).

### F8. Assumptions and Other Major Sources of Estimation

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Significant assumptions affecting the statement of accounts include:

| Item | Uncertainties | Effect if actual result differs from assumption |
|---|---|---|
| Property, Plant & Equipment | Operational assets are depreciated over the best estimate of an assets useful economic life. These asset lives are based upon assumed repairs and maintenance being carried out to maintain an asset. Asset lives are based upon information provided by the Council's valuer. | If the useful economic life of an asset is reduced, depreciation increases and the carrying value of an asset will fall. |
| Pension Liability | The estimation of the pension liability is based upon a number of factors and judgements applied by the scheme's actuary. Estimates are made upon judgements and conditions as seen by the actuary at a point in time. | The effect of changing assumptions will result in changes in the valuation of the pension funds' assets and liabilities. |
| Bad debt provisions (impairment of receivables) | Debtors on the balance sheet assume an element of bad debt (when debtors cannot/will not settle their debt to the Council). | Income receivable included in the accounts will differ from that actually received. The CI&E could be overstated. The effect is offset by establishing a suitable provision based upon the best information available on the likelihood of invoices not being settled. |
| Bad debt provision – HB overpayments | Where it has been found that Housing Benefit has been overpaid the Council is able to recover the overpayment from on-going benefit. The Council has established a 100% provision against such overpayments due to the difficulty surrounding recovering such debts from individuals who are already short of money. Potential changes in the delivery of Housing Benefit with a possible transfer of the service to Central Government (with changes to Universal Credit), there is a risk that the Council will be left with all outstanding debt at the point of transfer. | If the Council has overprovided then the income to the revenue account will have been understated. A share of the provision will then need to be written-back to the Income & Expenditure account. |

Where other assumptions have been made these will be disclosed in the appropriate note to the accounts.

## F9. Contingent Liabilities and Contingent Assets

The Council has no significant contingent assets or liabilities to report.

## F10. Related Parties

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

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a significant element of the Council's funding in the form of grants and prescribes the terms of many transactions that the Authority has with other parties (e.g. council tax bills and housing benefits). Details of any significant grants received in the year are listed under Note B9, *Grant Income.*

Members of the Council

Members of the council have direct control over the council's financial and operating policies. The total of Members' allowances paid in 2017/18 is disclosed in Note B6, *Members' Allowances*.

All elected Members are required to complete a questionnaire detailing any areas where potential conflicts of interest may occur between their private interests and their position as the elected representatives of the Council. Details are recorded in the register of members' interest, open to public inspection at the Council Offices during office hours. There are no significant related party transactions to report.

Officers

By virtue of the Officer Code of Conduct, employees of the Council are required to declare any relationship with individuals, organisations or companies that might prejudice, or could be viewed as influencing, their professional judgement. On an annual basis, senior officers and officers within positions of influence within the Council are required to complete a related party declaration to highlight any potential conflicts of interest.

Declarations are sought even where no conflicts of interest have been reported. There were no declarations that required further disclosure in this statement of accounts.

Cotswold District Council

Up until November 2017 the Council shared a number of senior staff with Cotswold District Council. On the 1st November the majority of the Council's staff TUPE-transferred to Publica Group (Support) Limited. Following the transfer the Council now only share the legal function, counter fraud unit and Chief Finance Officer.

West Oxfordshire District Council shares its Chief Finance Officer with Cotswold District Council under a joint working relationship. The CFO is an employee of, and paid by, Cotswold District Council. While the Officer is shared and has influence in both Cotswold District Council and West Oxfordshire District Council, she is required to act separately for each Council. Decisions on overall policy and the strategic direction are set by Cabinet and Council in each Council, with the CFO enacting their will.

Publica Group (Support) Limited

Publica Group (Support) Limited (the Company), is a not-for-profit company limited by guarantee with no share capital.

West Oxfordshire District Council, along with Cotswold, and Forest of Dean District Councils and Cheltenham Borough Council have jointly set up Publica Group (Support) Limited, a wholly owned company, limited by guarantee, operating with Mutual Trading Status to deliver services on behalf of the Council and services to other members Councils under contract.

Publica Group (Support) Limited is a Teckal company fulfilling the conditions set out in Regulation 12(4) of the Public Contracts Regulations 2015. The Company is subject to management supervision by the Members. As such, the Company is a body governed by public law as defined in the Public Contracts Regulations 2015.

While Publica Group (Support) Limited works closely with the Council, the company has its own board of Directors, its own Management team, and operates independently from the Council.

During 2017/18 the Council purchased services from Publica Group (Support) Limited to the value of £3,879,571. During 2017/18, in its first-year of trading, Publica generated a surplus for the year of £13,534. While the Council is a partner, the Council's share of Publica's profit for the year (£13,534) net assets (of £13,534) have not been included or consolidated in the Council single-entity accounts as they are not deemed material to the accounts. At 31st March 2018, Publica owed the Council £294,884 and the Council owed Publica £43,503.

Ubico Ltd

Ubico Ltd. was established in 2011/12 by Cheltenham Borough Council and Cotswold District Council to deliver a range of integrated environmental services including household and commercial refuse collection, recycling, street cleansing and grounds maintenance. It commenced operations on 1 April 2012.

During 2015/16 West Oxfordshire District Council became a shareholder of Ubico Ltd. The Council holds an equal 1/7th shareholding in the Company.

The company provides services to the shareholder councils on a not-for-profit basis and therefore qualifies for the teckal exemption (named after the EU case that established the principle). As a teckal company, Ubico Ltd must ensure that the percentage of work undertaken outside of the shareholder contracts is less than 20% of its total activity.

While the Council has a 1/7th shareholding in Ubico Ltd, and a place on the Board of Ubico Ltd, the Council is not deemed to have significant influence over the company. The separate operating practices, management structure and majority-voting on the Ubico board do not constitute any means of joint-control over the company. The Council's interest is therefore classed as an investment in Ubico.

In 17/18 the Council paid Ubico Ltd £4,998,614 for services provided. At 31st March 2018, Ubico owed the Council £65,913 and the Council owed Ubico £269,244.

Other Public Bodies

The Council collects precepts on behalf of Oxfordshire County Council, Thames Valley Police & Crime Commissioner and the Town and Parish Councils within the Council area. Precepts for the County Council and Police Authority are shown in the Collection Fund. Town and Parish precepts are shown in the Comprehensive Income and Expenditure Account.

The Local Government Pension Scheme (of which West Oxfordshire is a member) is administered by Oxfordshire County Council (see note F1).

# THE COLLECTION FUND

This "Agent's" statement shows the transactions of the Council as a billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and National Non Domestic Rates (Business Rates).

| 2016/2017 Business Rates £ | 2016/2017 Council Tax £ | 2016/2017 Total £ | | Note | 2017/2018 Business Rates £ | 2017/2018 Council Tax £ | 2017/2018 Total £ |
|---|---|---|---|---|---|---|---|
| 0 | (68,164,634) | (68,164,634) | Council Tax receivable | G1 | 0 | (72,414,925) | (72,414,925) |
| (35,433,104) | 0 | (35,433,104) | Business Rates Receivable | G2 | (36,304,199) | 0 | (36,304,199) |
| (21,973) | 0 | (21,973) | Transitional Protection Receipts | | (2,333,656) | 0 | (2,333,656) |
| (2,715,780) | 0 | (2,715,780) | Contribution to previous year's deficit / (Surplus) | | (200,876) | 0 | (200,876) |
| **(38,170,857)** | **(68,164,634)** | **(106,335,491)** | **Total Income** | | **(38,838,731)** | **(72,414,925)** | **(111,253,656)** |
| | | | Apportionment of previous year's surplus | | | | |
| 0 | 0 | 0 | Central Government | | 0 | 0 | 0 |
| 0 | 78,325 | 78,325 | West Oxfordshire District Council | | 0 | 98,747 | 98,747 |
| 0 | 619,669 | 619,669 | Oxfordshire County Council | | 0 | 768,182 | 768,182 |
| 0 | 82,307 | 82,307 | Thames Valley Police & Crime Commissioner | | 0 | 100,071 | 100,071 |
| 0 | 780,301 | 780,301 | | | 0 | 967,000 | 967,000 |
| | | | Precepts, Demands and Shares | | | | |
| 16,779,576 | 0 | 16,779,576 | Central Government | | 18,779,459 | | 18,779,459 |
| 13,423,662 | 6,839,092 | 20,262,754 | West Oxfordshire District Council | | 15,023,566 | 7,385,412 | 22,408,978 |
| 3,355,916 | 53,203,478 | 56,559,394 | Oxfordshire County Council | | 3,755,893 | 57,296,178 | 61,052,071 |
| 0 | 6,930,849 | 6,930,849 | Thames Valley Police & Crime Commissioner | | 0 | 7,250,643 | 7,250,643 |
| 33,559,154 | 66,973,419 | 100,532,573 | | | 37,558,918 | 71,932,233 | 109,491,151 |
| | | | Charges on the Collection Fund | | | | |
| 822,918 | 58,487 | 881,405 | Write-offs of uncollectable amounts | | 241,789 | 36,099 | 277,888 |
| (200,280) | 85,330 | (114,950) | Increase / (decrease) in Bad Debt / Appeals Provisions | G3 | 1,172,214 | 93,127 | 1,265,341 |
| 164,154 | 0 | 164,154 | Cost of Collection | | 163,845 | 0 | 163,845 |
| 260,832 | 0 | 260,832 | Disregarded Amounts - Renewable Energy Schemes | G4 | 239,063 | 0 | 239,063 |
| 0 | 0 | 0 | Transitional Protection Payments | | 321,923 | 0 | 321,923 |
| 1,047,624 | 143,817 | 1,191,441 | | | 2,138,834 | 129,226 | 2,268,060 |
| **34,606,778** | **67,897,537** | **102,504,315** | **Total Expenditure** | | **39,697,752** | **73,028,459** | **112,726,211** |
| **(3,564,079)** | **(267,097)** | **(3,831,176)** | **(Surplus) / Deficit for the Year** | | **859,021** | **613,534** | **1,472,555** |
| 3,248,521 | (703,903) | 2,544,618 | (Surplus) / Deficit brought forward | | (315,558) | (971,000) | (1,286,558) |
| **(315,558)** | **(971,000)** | **(1,286,558)** | **(Surplus) / Deficit carried forward** | G5 | **543,463** | **(357,466)** | **185,997** |

### G1. Council Tax System

Under the council tax system, West Oxfordshire District Council must collect each year enough money from local residents to cover the cost of the services we provide, which are not funded by other sources such as government grants and fees and charges.

Council Tax was introduced on 1 April 1993, and is a property based tax. The District Valuer valued all domestic property in the area and placed them into one of nine bands. In order to set the Council Tax, the Council estimates the number of dwellings in each of the nine valuation bands and convert these estimates into an "equivalent number of Band D dwellings". The table below shows the calculation for 2017/18.

| BAND | Total CHARGEABLE DWELLINGS | BAND 'D' CONVERSION | BAND 'D' EQUIVALENT CHARGEABLE DWELLINGS | NEW Regulation ADJUSTMENT | NEW BAND D EQUIVALENT CHARGEABLE DWELLINGS |
|---|---|---|---|---|---|
| A* | 1.75 | 5/9 | 0.97 | 0.00 | 0.97 |
| A | 1,175.25 | 6/9 | 783.50 | 30.33 | 813.83 |
| B | 3,967.75 | 7/9 | 3,086.03 | 24.11 | 3,110.14 |
| C | 14,380.75 | 8/9 | 12,782.89 | 50.66 | 12,833.55 |
| D | 10,190.13 | 1 | 10,190.13 | -2,566.78 | 7,623.35 |
| E | 6,415.00 | 11/9 | 7,840.56 | 92.89 | 7,933.45 |
| F | 3,616.75 | 13/9 | 5,224.19 | 57.76 | 5,281.95 |
| G | 2,345.50 | 15/9 | 3,909.17 | 107.50 | 4,016.67 |
| H | 305.25 | 2 | 610.50 | 51.00 | 661.50 |
| Total | | | | | 42,275.41 |
| Collection rate % | | | | | 98.50% |
| Plus MOD contribution | | | | | 939.44 |
| **TAXBASE** | | | | | **42,580.71** |

The total number of "equivalent Band D dwellings" is divided into the total cost of services to arrive at an "average Band D Tax" per dwelling. Dwellings in bands below "Band D" will pay proportionately less than this average and dwellings in bands above "Band D" will pay proportionately more than this average.

The above calculations resulted in an "average Band D Tax" of £1,689.32 per dwelling for 2017/18 (2016/17 - £1,613.35. This included precepts payable to Oxfordshire County Council, the Police & Crime Commissioner for Thames Valley and West Oxfordshire District Council (but excludes amounts payable to the Town & Parish Councils within the district).

### G2. National Non Domestic Rates

In April 2013 the government introduced the Business Rates Retention Scheme.

Under the scheme the Council acts as both principal and agent, in that it is able to retain 40% of the net standard business rates collected within the local area as income within its own budget (net of tariff to central government), as well as 100% of net rates from new properties within designated areas and also those relating to renewable energy schemes (Disregarded Amounts). The Council distributes the remaining net balance of standard business rate income to Central Government, who are allocated 50%, with the final 10% to Oxfordshire County Council.

| | 2016/17 | 2017/18 |
|---|---|---|
| Total Non Domestic Rateable Value at 31 March | £83,546,397 | £98,497,076 |
| National Non-domestic Rate Multiplier - Higher | 49.7p | 47.9p |
| National Non-domestic Rate Multiplier - Lower [Small Business] | 48.4p | 46.6p |

The Business Rates receivable amount on the face of the Collection Fund Account is lower than the total of Non-domestic Rateable Value multiplied by the Non-domestic Rate Multiplier due to the award of various reliefs including Small Business Rate Relief and other mandatory and discretionary rate reliefs.

### G3. Tax Payers' Arrears & Provisions for Uncollectable Amounts

Provision has been made for uncollectable tax payers' debts. At 31 March the provisions on the Collection Fund were as follows:

| | 2016/17<br>£ | 2017/18<br>£ |
|---|---|---|
| Council Tax | (946,947) | (1,040,075) |
| National Non Domestic Rates | (3,081,428) | (4,253,642) |
| | **(4,028,375)** | **(5,293,717)** |

### G4. Business Rates – Disregarded Amounts

From April 2013 the Council was allowed to retain 100% of the growth from the business rates associated with renewable energy sites. All such growth is transferred to the Council's General Fund.

### G5. Collection Fund Balance Sheet Apportionment

The apportionment of the balances on the Collection Fund as at 31 March is as follows:

| 2017/18 | West Oxon. District Council<br>£ | Oxfordshire County Council<br>£ | Central Govt.<br>£ | Thames Valley P&CC<br>£ |
|---|---|---|---|---|
| **Council Tax** | | | | |
| Debtors | 256,424 | 1,989,335 | n/a | 251,743 |
| Bad Debt Provision | (106,786) | (828,451) | n/a | (104,837) |
| Prepayments and Overpayments | (101,552) | (787,840) | n/a | (99,698) |
| (Surplus) / Deficit at 31 March | (36,702) | (284,731) | n/a | (36,032) |
| **Business Rates** | | | | |
| Debtors | 551,625 | 137,906 | 689,531 | n/a |
| Bad Debt / Appeals Provision | (1,701,457) | (425,365) | (2,126,820) | n/a |
| Prepayments and Overpayments | (363,955) | (90,988) | (454,943) | n/a |
| (Surplus) / Deficit at 31 March | 217,387 | 54,347 | 271,732 | n/a |

# NOTES TO THE COLLECTION FUND

| 2016/17 | West Oxon. District Council £ | Oxfordshire County Council £ | Central Govt. £ | Thames Valley P&CC £ |
|---|---|---|---|---|
| **Council Tax** | | | | |
| Debtors | 221,327 | 1,863,441 | n/a | 247,448 |
| Bad Debt Provision | (89,865) | (756,611) | n/a | (100,471) |
| Prepayments and Overpayments | (138,609) | (1,167,005) | n/a | (154,967) |
| (Surplus) / Deficit at 31 March | (92,148) | (775,828) | n/a | (103,023) |
| **Business Rates** | | | | |
| Debtors | 605,152 | 151,288 | 756,439 | n/a |
| Bad Debt / Appeals Provision | (1,232,569) | (308,143) | (1,540,716) | n/a |
| Prepayments and Overpayments | (91,030) | (22,758) | (113,788) | n/a |
| (Surplus) / Deficit at 31 March | (126,222) | (31,555) | (157,778) | n/a |

## Independent auditor's report to the members of West Oxfordshire District Council

### Report on the Audit of the Financial Statements

**Opinion**

We have audited the financial statements of West Oxfordshire District Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, Notes to the Collection Fund and all other notes to the financial statements, including the Additional Disclosures and a summary of significant accounting polices contained therein. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Who we are reporting to**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 1 to 90 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

**Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

**Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 6, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit and General Purposes Committee is Those Charged with Governance.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with

ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### Responsibilities of the Authority

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

### Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

*Julie Masci*

Julie Masci
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

2 Glass Wharf
Bristol
BS2 0EL

2 August 2018

## 1. SCOPE OF RESPONSIBILITY

West Oxfordshire District Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards;
- Public money is safeguarded and properly accounted for
- Public money is used economically, efficiently and effectively; and
- There is a sound system of governance, incorporating the system of internal control

The Council has a Best Value 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 these responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.

The Council has developed and approved a Code of Corporate Governance, which is consistent with the core principles and sub-principles as set out in the CIPFA/SOLACE “Delivering Good Governance in Local Government: Framework (2016)” (‘the Framework’). This statement explains how the Council has complied with the code and also meets the requirements of Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 (England) which requires the Council to conduct a review at least once a year on the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts.

In addition to this, CIPFA issued its “Statement on the Role of the Chief Finance Officer in Local Government (2015)*”.* The Annual Governance Statement (AGS) reflects compliance of this statement for reporting purposes. The Council’s Chief Finance Officer is the Statutory Section 151 Officer (Section 151 Officer).

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled including activities through which it accounts to, engages with and leads its communities. 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 the governance 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 on-going process designed to:

- Identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives;
- Evaluate the likelihood of those risks occurring;
- Assess the impact should those risks occur; and
- Manage the risks efficiently, effectively and economically

The governance framework has been in place at West Oxfordshire District Council for the year ended 31$^{st}$ March 2018 and up to the date of approval of the Annual Statement of Accounts.

## 3. THE GOVERNANCE ENVIRONMENT

The key elements of the Council’s governance arrangements are outlined in the Local Code of Corporate Governance. The governance framework includes arrangements for:

- Identifying and communicating the Council’s vision of its purpose and intended outcomes for citizens and service users;
- Reviewing the Council’s vision and its implications for the Council’s governance arrangements;
- Measuring the quality of services for users, ensuing that they are delivered in accordance with the Council’s objectives and ensuring that they represent the best use of resources;

- Defining and documenting the roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
- Reviewing and updating Financial Rules, Contract Rules, Constitution, Scheme of Delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained;
- Ensuring the Council's financial management arrangements conform with the governance requirements of the *CIPFA* Statement on the Role of the Chief Financial Officer in Local Government (2015);
- Undertaking the core functions of an Audit and General Purposes Committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities;
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- Whistleblowing and for receiving and investigating complaints from the public;
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by the appropriate training;
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation; and
- Incorporating good governance arrangements in respect of partnerships, including shared services and other joint working and reflecting these in the Council's overall governance arrangements.

The main areas of the Council's governance framework, and the key evidence of delivery, are set out below, under the headings of the core principles and sub-principles from the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)

| **A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**<br>• Behaving with Integrity<br>• Demonstrating strong commitment to ethical values<br>• Respecting the rule of the law |
|---|
| • The roles and responsibilities of Members generally and all office holders are set out in the Council's Constitution, along with the way in which the various elements of the Council interact and complement each other. The Constitution is supported and underpinned by separate Codes of Conduct for Members and Officers, and a joint Member / Officer Protocol, which sets out guidelines as to behaviour and practical issues.<br>• Declarations are made at meetings by Members, and Officers, where appropriate and are recorded in the minutes of the meeting. The Members Code of Conduct requires Members to make declarations of interest when necessary, these are also recorded.<br>• Registers of Interest are completed annually by Members and Officers and a Register of Gifts and Hospitality is maintained<br>• The Monitoring Officer and Section 151 Officer report directly to the Head of Paid Service and are members of the Corporate Leadership Team.<br>• Internal audit reviews are designed to ensure services are complying with internal and external policies and procedures and all legislation. Where non-compliance is identified, this is reported to Management and to Members via the Council's Audit and General Purposes Committee.<br>• Whistleblowing policies have been updated and have been ratified by Cabinet. A Gloucestershire wide Counter-Fraud unit has been established to help prevent and detect fraud and corrupt practices, including misuse of power. This service reports to Audit and General Purposes Committee twice a year. |

**B. Ensuring openness and comprehensive stakeholder engagement**

- Openness
- Engaging comprehensively with institutional stakeholders
- Engaging with individual citizens and service users effectively

- Annual accounts are published in a timely manner to help communicate the Council's financial position and performance.
- An Annual Report is published each year, which summarises financial and other performance over the previous financial year and sets out the Corporate Plan for the current year.
- All Committee, Cabinet and Council reports clearly outline their purpose, so the community can understand what the Council is trying to be achieve. Reports also address financial legal, equalities, risk and sustainability implications to aid understanding of the potential impact of their recommendations.
- The roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions are defined in the Council's Constitution
- A Scheme of Delegation for officers is included within the Constitution
- Communication channels with staff include one-to-one meetings, a weekly update email, an intranet site.
- A Customer Feedback form is available publicly for handling comments, complaints and compliments.
- The Council maintains clear channels of communication with all sections of the Community and other Stakeholders
- The ability for Members of the Public to submit written questions with notice at Cabinet meetings, Overview and Scrutiny Committee meetings and meetings of the Full Council.
- A report is produced annually regarding the performance of the council and the achievement of its aims and objectives.  The report is published on the Council's website.
- The Council publishes Transparency data on its website which includes, supplier payments, Senior Management Structure Charts, Annual Pay Policy Statement. Where data is not available in the published data sets, instructions are available on how to make a Freedom of Information Request and the procedure that will be followed to answer the request.

**C. Defining outcomes in terms of sustainable economic, social, and environmental benefits**

- Defining outcomes
- Sustainable economic, social and environmental benefits

- The Council's vision is contained within the Corporate Strategy 2016-19, which also states the Aim and Priorities of the organisation. Corporate and Service Plans are drafted and updated annually to support the delivery of the Council's Aim and Priorities.
- Key tasks identified in Service Plans feed into individual work plans/appraisals.
- The Corporate Strategy deals with the Council's approach to environment and sustainability issues. Detailed proposals arising from the Corporate Strategy are Individually assessed as they are developed and are included within decision making reports to Members.
- The financial implications of delivering against the Council's Aim and Priorities are included within the Council's Medium Term Financial Strategy, Revenue Budgets and Capital Programme.  These key financial documents are updated annually in advance of the forthcoming financial year.

| **D. Determining the interventions necessary to optimise the achievement of the intended outcomes**<br>• Determining interventions<br>• Planning interventions<br>• Optimising achievement of intended outcomes |
|---|
| • The Council has, with three other Councils, created a company, Publica Group Ltd (Publica), to deliver more efficient and improved services. Where possible, processes have/are being aligned to ensure consistency across the partner Councils. However, the Councils have retained decision making powers over service policies, outcomes and standards. Publica is the Council's most significant contractor. In recognition of this, the Council will monitor the contractor's performance by:<br>➢ Considering Publica's Annual Report at Council;<br>➢ Considering Publica's draft Business Plan annually at the Finance and Management Overview and Scrutiny Committee and Cabinet in February each year;<br>➢ Requiring, as appropriate, representatives from Publica to attend relevant Scrutiny Committee(s) to support discussion on quarterly performance reports;<br>➢ Receiving monthly "Keeping You Connected" updates by email from Publica to all Members;<br>➢ Meet with informal Cabinet together with invited Members from other parties/scrutiny representatives on a quarterly basis to discuss: progress against the Business Plan; identify any key risks and challenges outside of the company or Council control; budget monitoring and service delivery matters;<br>➢ Develop informal mechanisms to share best practice, learning and Councillor development.<br>• In addition to the creation of Publica, the Council continues to secure savings through its procurement processes<br>• The Council has processes in place to identify and respond to external changes, for example: changes to legislation and regulation, emerging risks and opportunities. Corporate processes such as risk management, development and delivery of Corporate and Service Plans, performance management processes, budget monitoring and other management processes are designed to capture and incorporate these external factors and to enable the Council to respond appropriately.<br>• Corporate and Service risk registers are discussed and reported quarterly.<br>• Key Performance Indicators are identified and included in the Service Delivery Plans for each service, these are reported quarterly<br>• Budgets are prepared annually in accordance with Council objectives, strategies and the Medium Term Financial Strategy, following consultation with customers, stakeholders and officers.<br>• The Medium Term Financial Strategy (MTFS) is a live document and can be reviewed, updated and reported as necessary, to respond to the changing environment |
| **E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**<br>• Developing the entity's capacity<br>• Developing the capability of the entity's leadership and other individuals |
| • One of the reasons behind the creation of Publica is to increase capacity across the four partner councils by sharing common processes and procedures and eliminating (as far as possible) single points of failure. By working in partnership, the Councils are able to share the cost of commissioning bespoke~~,~~ specialist advice.<br>• The move to provision of services via wholly owned companies is providing the opportunity to engage with a number of Non-Executive Directors that bring a wealth of experience from a range of different economic sectors<br>• There is a Scheme of Delegation at Member level covering the Council, Cabinet, Individual Cabinet Members and Other Committees. Similarly, there is a Scheme of Delegation for officer decisions delegated to them. These are reviewed and revised as structures at Council and Officer level change. The Officers with delegated decision making powers are either Council employees or joint |

Publica/Council employees.

- Financial Rules were published in 2012; minor changes to the Rules to reflect operational practice were made by the Council's Chief Finance Officer in July 2015 and reported to the Cabinet. The Financial Rules are due to be reviewed and updated during 2018/19 to reflect changes resulting from the introduction of the new service delivery company and any other operational updates.
- An induction programme is available to new employees and members alike. Training is also provided for both Members and Officers on an on-going basis as appropriate and necessary. Members on certain Committees (e.g. Planning and Licensing) are required to undertake training before attending the Committee meetings.
- Officers undertake regular performance reviews by way of an appraisal process. Officers discuss actions and training for the forthcoming year and plan how this will be actioned. Typically, two review meetings are scheduled for the year to ensure key objectives are being met and finally a review of the year meeting is scheduled to discuss the officer's performance over the year. Officers are encouraged to complete Continuing Professional Development as relevant to their professional qualifications and service areas hold budgets to ensure that training can be undertaken to maintain skills and knowledge.
- The Head of Paid Service, the Section 151 Officer, the Monitoring Officer and The Leader of the Council have clear roles and responsibilities, and these are contained within the Constitution along with the Member/Officer Protocol.

**F. Managing risks and performance through robust internal control and strong public financial management**

- Managing risk
- Managing performance
- Robust internal control
- Managing data
- Strong public financial management

- Responsible officers are required to maintain Service / Operational Risk Registers and Senior Officers review the Strategic Risk Register on a quarterly basis. The Strategic Risk Register is reported to Members and Cabinet on a regular basis.
- Risks are identified when undertaking Internal Audit reviews and reported when necessary.
- Performance Management, measures the quality of service for users to ensure services are delivered in accordance with the Council's objectives and represent best use of resources.
- Performance is measured on a regular basis and reported to Overview and Scrutiny Committee and Cabinet.
- Minutes of meetings are published and highlight the challenge made by Members to Officers/Cabinet Members.
- The Internal Audit service is provided by SWAP Internal Audit Services and is run in partnership with other local authorities. The internal audit team will provide the internal audit service to both the Council and Publica Group Ltd which strengthens the Council's oversight of Publica as its most significant contractor.
- A risk-based Audit Plan is drafted annually following consultation with Officers, Members and the Section 151 Officer. The Audit Plan is approved at Audit and General Purposes Committee prior to the financial year.
- Audit reports, once completed are discussed with the service manager. Executive summaries, including findings, and progress on the Annual Plan are reported to Audit and General Purposes Committee, on a quarterly basis.
- Recommendations made in audit reports are followed up 6 months after the completion the audit and findings reported to Audit and General Purposes Committee.
- The Audit and General Purposes Committee's Terms of Reference are contained within the Constitution. Members of the Committee have experience of scrutinising financial and audit reports. Training is provided as appropriate.
- A County Wide Counter Fraud Unit has been established and supports all the Gloucestershire Local

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| Authorities, West Oxfordshire District Council and other third parties. Where investigations identify possible improvements to the internal control framework the Counter Fraud Unit will liaise with the Internal Audit team to ensure the improvements are followed up and implemented by Management.<br>• An ICT Audit and Compliance Manager has responsibility for Data Protection policies and ensuring officers are informed.<br>• The Council is part of the Gloucestershire Information Sharing Partnership. This will enable data to be shared when necessary.<br>• Audit reviews ensure data is held securely whether electronic or hard-copy.<br>• The MTFS is reviewed and updated on a regular basis to ensure the Section 151 Officer, Directors and Members are aware of the financial standing of the Council |
| **G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**<br>• **Implementing good practice in transparency**<br>• **Implementing good practices in reporting**<br>• **Assurance and effective accountability** |
| • The Council publishes an Annual Report which reports on the Council's activities for the previous financial year. Data in respect of transparency is published on the Council's website.<br>• The Council's Statement of Accounts is produced and published annually in accordance with statutory requirements. Aligned with this is the production of the Annual Governance Statement which identifies how the Council has met it's governance reporting obligations<br>• External Audit recommendations are reported to Audit and General Purposes Committee, following the completion of their annual audit process, follow-ups of recommendations are also reported<br>• Internal Audit processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit recommendations are followed-up and reported to Audit and General Purposes Committee, further follow-up is planned if recommendations have not been actioned in full. |

## 4. REVIEW OF EFFECTIVENESS

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 senior managers, the annual opinion from the Head of Internal Audit, the officer Corporate Governance Group and comments made by the external auditors, other review agencies and inspectorates.

| **The Council's process for maintaining and reviewing the effectiveness of the governance framework has included the following:** |
|---|
| Heads of Service complete an Annual Assurance Statement at the end of the financial year. These governance declarations provide appropriate management assurance that key elements of the system of internal control are in place and are working effectively and help to identify areas for improvement.<br><br>Corporate Team (including the Section 151 Officer and the Monitoring Officer) review the Corporate Risk Register on a quarterly basis and Service Risk Registers being maintained by each Manager/Head of Service.<br><br>The SWAP Assistant Director (Head of Internal Audit) provides the Audit and General Purposes Committee, as the Committee charged with governance, with an Annual Opinion on the control environment of the Council, which includes its governance arrangements.<br><br>Investigation of, and decisions on, allegations of failure to comply with Members Code of Conduct are considered and determined by the Monitoring Officer and an Independent Person(s).<br><br>Induction processes are carried out for newly elected members.<br><br>The Section 151 Officer ensures training and awareness sessions are carried out for the Audit and General Purposes Committee periodically. |

The External Auditors (Grant Thornton LLP) present progress reports to the Audit and General Purposes Committee.

The External Auditor's Annual Audit Letter and follow-up of management responses to issues raised in the Letter or other reports are overseen by the Audit and General Purposes Committee.

Quarterly performance reports, including the Corporate Risk Register and budget position, are presented to Cabinet and the appropriate Committee, demonstrating performance management against agreed Service Plans, performance indicators and budgets.

The Audit and General Purposes Committee review the Annual Governance Statement.

The Audit and General Purposes Committee review the Annual Statement of Accounts, the Treasury Management Strategy and reports from both Internal Audit (SWAP) and External Audit (Grant Thornton LLP), including quarterly progress reports.

Full Council approves the annual budget, reviews and approves the Treasury Management Strategy, following recommendations from the Audit and General Purposes Committee.

Internal Audit monitors the quality and effectiveness of systems of internal control. Audit reports include an opinion that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports including recommendations for improvement are detailed in an action plan agreed with the relevant Service Manager/Head of Service.

The Annual Internal Audit Opinion for 2017/18, in respect of the areas reviewed during the year, was '**Reasonable**'.

The Council's Financial Rules and Contract Rules are kept under review and revised periodically.

Other explicit review/assurance mechanisms, such as the Annual Report from the Local Government Ombudsman and reports from SWAP (Internal Audit) or Grant Thornton LLP (External Audit).

## 5. SIGNIFICANT GOVERNANCE ISSUES DURING 2017/2018

In preparing this statement and reviewing the effectiveness of the governance arrangements a number of areas have been identified where the Council needs to focus attention and improve arrangements or gain assurances from Publica that improvements have been made in areas of weakness, over the next financial year. These areas of work are planned to strengthen the control framework and are set out in the table below.

| No. | Key Area of Focus | Planned Actions |
|---|---|---|
| 1 | Publica Group Ltd | Given that Publica only became operational in November 2017, during 2018/19 the Council needs to embed the governance arrangements relating to Publica. This includes implementing new Service Delivery Plans which will enable improved performance reporting using a new set of Key Performance Indicators and new arrangements for engagement between Publica and Council Members. |
| 2 | General Data Protection Regulation (GDPR) | The Data Protection Regulatory framework is due to change in May 2018. The Council needs to take action to ensure it is compliant with the new requirements. |
| 3 | Food Safety / Licensing / Private Water Supplies / Safeguarding | Follow-up audit reviews planned to ensure risks to the Council have been mitigated by the actioning of the recommendations made in the 2017/18 audit reviews. |

The Annual Internal Audit Opinion, as drafted by the SWAP Assistant Director (Head of Internal Audit), lists forty-two pieces of audit work being conducted during 2017/18, which includes consultancy and advisory services. Twenty assurance reviews were completed (finalised) during the year with three scoring a 'partial' assurance, therefore there is a sound system of internal control at the Council which will continue to help mitigate any risks to the organisation going forward.

The 'partial' assurance audits that were issued during the year are captured in 3 above. Recommendations and actions have been agreed with Management, follow-up reviews have been planned for 2018/19 to ensure actions are being implemented.

Internal Audit follow-up reviews were conducted during 2017/18 on areas where weaknesses were identified in the previous year. Some recommendations have not been actioned and therefore a further follow-up will be undertaken during 2018/19.

## 6. APPROVAL OF LEADER AND HEAD OF PAID SERVICE

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and General Purposes Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Signed on behalf of West Oxfordshire District Council:

| | |
|---|---|
| James Mills<br>Leader of the Council | Giles Hughes<br>Head of Paid Service |
| Date: 31st July 2018 | Date: 31st July 2018 |

## A

**Accounting Period**
The period of time covered by the accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

**Accounting Statements**
The Council's Core Financial Statements and Supplementary Financial Statements.

**Accruals**
Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which no payment has yet been made or received at the Balance Sheet date.

**Actuarial Gains and Losses (Pension Schemes)**
Changes in the net pensions liability that arise because events have not matched assumptions at the last actuarial valuation or because actuarial assumptions have changed.

**Amortisation**
A term used to refer to the charging of the value of a transaction or asset (usually related to intangible assets or deferred charges) to the Income and Expenditure Account over a period of time, reflecting the value to the authority; similar to the depreciation charge for non-current assets.

**Appointed Auditors**
The Local Audit and Accountability Act 2014 includes a statutory requirement that a local authority's annual Statement of Accounts be subject to external review by a duly appointed external auditor. For 2017/18 the responsibility for the appointment of said external auditor has been devolved to Grant Thornton UK LLP.

**Approved Institutions**
Funds that are not immediately required may be invested but only with third parties meeting the credit rating criteria approved annually as part of the Council's Treasury Management Policies and Practices.

**Asset**
An item having value in monetary terms. See also Current Assets, Non-Current Assets and Financial Asset.

**Audit of Accounts**
An independent examination of the Council's financial affairs.

## B

**Billing Authority**
A local authority responsible for collecting Council Tax and National Non-Domestic Rates.

**Budget**
The forecast of net revenue and capital expenditure over an accounting period.

## C

**Capital Expenditure**
Expenditure for the acquisition, provision or improvement of non-current assets, which will be of long-term value to the Council, providing services beyond the current accounting period.

**Capital Programme**
The capital schemes the Council intends to carry out over a specified time period.

**Capital Receipts**
Money received from the disposal of non-current assets or the repayment of grants and loans, which is available for financing future capital expenditure.

**Collection Fund**
A statutory fund maintained by a billing authority, which is used to record local taxes and Non-Domestic Rates collected by the authority, along with payments to precepting authorities, the national pool of Non-Domestic Rates and the billing authority's General Fund.

**Community Assets**
Assets which the Authority intends to hold in perpetuity, that have no determinable finite useful life and that may have restrictions on their disposal, e.g. parks, historical buildings. See also Non-Current Assets.

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

**Contingency**
Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

**Contingent Asset**
A possible asset that arises from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

**Contingent Liability**
A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient liability.

**Council Tax**
The main source of local taxation for local authorities. Council Tax is levied on households within its area by the billing authority and the proceeds are paid into the Collection Fund for distribution to precepting authorities and the Authority's General Fund.

**Creditors**
Amounts owed by the Authority for works completed, goods received or services rendered before the end of the accounting period but for which payments have not been made.

**Current Assets**
Assets which can be expected to be consumed or realised during the next accounting period.

**Current Liabilities**
Amounts which will become due or could be called upon during the next accounting period.

**Current Service Cost (Pensions)**
The increase in the present value of a defined benefit scheme's liabilities as a result of employee service earned in the current period.

**Curtailment (Pensions)**
An event that reduces the expected years of future service of present employees, or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

## D

**Debtors**
Amounts due to the Authority for works completed, goods received or services rendered before the end of the accounting period but for which payments have not been received.

**Depreciation**
The estimated benefit of an asset consumed during the accounting period, owing to age, wear and tear, deterioration or obsolescence.

**Direct Revenue Financing (DRF)**
Resources provided from an authority's revenue budget to finance the cost of capital projects.

## E

**Equity**
The Authority's value of total assets less total liabilities.

**Equity Instrument**
A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

**Events After the Reporting Period**
Those (non-adjusting) events, both favourable and unfavourable, of such materiality that their disclosure is required for the fair presentation of the Statement of Accounts, which occur between the Balance Sheet date and the date on which the Accounts are signed by the responsible financial officer.

**Exceptional Items**
Events or transactions that fall within the ordinary activities of the Authority and need to be disclosed separately due to their size to give fair presentation of the accounts.

**External Audit**
The independent examination of the activities and accounts of local authorities in order to give an opinion as to whether the Statement of Accounts have been prepared in accordance with legislative requirements and proper practices, and to ensure the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## F

**Fair Value (FV)**
The price an asset could be exchanged for in an arm's length transaction less any grant.

**Fees and Charges**
Income raised by charging users of services for facilities, e.g. leisure centres, trade refuse, etc.

**Finance Leases**
A lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Accounting guidance requires that it should be presumed that such transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90% or more) of the fair value of the leased asset. The present value is calculated using the interest rate implicit in the lease.

**Financial Asset**
A right to future economic benefits controlled by the Authority that is represented by:
- cash
- an equity instrument of another entity
- a contractual right to receive cash (or another financial asset) from another entity
- a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Authority.

**Financial Instruments**
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial Liability**
An obligation to transfer economic benefits controlled by the Authority that is represented by:
- a contractual obligation to deliver cash (or another financial asset) to another entity
- a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Authority.

## G

**General Fund (GF)**
The main revenue fund of a billing authority, used to meet day-to-day spending.

**Government Grants**
Grants made by the Government towards either revenue or capital expenditure to support the cost of providing the Authority's services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the Authority.

**Gross Expenditure**
The total cost of providing the Authority's services before taking into account income from government grants and fees and charges for services.

**Growth**
Any increase in spending from one year to another which enables the Authority to pay for more services rather than to meet higher costs.

## H

**Housing Benefit (Rent Allowance)**
An allowance to persons on low (or no) income to meet, in whole or part, their rent. Benefit is allowed or paid by local authorities but central government refunds part of the cost of the benefit provided and of the running costs of the service to local authorities.

## I

**Impairment**
A reduction in the value of a fixed asset, below its carrying amount on the Balance Sheet.

**Income**
Amounts that the Authority receives or expects to receive from any source, including fees and charges, sales and grants.

**Infrastructure Assets**
Non-current assets belonging to the Authority which do not necessarily have a resale value e.g. highways, and for which a useful life span cannot be readily determined.

**Intangible Assets**
Non-financial assets which do not have physical substance but are identified and controlled by the Authority through legal rights e.g. IT Software.

**Interest Receivable**
The money earned from the investment of surplus cash.

**Inventories**
Items of raw materials and stores an authority has procured to use on a continuing basis and which it has not yet used.

**Investment Property**
Land and Buildings non-current assets held only for investment potential.

## J

**Joint Arrangement**
An arrangement under which the participants engage in joint activities but do not create a legal entity because it would not carry on a trade or business of its own.

## L

**Liability**
A liability is where the Authority owes payment to an individual or another organisation. See also Contingent Liability, Current Liabilities and Financial Liability

**Local Council Tax Support Scheme**
Assistance provided by billing authorities to adults on low incomes to help pay their Council Tax bill. The cost is borne by the Council.

**Long-Term Assets**
Non-current and other assets which can be expected to be of use or benefit the Authority in providing its service for more than one accounting period.

**Long-Term Liabilities**
Amounts which will become due or could be called upon beyond the next accounting period.

## M

**Materiality**
The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements to a reader.

**Minimum Revenue Provision (MRP)**
The minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for repayment of debt as required by the Local Government Act 2003.

## N

**National Non-Domestic Rates (NNDR)**
A levy on businesses, based on a national rate in the pound set by the Government, multiplied by the rateable value of the premises they occupy.

**Net Book Value (NBV)**
The amount at which non-current assets are included in the balance sheet.

**Net Debt**
The Authority's total borrowings less cash investments.

**Net Expenditure**
Gross expenditure less specific service income.

**Net Interest on the Net Defined Benefit Liability (Pensions)**
The net interest expense - the change during the period in the net benefit liability that arises from the passage of time.

**Non-Current Assets**
Property, plant and equipment and other assets that bring longer term benefit or service potential to the Authority.

**Non-Operational Assets**
Assets held by the Authority but not directly occupied, used or consumed in the direct delivery of services, e.g. assets in the course of construction and surplus land.

## O

**Operating Leases**
A lease other than a Finance Lease (see above). The future obligations relating to operating leases are disclosed to provide the reader with an estimate of the outstanding un-discharged obligations in relation to such leases.

**Operational Assets**
Non-current assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has a statutory or discretionary responsibility.

**Outturn**
Actual income and expenditure in a financial year (accounting period).

## P

**Past Service Costs (Pensions)**
The increase in the present value of the defined benefit scheme liabilities, related to employee service in prior periods, arising as a result of, or improvement to, retirement benefits.

**Pension Fund**
An employees' pension fund maintained by an authority, or group of authorities, in order to make pension payments on the retirement of its participants; it is financed from contributions from the employing authority, the employee and investment income.

**Precept**
A levy made by one statutory body (Precepting Authority) on another to meet the net cost of its services.

**Precepting Authorities**
Those authorities that are not Billing Authorities; i.e. do not collect the Council Tax and National Non-Domestic Rates. Police authorities are 'major' precepting authorities and town and parish councils are 'local' precepting authorities.

**Prior Period Adjustments**
Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**Provisions**
Amounts set aside for the purposes of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or the date on which it will arise, e.g. bad debts.

**Prudence**
The concept that income should only be anticipated to the extent that it will be received, as cash or other assets, with reasonable certainty and full and proper allowance should be made for all known and foreseeable losses and liabilities.

**Prudential Code**
The CIPFA Prudential Code for Capital Finance in Local Authorities – the guidance applicable from April 2004 for the greater freedom for authorities to borrow to fund capital investment (under the Local Government Act 2003). This Code requires the Authority to set and monitor a suite of Prudential Indicators, including its Affordable Borrowing Limit, and establish its policy for using the new freedoms.

## R

**Rateable Value**
The annual assumed rental value of a hereditament that is used for NNDR purposes.

**Revenue Expenditure Funded by Capital Under Statue (REFCUS)**
Expenditure of a capital nature but for which there is no tangible asset, e.g. renovation grants.

**Related Parties**
Two or more parties are related parties when at any time during the financial period:
- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Examples of related parties to an authority include Central Government, Local Authorities and other bodies precepting or levying demands on the Council Tax, its Members, its Chief Officers and its Pension Fund.
For individuals identified as related parties, it is also presumed that members of the close family, or the same household, or any partnerships, companies in which the individual or a member of their close family, or the same household has a controlling interest, are deemed to be related parties.

**Related Party Transactions**
The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. The materiality of related party transactions is judged not only in terms of their significance to the Authority, but also in relation to its related party.

**Reserves**
Amounts set aside in the accounts for the purpose of meeting general, future expenditure. Reserves may also be used to smooth the cost of certain activities over a number of years. A distinction is drawn between reserves and provisions (see above), which are set up to meet known liabilities.

**Retirement Benefits**
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**Return on Plan Assets (Pensions)**
Changes during the period in the net benefit liability that arises from the passage of time excluding amounts included in Net Interest on the Net Defined Benefit Liability.

**Revenue Expenditure**
Spending on day-to-day items including employees' pay, premises and transport costs and supplies and services.

**Revenue Support Grant**
A general grant paid by the Government to Council's contributing towards the costs of their services.

## S

**Specific Grants**
The term used to describe all government grants, including supplementary and special grants, to local authorities other than Revenue Support Grant and capital grants.

## T

**Total Cost**
The actual cost of services reflecting all of the direct, indirect and overhead costs that have been incurred in providing the service, even where the expenditure is not under the control of the service's chief officer.

## W

**Work In Progress**
The cost of work carried out on an uncompleted project at the Balance Sheet date, which should be accounted for within the accounting period.

# INDEX OF NOTES TO THE ACCOUNTS